Positioned for growth, sharing and success

Barclays Bank PLC

Annual Report 2017

About this report

Where we can 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.

For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Barclays PLC Annual Report 2017 at **home.barclays/annualreport**

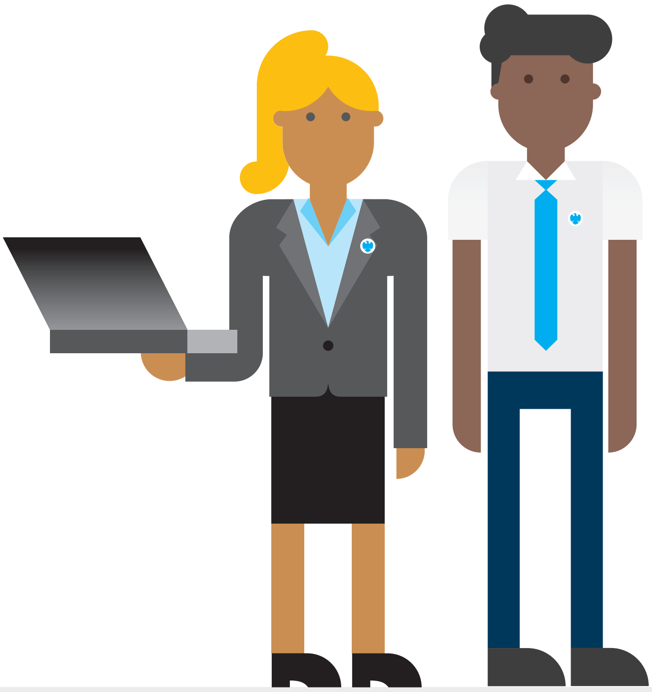
Barclays Bank PLC Annual Report
Our Governance, our Risks and our Financials

Strategic Report
An overview of the business

Environmental Social Governance Report
Our shared growth ambition

Country Snapshot
Our tax contributions

Pillar 3 Report
Our Risk profile and how we manage it



Barclays Bank PLC Annual Report was approved by the Board of Directors on 21 February 2018 and signed on its behalf by the Chairman.

Report of the Auditor
The Auditor's report on the full accounts for the year ended 31 December 2017 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors' report are consistent with the accounts) of the Companies Act 2006 was unqualified.

Approach to non-financial performance reporting
We note the requirements under the provisions of The Companies Act 2006, relating to the preparation of the Strategic Report which have been amended by the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, which implements EU Directive 2014/95/EU (on non-financial and diversity information). As a result of these changes, we have integrated the information required for a Non-Financial Information Statement into the Strategic Report, thereby promoting cohesive reporting of non-financial matters.

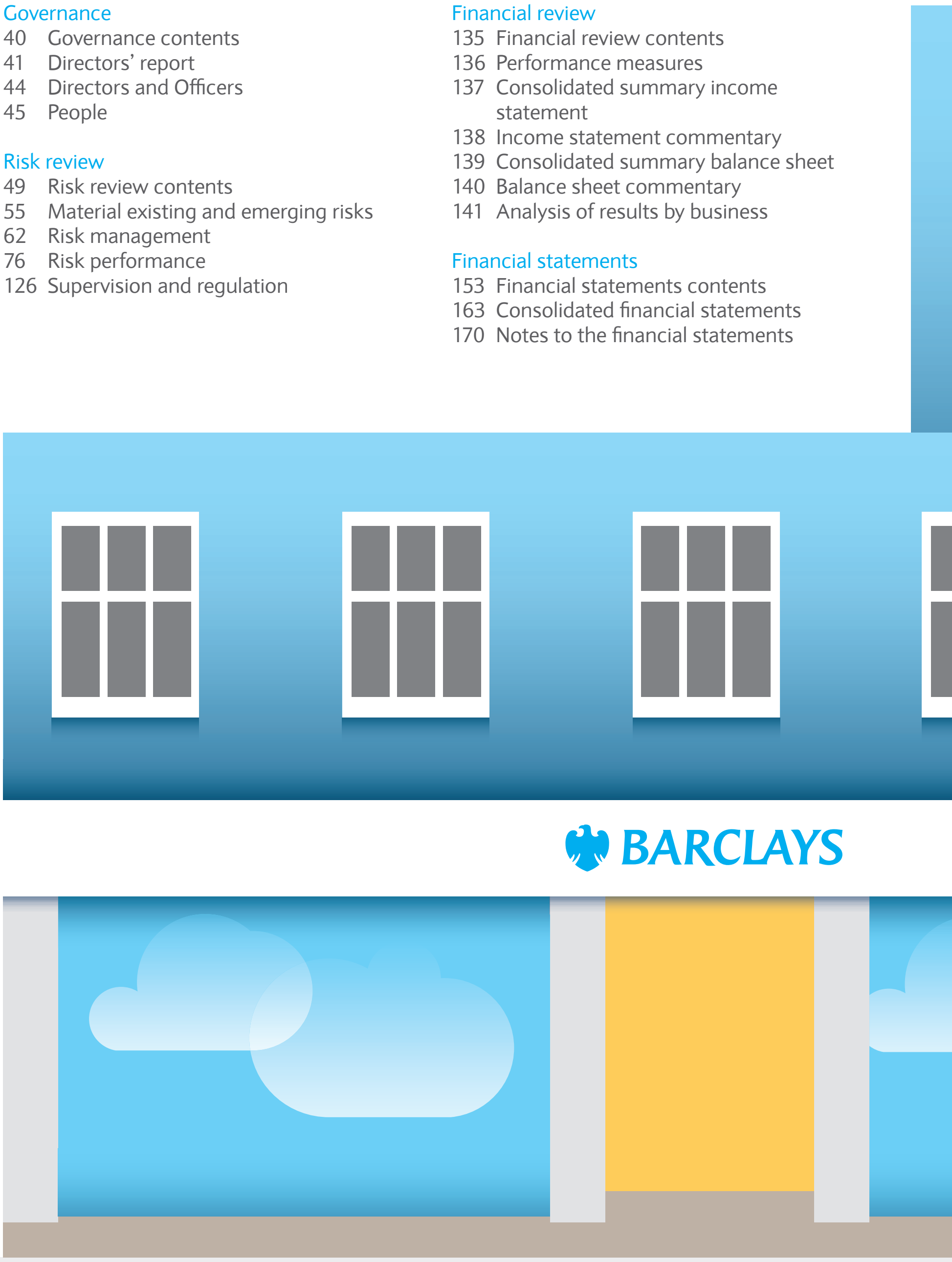
Notes, Non-IFRS performance measures and forward-looking statements
Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements. This document also contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. For further details on Notes, Non-IFRS performance measures, and forward-looking statements used within this document, please see the back cover.

The Strategic Report

An overview of our 2017 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

The Detailed Report

Within the Annual Report, these disclosures inform of Barclays 2017 performance. The content meets, and where insightful, goes beyond minimal regulatory reporting standards.



While a number of challenges remain, the launch of the ring-fenced bank expected at the beginning of April this year largely draws a line on large-scale restructuring, and we look forward to a more traditional business pattern, including the return to a more normal dividend pattern.

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.

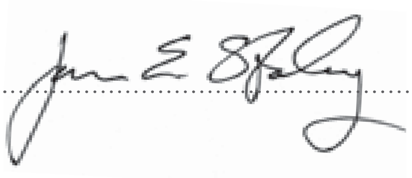
Finally, I would thank shareholders for their patience, and believe it will be rewarded. The situation is more complex and difficult than we had envisaged, and is taking longer than we hoped, but shareholders can rest assured that we will continue to strive to deliver the performance and value creation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

John McFarlane
Chairman

We have strong foundations in place for delivering to stakeholders and society…

Two years ago, we laid out our plan to build a Barclays that is fit for the future. To recast our business as a transatlantic consumer and wholesale bank, with global reach.

I am pleased to report that the significant task of restructuring this great institution was completed in 2017.



The spirit, energy and professionalism that my colleagues from across Barclays have brought to this endeavour gives me great confidence in our future, both as Group CEO and as a shareholder. While there is still work to be done, the story of Barclays in 2017 has been one of considerable strategic progress.

On the 1st of June, we completed the sell down of our shareholding in Barclays Africa. At a stroke, this single act permitted accounting deconsolidation and regulatory proportional consolidation, reduced both cost and complexity, and improved our capital strength.

Our Group profit before tax is up by 10%, year on year.

In July, we closed Barclays' Non-Core unit, six months ahead of plan. In doing so, we eliminated some £95bn of risk weighted assets, sold more than 20 businesses, exited operations in a dozen countries, and reduced costs by over £2bn - all in just three years.

In September, we stood up the Group Service Company, where around 42,000 of our 80,000 employees now work. Operational and technological strength is a key competitive advantage for any global bank today. The cost efficiencies and improvements in effectiveness realised from this strategic decision are already being felt right across the Group – and that is making a real and positive difference to our customers and clients' lives, every day.

By December, we had largely completed the work to build our UK ring-fenced bank, which we expect will be fully up and running by the time we meet at the Annual General Meeting (AGM).

The Barclays of today is almost unrecognisable, compared with just a few years ago. The momentum we have built in successfully delivering on our plans so far, leaves me with a sense of confidence about our next task: delivering acceptable Group returns for you, our shareholders.

Our financial performance in 2017 shows that we are on our way to doing this. Our Group profit before tax is up by 10%, year on year, largely driven by a reduction in Non-Core losses. Group return on tangible equity, excluding litigation and conduct charges, the losses related to the sell down of BAGL and a one-off adverse impact from US tax reform, stood at 5.6% in 2017.

Our two businesses, Barclays UK and Barclays International, performed fairly well in the year despite challenging market conditions, and the Group is benefitting from the balance that the diversity of product, currency, geography, and business mix, gives us. In Barclays UK profitability held up, with good progress in mortgages, deposit growth, and mobile banking. Profits were down in Barclays International versus 2016, due to a poor performance in the Markets business of our Corporate and Investment Bank in difficult trading conditions for the industry. We have strong plans in place to address that underperformance in 2018. Our Consumer, Cards and Payments business continues to produce excellent levels of income, while managing risk effectively.

Perhaps most importantly of all, we enter 2018 in a strong capital position. By the end of 2017, we were at a Common Equity Tier 1 (CET1) ratio of 13.3%, within our end-state target range.

This shows that Barclays can sustainably generate profits at a healthy rate, and our capacity to do so should increase over time as we grow our businesses.

That is why in 2017 we set ourselves ambitious but attainable targets for Group returns of greater than 9% in 2019, and of greater than 10% in 2020, excluding litigation and conduct, and based on a CET1 ratio of around13%.

A small number of significant legacy conduct issues remain, and we will need to resolve them in due course.

Nevertheless, it is our intention to prioritise the return of capital to shareholders, beginning this year. We plan to pay a dividend for 2018 of six and a half pence, which is more than double the amount paid in 2016 and 2017, and restores it to the level paid in 2015.

This is an important first step, but is still a fairly modest proportion of our anticipated earnings for Barclays. It is our firm intent, over time, to return a greater proportion of our earnings to shareholders, both through the annual dividend and in other ways. For example, it has been some 20 years since Barclays last used share buybacks as a means of returning value to investors, but we expect these to be an important part of the capital return mix going forward.

I have worked in banking for some 38 years, and I can say with conviction that the way Barclays does business, constantly seeking to earn the trust of every customer, client and community we serve, is truly extraordinary.

In 2017 we celebrated the 20th anniversary of the Barclays Citizenship Awards - a year which saw over half of our colleagues take part in volunteering, fundraising or giving programmes. Among many examples of great contributions to the communities in which we operate, I was particularly proud of the work we have done to increase digital safety and to prevent the growing threat of fraud. Our education and awareness campaign has seen over 4.8 million people take action to protect themselves as a result.

Supporting the ambitions of customers, clients and communities is not just the right way to act, it also makes commercial sense. When the societies where we operate succeed, Barclays succeeds. That is why, for over three centuries, this great institution has risen to the challenges that our communities face, and played our part in meeting them.

This is particularly true as our home country, the United Kingdom, faces uncertainty as negotiations to leave the European Union unfold. Whatever may come, Barclays is here to stay, and here to help the 24 million customers and almost one million UK businesses, who put their trust in us, every day.

In 2017 over half of our colleagues took part in volunteering, fundraising or giving programmes.

It is the talent, ingenuity and dedication of our people, and the progress we have made in the past year, which gives me great confidence for our future. I look forward to discussing this future with you when we meet at our AGM in May.

James E. Staley
Group Chief Executive

Barclays Citizenship Awards

Going the extra mile to benefit society and Barclays is what our Shared Growth Ambition is all about. The Citizenship Awards is a chance to celebrate the extraordinary Barclays colleagues who do just that and play a positive role in society.

2017 marked the 20th anniversary of the awards. There were almost 500 nominations for the awards, celebrating the outstanding Citizenship contributions of our employees to driving economic, environmental and social prosperity.

The awards were split into five categories that encompass Citizenship and our Shared Growth Ambition: access to financing, access to financial and digital empowerment, access to employment, colleagues in the community and the way we do business.

Whether it's creating commercial products with a positive societal impact, empowering customers with better financial and digital skills, helping people get into the world of work, improving the way we do business, or colleagues giving their time and skills to the causes they're passionate about, there is a huge variety of ways in which Barclays colleagues contributed to society in 2017.

Being a contributor is a very important part of the culture of Barclays. It says the right things about who we are. Barclays is a business built on our people and we are proud of the contributions that our extraordinary people make to our Citizenship ambitions.

Operating environment

…in a constantly evolving environment that creates opportunity and risk

As a transatlantic consumer and wholesale bank with operations globally, Barclays is impacted by a wide range of macroeconomic, political, regulatory, accounting, technological and social developments. The evolving operating environment presents opportunities and risks which we continue to evaluate to ensure that we appropriately adapt our strategy and its delivery.

Global growth saw a modest recovery in 2017, principally driven by an upswing in Europe and Asia. However, the interest rate environment remained low, albeit with indications of Central Banks positioning for a tightening cycle. Notably, the Federal Reserve and the Bank of England commenced tightening actions, with an increase in their key policy rate as well as initiation of actions to wind-down quantitative easing programmes. The low interest rate environment combined with continued low market volatility, relatively weak consumer confidence and a slowing housing market in the UK continued to impact banking sector performance by making income generation more challenging.

The political environment remained uncertain globally throughout 2017 with a notable increase in geopolitical tensions. We remain vigilant to these risks and their potential impact on global trade and investment. In the UK, the General Election resulted in a hung Parliament while negotiations with the EU on post-Brexit arrangements continue, without full clarity on the nature of the UK's relationship with the EU immediately following its exit. In July, in response to the EU referendum outcome, Barclays announced its intention to use an existing subsidiary in Ireland as its European licensed entity from which to passport financial services across the EU, thereby continuing to serve its customers and clients in the EU post Brexit.

The regulatory landscape impacting Barclays evolved through 2017 and will continue to do so in 2018. The banking industry in the UK has continued implementation of measures to meet Structural Reform requirements, which include the requirement to ring-fence certain activities. As part of these reforms, Barclays launched its Group Service Company in September 2017. The implementation of Structural Reform and other regulatory changes requires significant focus and we are seeking to minimise disruption to our customers and clients, while executing in accordance with regulatory timelines (as set out on page 204 of the Barclays PLC Annual Report 2017). Barclays' ring-fenced bank will be operational during the first half of 2018, subject to court and regulatory approvals.

The banking industry in the UK has continued implementation of measures to meet Structural Reform requirements, which include the requirement to ring-fence certain activities.

With effect from 1 January 2018, as part of the US Tax Cuts and Jobs Act, the federal corporate income tax rate has been reduced from 35% to 21%. Given the Group's substantial US operations, this tax rate cut materially impacted the measurement of Barclays' US deferred tax assets, however it will also result in a material reduction to the Group's future effective tax rate. This Act also introduced the Base Erosion and Anti-Abuse Tax (BEAT) which involves complex provisions with currently uncertain practical and technical application and which may reduce the future benefit of the lower statutory tax rate.

Detailed analysis of our tax can be found in the Annual Report, or in the Country by Country report, both found at home.**barclays.com/annualreport**

In addition, from 1 January 2018 the introduction of IFRS 9, Financial Instruments, will see significant changes to the accounting for impairment and measurement of expected credit losses which we discuss further, along with other significant accounting policies on pages 241 to 246 of the Barclays PLC Annual Report 2017.

Our operating environment continues to be influenced by rapid technological change, significantly impacting customer expectations and behaviour as well as leading to the ongoing review of established banking operating models. We are investing to position our business at the forefront of this evolving environment. New technology is transforming the way customers interact with their banks and continues to encourage new entrants into the market. We expect to see these trends accelerating in 2018 with the implementation of the Second Payment Services Directive ("PSD2") and Open Banking, which will have a profound impact on the banking landscape by allowing customers to choose to enable third parties to access their data. Barclays is very supportive of the opportunities that Open Banking presents for those who design their propositions and experiences with customers at their heart. However, we are also aware of potential customer concerns regarding data security and we continue to work hard to ensure the safety of customer data.

Our Corporate and Investment Bank clients are anticipating enhanced electronic capabilities as well as enhanced transparency through the new Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II), as part of their operating environment. For example, recent advances in trading automation continue to change the operating landscape through increased experimentation with, and implementation of, solutions relying on machine learning, natural-language processing and predictive analytics.

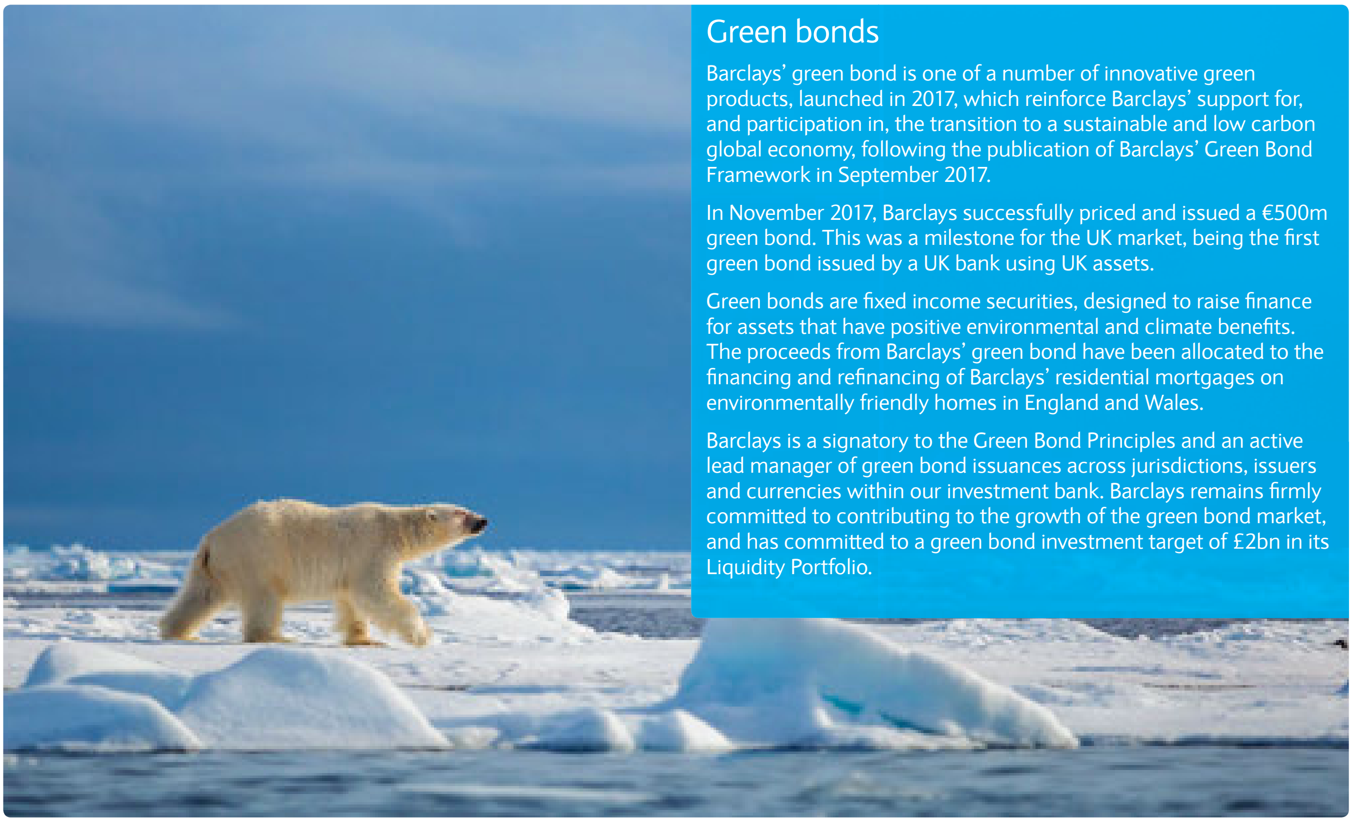
For further information on the changes in Supervison and Regulation of the Group, please page 197 of the Barclays PLC Annual Report 2017.

We continue to invest in our digital and mobile capabilities to respond to these rapid changes, while maintaining a continued focus on the risks posed by fraud and social engineering and the importance of network defence, cyber risk, IT security and the appropriate management of our most valuable environments and high risk users in the face of growing cyber threats. In 2017, we launched #digisafe, a UK-wide consumer engagement campaign to highlight the importance of digital safety, helping people to be more aware of the risks that exist in the digital world and how to be safer online.

During 2017 there was further activity to advance the financial sector's understanding of the potential financial, operational and strategic implications of climate change. Recognition of the commercial, reputational and regulatory implications of climate change are shaping the way businesses engage with the climate change agenda. At Barclays, we want to facilitate our stakeholders' access to financing that places green principles at its core. Please see the Case Study below for examples of how we are putting our beliefs into practice.

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 121 of the Barclays PLC Annual Report 2017.



Green bonds

Barclays' green bond is one of a number of innovative green products, launched in 2017, which reinforce Barclays' support for, and participation in, the transition to a sustainable and low carbon global economy, following the publication of Barclays' Green Bond Framework in September 2017.

In November 2017, Barclays successfully priced and issued a €500m green bond. This was a milestone for the UK market, being the first green bond issued by a UK bank using UK assets.

Green bonds are fixed income securities, designed to raise finance for assets that have positive environmental and climate benefits. The proceeds from Barclays' green bond have been allocated to the financing and refinancing of Barclays' residential mortgages on environmentally friendly homes in England and Wales.

Barclays is a signatory to the Green Bond Principles and an active lead manager of green bond issuances across jurisdictions, issuers and currencies within our investment bank. Barclays remains firmly committed to contributing to the growth of the green bond market, and has committed to a green bond investment target of £2bn in its Liquidity Portfolio.

Our enhanced structure empowers our business model…

In 2017, Barclays made significant progress reorganising the business to enable a sharper focus on our strengths as a transatlantic consumer and wholesale bank with global reach.

Barclays PLC's and Barclays Bank PLC's strategies remained aligned during 2017. In order to prepare for UK ring-fencing requirements the Group reorganised the legal entity structure into the two clearly defined divisions of Barclays UK and Barclays International supported by the Group Service Company, Barclays Services Limited, which was stood up in September 2017 under Barclays PLC. In order to implement UK ring-fencing, expected to be in April 2018, Barclays Bank PLC will transfer the assets and liabilities of the Barclays UK division to the ring-fenced bank, Barclays Bank UK PLC. Barclays Bank PLC's investment in Barclays Bank UK PLC will then be transferred out of the Barclays Bank PLC Group to Barclays PLC. The remaining business within Barclays Bank PLC will consist of the Barclays International division, as well as head office and treasury functions. Barclays Bank PLC and Barclays Bank UK PLC will operate alongside, but independently from one another as part of the Barclays Group under Barclays PLC. Since September 2017, Barclays Services Limited has already provided services to both these entities with costs being recharged to both Barclays UK and Barclays Bank PLC. For an overview of the changes, resulting group structure and timeline please refer to page 134. We have also published illustrative, unaudited pro-forma financial statements for 2017 on a post ring-fencing view for both Barclays Bank UK PLC, and Barclays Bank PLC. Please see **home.barclays.com/annualreport**

Following the implementation of UK ring-fencing, Barclays Bank PLC's strategy is expected to align to the strategy for Barclays International and, in turn, the strategy for Barclays International will continue to be set as part of the overall strategy of the Barclays Group. However, because the businesses, assets and liabilities of Barclays UK will no longer be contained within Barclays Bank PLC, the financial metrics of Barclays Bank PLC are expected to differ from those of the overall Barclays Group. Accordingly, during the course of 2018, Barclays Bank PLC expects to develop financial performance metrics of its own, that will reflect the changes brought about by UK ring-fencing. While such financial performance metrics are likely to differ from those currently adopted for the overall Group, they will be determined within the parameters of the overall Group strategy and will be set consistently with our on-going aim of contributing to the generation of long-term sustainable returns for the shareholders of Barclays PLC.

In March 2016, we announced our intention to operate through two principal business divisions: Barclays UK and Barclays International. As well as accelerating the delivery of our strategy, this change helped enable Barclays to fulfil the requirements of our UK regulators in regard to ring-fencing. Ring-fencing of essential retail banking services is one of the reforms introduced by the UK government to strengthen the UK financial system following the financial crisis that began in 2007. It requires the larger UK high street banks, including Barclays, to separate certain retail and smaller corporate banking activity and products, like savings accounts, current accounts and payments, from more complex, wholesale and investment banking activity and from certain activities outside of the UK and European Economic Area. This separation must be completed by 1 January 2019.

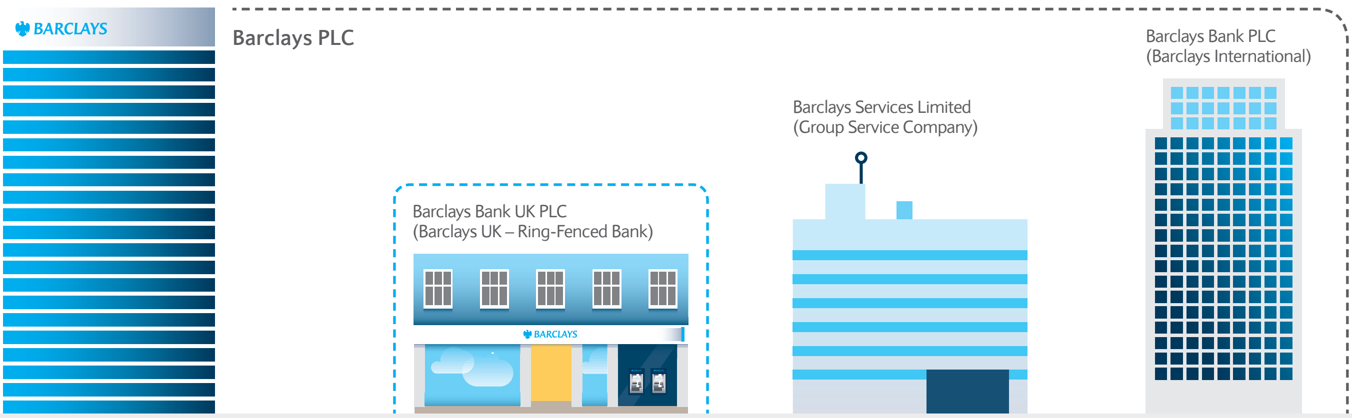
Both Barclays UK and Barclays International currently operate within the legal entity of Barclays Bank PLC. Barclays UK offers everyday products and services to retail and consumer customers and small to medium sized enterprises based in the UK, and Barclays International delivers products and services designed for our larger corporate, wholesale and international banking clients. During the first half of 2018, we will formally separate the Barclays UK division into a new legal entity – Barclays Bank UK PLC – which will become our UK ring-fenced bank, subject to court and regulatory approvals.

Products and services designed for our larger corporate, wholesale and international banking clients will continue to be offered by Barclays International from within Barclays Bank PLC. Barclays Bank UK PLC and Barclays Bank PLC will operate alongside, but independently from one another as part of the Barclays Group under the listed entity, Barclays PLC.

In September 2017, in preparation for the separation of the Barclays UK business into its separate legal entity, we created our Group Service Company, Barclays Services Limited, as a subsidiary of Barclays PLC. The Group Service Company will deliver critical infrastructure services to businesses within the Barclays Group and will enhance operational continuity for our business units, facilitating the execution of recovery and resolution plans in the event of financial difficulty. It will also become a centre of excellence for services required by the business, such as fraud management and cyber security, reducing duplication and promoting best practice across our businesses.

The new organisational structure, illustrated below, brings complementary businesses more closely together; creates an enhanced focus on our client proposition and offering across all target sectors; and, through the creation of the new Group Service Company, establishes a centre of service excellence that will drive efficiency and increase the Group's resilience.

Further information on Structural Reform can be found on page 204 of Barclays PLC Annual Report 2017. Illustrative unaudited pro-forma financials for Barclays Bank UK PLC and Barclays Bank PLC are available at home.barclays.com/annualreport



…and creates value for our stakeholders, with economic benefits to society

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

Our business model is aligned with our strategy of being a leading, diversified transatlantic bank with global reach.

Read more on our strategy on pages 10 to 11.

For further information on our divisions, see: Barclays UK – pages 23 to 28
Barclays International – pages 29 to 34

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 built on trust
- a solid track record of successfully innovating for customers and clients
- our geographic focus: firmly anchored in the two financial centres of London and New York, with global reach
- the skills and expertise of our people and our shared values which inform the way we work and how we act

The skills and trust in our staff helps us, through a range of initiatives, increase financial literacy

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, large corporates and multinational companies, financial institutions and banks, institutional investors, funds, sovereign institutions and governments

We offer:

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

Our business services are tailored to help support SMEs and entrepreneurs, creating wealth

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

- our services generate revenue 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
- we aim to capture the benefits of diversification through efficient delivery of cross-group synergies

Meeting the demands of our customers around sustainable investment drives sustainable value

We aim to deliver a broad spectrum of value through 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 in general to address societal issues and needs

Innovation through our products and services is helping increase access to finance and generating dividends and returns

We have positioned Barclays as a leading, diversified, transatlantic bank with global reach…

As a leading, diversified, transatlantic bank with global reach, our goal is to support our stakeholders via a commercially successful business that generates long-term sustainable returns.

We reflect our strategy in a number of financial and non-financial measures.

Read more on our financial and non-financial measures on pages 15-22.

Building on our strong foundations

The strategy of Barclays PLC Group is to build on our strength as a transatlantic consumer and wholesale bank, anchored in our two home markets of the UK and US, with global reach. Our two clearly defined divisions, Barclays UK and Barclays International, provide diversification to our business model. We believe that combining consumer and wholesale businesses, as well as accessing geographic diversification, provide real advantages to both the Group and our investors and help contribute to the delivery of more consistent and sustainable returns through the business cycle. Effective execution of our strategy of diversification should reduce volatility of income and earnings, generate higher returns through the cycle and improve resilience of the Group as a whole.

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

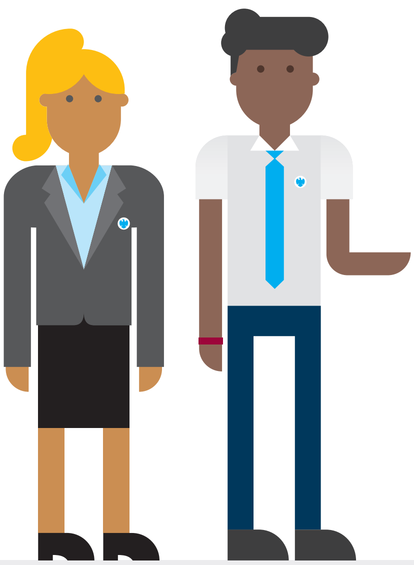
You can read more about our Shared Growth Ambition within our performance metrics on page 21.

Completion of the restructuring announced in March 2016

In 2017, we successfully delivered on two key components of the strategic priorities we announced in March 2016:

- During the course of 2017 we completed the partial sale of our stake in Barclays Africa Group Limited (BAGL) resulting in a non-controlling, accounting deconsolidated position with a residual 14.9% shareholding in BAGL
- on 1 July we closed Barclays Non-Core, six months ahead of schedule, representing a watershed moment for the implementation of the Group's strategy

These actions have significantly contributed to the simplification of the Group, helping to reduce drag on Group profitability and laying the foundations for Barclays to drive sustainable returns in its businesses.



Delivering the Barclays of the future

Our focus is now on building the Barclays of the future, operating principally through Barclays UK, Barclays International and supported by the new Group Service Company. We are fully committed to our model as a diversified bank and will remain a well-diversified financial institution providing best-in-class products and services to our customers and clients, underpinned by world class operations. We believe that the Group and its entities are well positioned to deliver future growth and appropriate returns for shareholders.

We will remain a well-diversified financial institution providing best-in-class products and services to our customers and clients.

We continue to investment in our technological and digital capabilities to facilitate delivery of our strategy. This is particularly relevant in Barclays UK where we already have a strong digital proposition, Barclays Mobile Banking. We have a clear strategy to use technology to deliver deeper and more meaningful customer relationships by transforming the way we interact with customers, leverage data analytics and take advantage of the opportunities presented by Open Banking. Delivering a truly customer-centric model is at the heart of Barclays UK's strategy.

Barclays International will continue to focus on markets and services where we have a competitive advantage, allocating capital where we see the ability to generate the most attractive risk-adjusted returns and investing where we see an opportunity to expand our market share. We see technology as a significant enabler for our strategy across the investment banking business, particularly in Markets business lines, and will continue to invest appropriately, alongside recruiting the best talent as we build the Barclays of the future. In July 2017, we announced our intention to use Barclays Bank Ireland, an existing licensed EU-based bank subsidiary, to continue passported activity the UK's departure from the EU.

Despite the uncertainty around the final outcome of the negotiations between the UK and EU, our planning is driven by a strategic intention to preserve EU market access for Barclays and our customers and clients, with a continuous seamless service.

Contact centres – creating a seamless end to end customer experience in an omni-channel environment

We believe the Group Service Company will enable the delivery of world class services to our customers and clients while driving efficiency gains.

Our global contact centres teams within Barclays UK and Barclays International support over 60 million customer calls each year, across several geographies and business areas. Our colleagues are central to our customer experience and through the creation of the Group Service Company we have a unique platform to unlock opportunities across our shared colleague and technology propositions and through doing so, continue the transformation of our customer experience for Barclays UK and Barclays International.

In the past, our technology supporting contact centres has been highly fragmented and we have operated with different processes with each business unit having their own contact centres, leading to more than 30 different contact centre sites, utilising over 100 bespoke technology applications. Through the creation of the Group Service Company we aim to streamline our technology estate, identifying synergies to support a world class customer and colleague experience.

We will also continue to evolve the way we interact with customers through a highly integrated omni-channel framework, enabling customers to interact with Barclays through their channel of choice.

We will continue to roll out and scale new capabilities throughout 2018, supporting our customers choice in how they interact with us.

Leveraging our geographic and business diversification, we see a significant opportunity to develop our payments capabilities across the Group. We aim to leverage our extensive experience and expertise developed through our leadership position in the UK to grow our market share in the US. In the Business to Business (B2B) space, we will continue to invest in our commercial payments capabilities, in order to meet the evolving needs of our customers, by leveraging innovative solutions and our data assets. On the consumer side, we are growing our mobile payment solutions in the UK. In the US, we see opportunity to build on our position of 9th largest credit card issuer by receivables, as our targeted partnership model drives continued growth. Furthermore, we are investing in our US consumer banking proposition, where we have a growing, own-brand and prime-focused digital banking offering.

Our strategic execution as a diversified bank has been enhanced by the launch of the Group Service Company. The Group Service Company changes the way Barclays operates, enabling the delivery of world class services through a more standardised global operating model. We believe our Group Service Company will enable us to extract cross-group cost synergies through simpler processes, enhanced controls, a better co-ordinated service provision and more effective management of investment in our technology and processes. The Group Service Company is a key component of Barclays' operating model.

> We believe our Group Service Company will enable us to extract cross-group cost synergies.

We remain focused on resolving legacy conduct, litigation and regulatory matters and delivering enhanced controls

We aspire to be one of the world's most respected and well-regarded banks. We are working hard to resolve outstanding legacy issues in an appropriate time frame and manner, while continuing to strengthen our control environment. We put our customers and clients at the heart of everything we do and seek to strengthen the trust of our customers, clients and wider society.

…with a structure and governance that enable us to manage risk…

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

The recent changes to the structure of the bank in anticipation of ring fencing, together with the closure of the Non-Core, and the partial sell down of our shareholding in BAGL mean that we have even more clarity on our strategic direction. The risks we undertake in delivering this strategy are now also well-defined.

Enterprise Risk Management Framework

At Barclays, risks are identified and managed in the business through the Enterprise Risk Management Framework (ERMF), which supports the CEO and Chief Risk Officer in embedding effective risk management and a strong risk culture.

By applying mandate and scale limits, we can enable and control specific activities.

The EMRF specifies the Principal Risks of the Group and the approach to managing them.

Risk Appetite

Risk Appetite defines the level of risk we are willing to take across the different risk types, taking into consideration varying levels of financial stress. Risk Appetite is key for our decision making process, including business planning, mergers and acquisitions, new product approvals and business change initiatives. By applying mandate and scale limits across legal entities and businesses, we can enable and control specific activities that may have material concentration.

The management of risk is embedded into each level of the business, with all colleagues being responsible for the understanding and managing of risks. This is done by specifying responsibilities according to the 'Three Lines of Defence'. Each Line of Defence is overseen by the next, resulting in a strong design, implementation, remediation, monitoring and testing framework, with independence and robust governance.

Three Lines of Defence

The First Line of Defence comprises the revenue generating and client facing areas, along with all associated support functions. The First Line identifies the risks, and sets the policies, standards and controls, within the criteria set by the Second Line of Defence.

The Second Line of Defence comprises Risk and Compliance employees and oversees the First Line, setting the limits, rules and constraints, consistent with the Risk Appetite of the firm.

The Third Line of Defence comprises Internal Audit employees, providing independent assurance to the Board and Executive Management.

The Legal function does not sit in any of the three lines, but supports them all and plays a role in overseeing Legal Risk. The legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational and conduct risks.

Together with a governance process using Business and Group level Risk Committees and Board level forums, the main Board of Barclays receives regular information in respect of the risk profile of the Group, and has ultimate responsibility for risk appetite and capital plans.

Risk management post-ring fencing

There are no significant changes to the ERMF proposed following ring-fencing. However, each of the Boards of Barclays Bank UK PLC and Barclays Bank PLC will approve and implement the ERMF at an entity level, with any requirements specific to the relevant legal entity documented within the ERMF. Group-wide risk management principles will govern both Barclays Bank UK PLC and Barclays Bank PLC and their own legal entity governance processes around risk management, capital and liquidity plans.

We believe that our structure and governance will enable us to manage risk in changing economic, political and market environments.

Principal Risks are overseen by a dedicated Second Line function

Risks are classified into Principal Risks, as below		How risks are managed
Credit Risk	The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.	Credit risk management teams set the Risk Appetite, monitoring risk against limits and help manage risk through the credit cycle.
Market Risk	The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	A range of complementary approaches to evaluate market risk including specific management and regulatory measures, are used to capture exposure to market risk. These are overseen and managed by dedicated market risk management teams who engage with the businesses to challenge the risk profile on a regular basis.
Treasury and Capital Risk	Liquidity Risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Capital Risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans. Interest Rate Risk in the Banking Book: The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	Treasury and capital risk is managed and monitored through a wide range of activities including: managing limits on a variety of on and off-balance sheet exposures; monitoring of market indicators for early signs of liquidity risk; recovery planning; capital planning and allocation; internal Group-wide stress testing; management of foreign exchange and pension risk, and uses a range of metrics and sensitivity analysis to measure non-traded market risk.
Operational Risk	The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud) where the root cause is not due to credit or market risks.	The Group assesses its operational risk and control environment across its businesses and functions with a view to maintaining an acceptable level of residual risk.
Model Risk	The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Models are validated and approved upon implementation and on an ongoing basis.
Reputation Risk	The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.	Reputation risk is managed by maintaining a controlled culture within Barclays, with the objective of acting with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society.
Conduct Risk	The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.	All colleagues are responsible for the management and mitigation of conduct risk. The Compliance function sets the minimum standards required, and provide oversight to monitor that these risks are effectively managed and escalated where appropriate.
Legal Risk	The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.	The Group conducts diverse activities in a highly regulated global market and therefore is exposed to legal risks in the conduct of its business. The Group General Counsel and the Legal function support colleagues to manage legal risks.

…and help us focus on climate change

Climate change and resource scarcity are acknowledged as two of the greatest global challenges facing society today. As a global institution, we support our clients and communities as they adopt measures to mitigate and adapt to climate change such as clean technologies and infrastructure resilience.

We acknowledge the validity of climate science and support the efforts of public and private stakeholders around the world aiming to limit global temperature rise to two degrees Celsius above pre-industrial levels.

Barclays participated in the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD), which published its final recommendations in June 2017. Barclays endorsed the final report, and will work to implement the recommendations over the coming years.

The principles laid out in the TCFD recommendations are an important step in providing the foundations from which companies, investors, banks and other market participants can move forward together to improve transparency and build better understanding of potential climate-related risks and opportunities.

This is the start of a longer-term process to enhance disclosures and improve understanding of potential material financial impacts.

This is the start of a longer-term process to enhance disclosures and improve understanding of potential material financial impacts.

Governance

On behalf of the Board, the Board Reputation Committee reviews and approves Barclays' overall Environmental, Social and Governance (ESG) strategy, which includes the approach taken on climate change and emission targets. The Committee discussed the outcome of an externally facilitated review on Barclays alignment with the TCFD recommendations in 2017. See pages 69 to 74 of the Barclays PLC Annual Report 2017 for the Board Reputation Committee report.

Strategy

Significant financing requirements for energy transition and resilient infrastructure will necessitate access to the capital markets, bank debt and wider funding solutions, providing revenue pools that are projected to grow over time. Our approach is to focus on managing potential climate change related risks at a client and transactional level, and assess current and emerging opportunities across our product suite and geographical footprint.

In the shorter term, Barclays sees immediate opportunities in Green Bonds and other financing solutions. We actively manage our own direct carbon footprint and are making good progress towards our target of 30% reduction by end 2018, against a 2015 baseline, reducing our emissions by 26.1% in 2017.

Managing Climate Risk and Opportunity

Through a dedicated Environmental Risk Management team within the Credit Risk function, we are focused on managing both physical risks, for instance flood risk for our UK mortgage book, as well as potential transition risks if carbon intensive industries do not plan strategically for a smooth medium to long term transition to a low carbon economy

During 2017, we have significantly increased our focus on developing new climate opportunities, including the launch of a suite of industry-leading Green Products driven by the Green Banking Council and the issuance of Barclays inaugural Green Bond. Please see the Green Bonds case study on page 7.

Please refer to the 2017 ESG Report for further information, found at **home.barclays/annualreport**

A holistic approach to measuring success

Our approach reflects the way in which management monitors the performance of the Group, allows for a holistic assessment and sets out our progress towards the strategic goals of the organisation.

By incorporating a broad range of financial and non-financial measures, our framework is focused on achieving positive and sustainable outcomes for our diverse group of stakeholders, and influences incentive outcomes for Barclays' employees.

Read more on our remuneration framework in the Remuneration Report pages 93 to 116 of the Barclays PLC Annual Report 2017.

Following the implementation of UK ring-fencing, Barclays Bank PLC's strategy is expected to align to the strategy for Barclays International and, in turn, the strategy for Barclays International will continue to be set as part of the overall strategy of the Barclays Group. However, because the businesses, assets and liabilities of Barclays UK will no longer be contained within Barclays Bank PLC, the financial metrics of Barclays Bank PLC are expected to differ from those of the overall Barclays Group. Accordingly, during the course of 2018, Barclays Bank PLC expects to develop financial performance metrics of its own, that will reflect the changes brought about by UK ring-fencing. While such financial performance metrics are likely to differ from those currently adopted for the overall Group, they will be determined within the parameters of the overall Group strategy and will be set consistently with our on-going aim of contributing to the generation of long-term sustainable returns for the shareholders of Barclays PLC.

Approach and governance: Performance Measurement

In the 2016 Barclays Annual Report, we introduced our revised performance measurement framework to assess progress against our strategy, across our diverse stakeholder groups. The framework reflects a balance of key financial performance metrics and broader strategic non-financial measures.

Financial performance metrics

The financial metrics are aligned to Barclays PLC Group financial targets, updated in Q317, and are reported quarterly as part of our financial results. Achieving our targets is consistent with our aim of generating long-term sustainable returns for the shareholders of Barclays PLC Group.

Strategic non-financial performance measures

Non-financial measures are an important element of how we evaluate our progress towards achieving our ambition of delivering a sustainable business for all our stakeholders. We focus on the impact we have on our customers

Barclays PLC Group Performance Measurement Framework

Financial performance metrics

Group RoTE*	>9% in 2019	>10% in 2020
CET1 ratio	150-200 bps above the end point regulatory minimum level	
Group costs	£13.6 – £13.9bn in 2019**	Targeting cost: income ratio below 60%

* excluding litigation and conduct, and based on a CET1 ratio of c.13%
**excluding litigation and conduct

Strategic non-financial performance measures

Delivering positive outcomes for our stakeholders

Customer and Client

- Building trust with our customers and clients, such that they are happy to recommend us to others
- Successfully innovating and developing products and services that meet their needs
- Offering suitable products and services in an accessible way, ensuring excellent customer and client experience

Colleague

Promoting and maintaining:

- A diverse and inclusive workforce in which colleagues of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- Engaged and enabled colleagues
- A positive conduct and values-based environment

Citizenship

- Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future, through our Shared Growth Ambition
- Proactively managing the environmental and societal impacts of our business

Underpinned by how we behave towards all our stakeholders through our **conduct and culture**

A holistic approach to measuring success

and clients, colleagues, and the benefit we bring to society via our citizenship activity. These measures are underpinned by how we behave towards all our stakeholders, through our conduct and our culture. To assess our performance, progress towards delivering positive outcomes for our stakeholders is informed by a number of sources including internal dashboards, regular management reporting and external measures, to help provide a balanced review of performance.

We have a range of policies and guidance that can support our key outcomes for our customers and clients, colleagues and citizenship activity. Performance against our strategic non-financial performance measures is one indicator of the effectiveness and outcome of aspects of certain policies and guidance. Our policies and guidance are refreshed regularly. For further details, please see our Customer and Client, Colleague and Citizenship sections.

How we are doing

Group Return on Tangible Equity

(3.6)% — 2016 3.6%

Common Equity Tier 1 (CET1) ratio

13.3% — 2016 12.4%

Cost: Income ratio

73% — 2016 76%

Operating Expenses*

£14.2bn — 2016 £15.0bn

* excluding litigation and conduct

Approach and governance: Remuneration

Performance against our financial metrics and strategic non-financial performance measures is directly linked to executive remuneration, and also influences incentive outcomes for Barclays' employees more broadly. This approach supports us in our work to deliver positive outcomes for all our stakeholders. Please refer to the Remuneration Report on pages 93 to 116 of the Barclays PLC Annual Report 2017 for further information.

Financial performance metrics

Key outcomes we will look to achieve include:

Achieving our financial targets, consistent with our aim of generating long-term sustainable returns for the shareholders of Barclays PLC Group.

How we measure success:

The financial performance metrics are aligned to Barclays PLC Group financial targets, updated in Q317:

- Group Return on Tangible Equity (RoTE) of greater than 9% in 2019 and greater than 10% in 2020, excluding litigation and conduct, and based on a CET1 ratio of c.13%
- CET1 ratio of 150–200 bps above the end point regulatory minimum level
- Group costs, excluding litigation and conduct, of £13.6–13.9bn in 2019, and to have a target cost: income ratio below 60%

RoTE measures our ability to generate acceptable returns for shareholders. It is calculated as profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit recorded in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill.

This measure indicates the return generated by the management of the business based on shareholders' tangible equity. Achieving a target RoTE demonstrates the organisation's ability to execute its strategy and align management's interests with the shareholders'. RoTE lies at the heart of the Group's capital allocation and performance management process.

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

The ratio expresses Barclays' capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of Capital Requirements Directive IV (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.

Barclays views operating expenses as a key strategic area for banks; those which actively manage costs and control them effectively will gain a strong competitive advantage. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income.

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

Updating the Return on Tangible Equity metric

Significant strategic progress was made in 2017 with the closure of Non-Core and sell down of our stake in Barclays Africa, marking the completion of our restructuring.

With the closure of Non-Core, we no longer have a Core and Non-Core distinction within the Group, and hence our prior target of Group RoTE to converge with Core RoTE no longer exists. The RoTE target has been updated to reflect our commitment to continuing to execute at pace against our plan and we are confident in asserting when Barclays will start to deliver the economic performance that the Group is capable of.

How we are doing

Group Return on Tangible Equity

2017 reflected a number of one-off items including losses related to the sell down of BAGL of £2.5bn and a net charge of £0.9bn due to the re-measurement of US DTAs in Q417, as well as litigation and conduct of £1.2bn. These items drove a Group RoTE of negative 3.6% (2016: positive 3.6%). Excluding these material items, Group RoTE was 5.6%.

CRD IV fully loaded CET1 ratio

The Group's CRD IV fully loaded CET1 ratio increased to 13.3% (2016: 12.4%) driven by a decrease in RWAs of £53bn to £313bn, which was partially offset by a reduction in CET1 capital to £41.6bn (2016: £45.2bn). The 90bps improvement was driven by organic capital generation from continuing operations, the benefit of the proportional consolidation of BAGL and the rundown of Non-Core, partially offset by an adverse movement in reserves and the net impact of the re-measurement of US DTAs.

Operating expenses and Cost: income ratio

Group operating expenses were £15.5bn (2016: £16.3bn). Excluding litigation and conduct charges, Group operating expenses were £14.2bn (2016: £15.0bn), in line with 2017 guidance. The reduction in operating expenses was primarily driven by lower Non-Core related operating expenses.

The Group cost: income ratio was 73% (2016: 76%).

For further information on the financial performance of the Group, please see page 47.

Strategic non-financial performance measures

How we are doing: summary

We assess progress towards the delivery of positive outcomes our customers and clients (page 18), colleagues (page 19), and citizenship activity (page 21), all underpinned by conduct and culture.

Areas of encouragement:

Customer and Client: In 2017, we continued to focus on delivering excellent customer and client experience, by offering products and services to meet their needs in an appropriate and accessible way. We are encouraged by the performance of our Relationship Net Promoter Scores (NPS®), while our client ranking and market share indicators remained broadly stable across many of our international business areas, which we believe reflect the relevance of our customer and client proposition. Digital solutions can enable a convenient and secure everyday banking experience for customers and clients, and we believe this is reflected in a 7% year on year increase in the number of Barclays UK customers using our digital services.

Colleague: We remain focused on increasing the diversity of our workforce and continuing to build an inclusive culture. We are proud of the progress we have made on the multicultural, multigenerational, LGBT and Disability pillars, and we continue to receive external recognition for our diversity and inclusion work. We also continue to focus on the positive engagement of our workforce, and are encouraged to see a 3% point improvement in our annual employee engagement survey score.

Citizenship: We are conscious of our wider stakeholders and the communities in which we operate and have performed well against our citizenship agenda, meeting our internal objectives on all six of our Shared Growth Ambition metrics.

Areas of continued focus:

Customer and Client: Further transformation of our customer and client experience remains a key priority for Barclays, particularly as customer and client expectations continue to evolve rapidly. Although we are encouraged by the reductions in the number of complaints we received in 2017, this remains an ongoing area of focus for management and the Board.

Colleague: Our commitment to increasing female representation at all levels of Barclays remains firm. Although we have achieved an increase in the percentage of women at our Managing Director and Director levels[a], we recognise that there is still progress to be made regarding senior female representation. In addition, although we have made progress, we recognise there is still more to do to further reduce obstacles to efficiency and enable our colleagues to achieve excellent performance. We remain committed to driving the right culture throughout all levels of the organisation and continuing to enhance the effective management of Conduct Risk.

Citizenship: We have made good progress in delivering access to sustainable finance and developing new green products. We see further opportunity in this space and are working to develop broader sustainability and sensitive sector guidelines. In addition, we continue to focus on enhancing disclosures, particularly on climate change, and improving our Environmental, Social and Governance (ESG) ratings and benchmark scores on an absolute and relative basis.

Notes
a 2016 restated on an ex-Africa basis

A holistic approach to measuring success

Customer and Client

Key outcomes we will look to achieve include:

- Building trust with our customers and clients, such that they are happy to recommend us to others
- Successfully innovating and developing products and services that meet their needs
- Offering suitable products and services in an accessible way, ensuring excellent customer and client experience

How we measure success

Measures used in our evaluation include, but are not limited to:

- Net Promoter Scores (NPS)
- Client rankings and market shares
- Lending volumes provided to customers and clients
- Digital engagement
- Complaints performance
- Conduct indicators

How we are doing

Areas of encouragement:

Net Promoter Scores (NPS)[a]

Improvements to our customer experience and customer value proposition, as well as our campaign to educate customers about how they can take steps to protect themselves from fraud, have all contributed to customers advocating our brand. Barclays Relationship NPS ended the year with an improved score of +14 (2016: +10), while Barclaycard UK Relationship NPS remained relatively flat year on year with a score of +9 (2016:+7). Our Barclaycard International business also continued to perform well on Relationship NPS, supported by a continued focus on customers and improvements in our products and digital experiences.

Client rankings and market shares

With the repositioning of the Corporate and Investment Bank largely completed in 2017, we believe the business is well-positioned to deliver for our clients in our two home markets. Our Corporate and Investment Bank achieved a 6th place ranking by fee share (2016: 5th), in our UK and US home markets across M&A, equity and debt capital markets, and syndicated loan transactions, and we were highly encouraged by the 1st place ranking in the UK (Dealogic). In 2017 Barclays ranked 4th, based on Global Fixed Income market share (Greenwich Associates), unchanged from 2016. 88% of our largest UK corporate clients considered the service they receive from Barclays to be good, very good or excellent, a 2% point decrease on 2016 (Charterhouse[b]). We also processed more than a third of all card payments made in the UK.

Please refer to the Consumer, Cards and Payments section on page 33 for further information on our market presence across our international businesses.

Lending volumes provided to customers and clients

Barclays continues to be an important provider of financial services to UK businesses. We provided around £66bn of lending, down 6% on 2016, as we continued to exert high levels of discipline in capital allocation decisions to strengthen the long-term sustainability of the business for all our stakeholders. We continue to support UK SME[c] customers in achieving their ambitions, with new lending of £2.8bn (2016: £2.5bn). We also extended or renewed mortgage facilities worth nearly £20bn (2016: nearly £19bn) to nearly 88,000 UK households. Our Mortgage business continued to focus on enhancing the customer experience, with Barclays winning eight awards in 2017[d].

Digital engagement

Digital solutions can enable a convenient and secure everyday banking experience and over 10 million customers and clients in the UK are using our digital services on a regular basis (2016: nearly 9.5m). Barclays Mobile Banking has now been chosen by 5.5 million customers as a 'bank in their pocket', to access key services whenever and wherever they need them.

We are also mindful that while we have customers who fully embrace digital channels, we serve a wide customer base. We continue to work alongside communities to help our customers feel comfortable in the digital environment and we also launched our Digital Safety campaign which aims to heighten awareness and educate our customers on the risks posed by cyber crime.

In 2017, Barclaycard US customers logged into our website and mobile apps over 230 million times, up 12% on 2016. Of our over 8 million digitally active customers in Barclaycard US, 57% are mobile active and they expect instant, relevant and safe access to their most important banking needs including account management, rewards, and payments. In 2017, we continued to leverage consumer insights and feedback to build innovative experiences for our customers as evidenced by our 3rd place in the JD Power 2017 Mobile Banking Credit Card evaluation and the launch of our mobile-first Uber co-branded credit card. See our case study on Uber on page 34.

Areas of continued focus:

Complaints performance

In Barclays UK, we continue to focus on customer journeys and our underlying complaint volumes (Barclays UK, excluding PPI) reduced 13% year on year, however we have seen a small increase in PPI complaints (up 2% year on year) driven largely, we believe, by the FCA deadline announcement. Barclays UK complaint volumes, including PPI, were down 7% year on year[e]. Barclays International complaints reduced by 19% year on year, largely driven by a strong performance in the Barclaycard US business, as we continued our focus on improving customer experience. Complaints reduction remains a priority across the Group and, despite improvement in 2017, we have more work to do, as can be seen from our position in the H1 2017 FCA complaints tables in the UK[f].

Notes

a NPS measures customer experience and facilitates benchmarking. It is widely used in banking and other industries. In this reporting year, the basis of Barclays Relationship NPS has been revised from a 3 month rolling average to a 12 month rolling average, to reduce fluctuations in the data. On a 3 month rolling average basis we reported Barclays Relationship NPS of +13 in 2016, which remained unchanged at +13 in 2017.
Source: GfK FRS, 12 months ending December 2017. Adults interviewed: 8,568 Barclays main Current Account holders (Barclays Relationship NPS), and 4,754 Barclays main Credit Card holders (Barclaycard UK Relationship NPS).

b Charterhouse Research Business Banking survey: 820 interviews with businesses in the UK, turning over £25m-£1bn year end 2017. Data is weighted by region and turnover to be representative of the UK business market. Share-based on bank named as main bank.

c SME Customers reflects our Business Banking customers. In 2016, we reported on UK SME lending across Barclays according to the UK Finance definition of SME (2016: just over £3.6bn. 2017: Not available). Business Banking has now been established as part of Barclays UK and we believe that moving to report on this basis ensures we provide strategic clarity, while continuing to cover the majority of customers who would be classified as 'SMEs'.

d Best Lender for first-time buyers with family support(Moneywise); Best Lender for Large loans (Moneywise); Best Online Lender (What Mortgage); Best Help to Buy Mortgage Lender- Equity Loan (What Mortgage); Best Intermediary Lender (Mortgage Finance Gazette); Best Overall Lender (Mortgage Finance Gazette); Best National Bank (Mortgage Finance Gazette); Best Large Loans Mortgage Lender (Your Mortgage)

e In 2016 we reported complaint volumes for 'Barclays UK' which reflected total UK FCA reportable complaints (including complaints which now sit within Barclays International). Following preparation for the formal separation of the Barclays UK division into a new legal entity we are now able to accurately split UK FCA Complaints between our Barclays UK and Barclays International divisions.

f For further information on Barclays' complaint volumes, the FCA publishes firm-level complaints data on their website

We therefore remain focused on areas requiring our attention including, for example, the recent issues we have experienced with our Smart Investor proposition, and we are working to improve our service as a result of customer feedback.

In 2017, Barclaycard US customers logged into our website and mobile apps over 230 million times.

Conduct indicators

Barclays has operated at the overall set tolerance for Conduct Risk throughout 2017. The tolerance is assessed by the business through Key Indicators which are aggregated and provide an overall rating which is reported to the Board Reputation Committee as part of the Conduct Dashboard.

We remain focused on the continuous improvement being made to manage Conduct Risk effectively, with an emphasis on enhancing governance and management information to facilitate the identification of risks at earlier stages. For further information on the management and performance of Conduct Risk, please refer to the Risk Review section of the Barclays Annual Report on page 117.

Policies and guidance can support delivery towards the key outcomes for our customer and clients. The Barclays Way contains statements on how we strive to deliver excellent customer service, and respect and protect the personal information we hold. It defines Conduct Risk outcomes as guiding principles and contains statements on privacy and data protection that colleagues must adhere to. The Barclays Way is available to view at: home.barclays/citizenship/our-approach.html. Performance against our strategic non-financial performance measures for our customers and clients is one indicator of the effectiveness and outcome of certain policies and guidance. Policies which support our customer and client strategic non-financial measures include aspects of our Customer Complaints Global Policy.

Our customers and clients are at the heart of our purpose and strategy. For further information on our two divisions, Barclays UK and Barclays International, please refer to pages 23 to 34.

Colleague

Key outcomes we will look to achieve include:

Promoting and maintaining:

- A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- Engaged and enabled colleagues
- A positive conduct and values-based culture

How we measure success

Measures used in our **evaluation include, but are not limited to:**

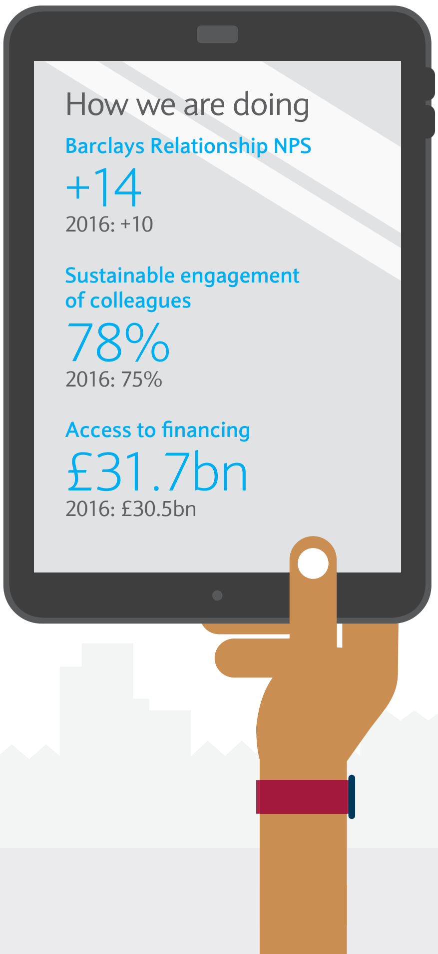
- Diversity and Inclusion statistics
- Employee sustainable engagement survey scores
- Conduct and culture measures

How we are doing

Areas of encouragement:

A diverse and inclusive workforce

We remain focused on increasing the diversity of our workforce and continuing to build an inclusive culture. In 2017, we have placed additional focus on upskilling our leadership through a range of initiatives including our Unconscious Bias Training, which has been delivered to over 10,000 leaders to date.



We are proud of our achievements in 2017, across the following pillars of our global Diversity and Inclusion strategy:

LGBT: Our Spectrum Allies programme is growing, with an estimated over 8,000 colleagues (2016: over 7,000), who have pledged to challenge homophobia, biphobia and transphobia and provide support to LGBT colleagues.

Disability: This year, alongside PwC, we have further scaled the 'This is Me in the City' initiative along with the Lord Mayor of the City of London.

Multicultural: The number of apprentices who identify as Black, Asian and Minority Ethnic was 19% in 2017 (2016: 30%), 8% points above the national apprenticeship average.

Multigenerational: Since the Barclays Armed Forces Transition, Employment and Resettlement (AFTER) programme began in 2010, the programme has assisted over 5,500 veterans in employment transition and since 2013 we have hired over 500 ex-military personnel (2016: nearly 400).

Our Dynamic Working campaign is relevant to colleagues at every life stage and encourages the integration of personal and professional responsibilities through smarter work patterns. The campaign is having a positive effect on colleague engagement, with 59% of colleagues actively working dynamically in 2017 with an average overall sustainable engagement score of 83% among this group.

Gender: Our commitment to increasing female representation at all levels remains firm. Please see 'Areas of continued focus' below for details on our progress.

Throughout 2017, our work was recognised externally, including: Stonewall recognising Barclays as one of only 12 Top Global Employers; the Human Rights Campaign awarding Barclays 100% on their corporate equality index; Working Families UK recognising Barclays as one of the top ten Employers for Working Families in 2017; and the City of London and the Social Mobility Commission acknowledging Barclays as a Top 50 Employer through the Social Mobility Employer Index.

Key performance indicators

A holistic approach to measuring success

Engaged and enabled colleagues
An engaged workforce is critical to the success and delivery of our strategy. Our principle measurement of employee engagement is through our employee opinion survey 'Your View'. This year, sustainable engagement of our employees improved by 3% points to 78%, with the majority of key survey question results recording improvements compared to 2016, and the rest remaining stable.

Areas of particular strength from the annualised 'Your View' results include 'I would recommend Barclays as a good place to work' (82% favourable, up 6% points on 2016), 'Barclays is truly focused on achieving good customer and client outcomes (88% favourable, up 5% points on 2016) and colleagues 'believe strongly in the goals and objectives of Barclays' (90% favourable, up 3% points on 2016).

In addition, by supporting internal mobility across Barclays, we hope to successfully attract, retain and develop internal talent. In 2017, our rate of internal hiring was 40% (2016: 48%).

A positive conduct and values-based culture
In 2017, we focused on embedding the culture measurement framework we developed in 2016, and using the insights to stimulate senior management discussion.

We have made good progress in continuing to embed the value of 'Integrity', highlighted by results to the questions 'it is safe to speak up' (83% favourable, up 2% points on 2016) and 'I can report instances of dishonest or unethical practices to the appropriate level of authority without fear' (86% favourable, flat on 2016). 'Stewardship' also remains a strongly embedded value with 89% of colleagues stating that they are proud of the contribution Barclays makes to the community and society (up 1% point on 2016). 'Service' and 'Respect' remain strong with 90% of colleagues believing strongly in the goals and objectives of Barclays (up 3% points on 2016) and 91% of colleagues agreeing that 'leaders at Barclays support diversity in the workplace' (up 2% points on 2016).

Areas of continued focus:
A diverse and inclusive workforce[a]
Our commitment to increasing female representation at all levels remains firm and we are mindful of the need to remain focused on improving our gender diversity with goals to improve the percentage of female Managing Directors and Directors[b] to 26% by 2018 (2017: 23%, a 1% point improvement year on year[c]); 33% female representation on our Board by 2020 (2017: 21%, 2016: 31%); and 33% female representation among the Group Executive Committee and their direct reports (2017: 25%, flat year on year). Recognising the importance of strengthening our talent pipeline, we also have an ambition for 50% female graduate hires (2017: 40%, 2016: 39%).

Engaged and enabled colleagues
Although it is pleasing to note that we have made progress across areas identified for opportunity, including 'eliminating obstacles to efficiency' and 'ensuring colleagues have the tools and resources to achieve excellent performance', there is always more to do. Enabling our employees to achieve excellence remains a key priority and throughout 2018 new initiatives will be identified that will continue to improve the simplicity and efficiency of our tools, processes and systems.

A positive conduct and values-based culture
Within our culture measurement framework, which is anchored in our values, 'Excellence' remains the biggest opportunity for improvement, as the 'Enable' component within the colleague survey continues to be the lowest scoring measurement of sustainable engagement (64%, up 4% points on 2016). A set of improvement initiatives were identified in 2017 and will continue in 2018 to drive progress in this area.

Barclays has operated at the overall set tolerance for conduct risk throughout 2017. The tolerance is assessed by the business through Key Indicators which are aggregated and provide an overall rating which is reported to the Board Reputation Committee as part of the Conduct Dashboard.

We continue to see improvements in conduct performance and are committed to continuing to drive the right culture throughout all levels of the organisation. Barclays will continue to enhance the effective management of Conduct Risk and appropriately consider the relevant tools, governance and management information in decision making processes.

Policies and guidance can support delivery towards the key outcomes for our colleagues. The Barclays Way contains statements on how we aim to create and promote a culture that is diverse and inclusive and create the positive and respectful environment all employees are entitled to enjoy. It also contains requirements for employees to: inform their line managers of changes in circumstances, including, for example, any conflict of interest or outside business interest; take reasonable care of their own and others' health and safety; and the responsibility to protect Barclays' assets. It also contains statements on: physical security; Group Resilience Policy and Standards; and communication with the media and public speaking appearances. Performance against our strategic non-financial performance measures for our colleagues is one indicator of the effectiveness and outcome of certain policies and guidance. Policies which support our colleague strategic non-financial measures include aspects of our Employee Opinion Survey Policy.

Please refer to the section on Our People and Culture on page 36 and the People section on pages 89 of Barclays PLC Annual Report 2017 for further information on our progress.

Notes
a Under the Companies Act 2006, Barclays is required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 79,900 (45,100 male, 34,800 female), 555 were senior managers (401 male, 154 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. The definition of senior managers within this disclosure has a narrower scope than the Managing Director and Director female representation data provided above.
b Previously called female representation across 'senior leadership'
c Based on 2016 actual (24%) restated on an ex-Africa basis (22%).

Citizenship

Key outcomes we will look to achieve include:

- Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future, through our Shared Growth Ambition
- Proactively managing the environmental and societal impacts of our business

How we measure success

Measures used in our evaluation include, but are not limited to:

- Delivery against our Shared Growth Ambition
- Colleague engagement in citizenship activities
- External benchmarks and surveys

How we are doing

Areas of encouragement:

Delivery against our Shared Growth Ambition

We met our internal objectives on all six of our Shared Growth Ambition metrics. Performance was on-track against our internal milestones for three initiatives around 'access to financing', 'access to digital and financial empowerment' and 'access to employment'. We also met or exceeded our 2017 annual targets for The Barclays Way training, carbon emissions reduction and payment of suppliers on time.

Access to financing

We continued to deliver financing solutions in areas including renewable energy, water and low carbon technologies; social infrastructure; development institutions; and small business financing. Barclays delivered £31.7bn in financing for specific social and environmental segments across our business lines (2016: £30.5bn[a]).

There has been significant momentum across the Barclays franchise in 2017, including the launch of a range of new Green Loans, Asset Finance and Deposit products; the issuance of Barclays inaugural Green Bond (see case study on page 7); an industry-first Multi-Impact Growth Fund for retail investors; a range of innovative transactions such as solar project bonds and green asset backed securities; and continued coverage from our Research teams on ESG and Sustainability themes.

Supporting sustainable ventures

Barclays and the Unreasonable Group hosted the first Unreasonable Impact World Forum in 2017, bringing together 27 innovative companies from Asia, the US and Europe working to solve some of the world's most pressing problems. Held in London, the Forum included elevator pitches from entrepreneurs and panel sessions on themes such as scaling businesses and raising capital through impact investors. Over 400 representatives from a range of stakeholder groups, including investors, clients, NGOs and government agencies attended in person, with the event broadcast live on select social media channels globally.

Unreasonable Impact is an innovative multi-year partnership between Barclays and Unreasonable Group to launch 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.

See https://unreasonableimpact.com/ for more information.

Access to financial and digital empowerment

Inclusive financial systems are key to achieving economic and societal progress, but there can be several barriers to access. We believe digital offerings can help break down these barriers. We helped empower around 205,000 people in 2017 (2016: 249,000) through initiatives such as Barclaycard Initial for those with a limited credit history; our Digital Eagles network, comprised of specially trained Barclays employees working to provide free technology support to customers and non-customers; and the continued development of learning platforms.

We work closely with partners in the free debt advice sector and collaborate on a number of projects including research and colleague training on financial vulnerability, and how we can best match customers to the advice service that suits them.

Access to employment

Barclays is committed to helping people gain access to skills, and supporting entrepreneurs to drive job creation. We helped upskill over 2.1 million people in 2017 (2016:1.7 million), driven by a range of regional employability partnerships and our flagship LifeSkills programme in the UK.

> Barclays delivered £31.7bn in financing for specific social and environmental segments.

We held Accelerators for the 2nd cohort of 'Unreasonable Impact' programme in partnership with the Unreasonable Group, focused on scaling ventures that solve environmental and societal problems. 57 ventures have participated to date in programmes across the UK, US and Asia.

Note

a Financing volume based on a use of proceeds framework. 2016 actuals have been restated from £21.1bn due to the inclusion of new qualifying categories such as national development banks. Further detail available in the ESG Report.

Key performance indicators

A holistic approach to measuring success

Business conduct and environmental impact
The Barclays Way outlines the Purpose and Values which govern our way of working. 99.9% of our colleagues completed annual training on The Barclays Way in 2017 (2016: 99.6%) ahead of our target of above 97%.

We reduced carbon emissions by 26.1% against the 2015 baseline (2016: 14.3%[a]), making good progress towards our 30% target by 2018.

We also achieved 89% (2016: 88%) on-time payment by value to our suppliers (Target: 85%) and have published an updated Statement on Modern Slavery which includes additional information on the work we are doing with our clients and customers, as well as our suppliers.

Please see the statement on our website home.barclays/citizenship/our-approach/human-rights.html

Colleague engagement in citizenship activities
Colleague participation is essential to the success of our citizenship strategy. More than 50% of our colleagues participated in volunteering, fundraising or regular giving activity with 43,700 unique participants (2016: almost 44,000)[b]. We also have active internal Digital and LifeSkills, Environmental, Social Innovation and Intrapreneur networks.

Areas of continued focus:
Shared Growth Ambition
We will continue to focus on improving integration with our product suite and developing innovative sustainable financing solutions. We intend to focus on enhancing the impact of our employability programmes and providing compelling opportunities for our colleagues to participate in citizenship activities.

In addition, we are developing wider sustainability and sector guidelines for business activity in 2018, and will increase our contribution to policy initiatives and multi-stakeholder partnerships.

Supporting sustainability-focused ventures to scale-up is one way in which Barclays is supporting the Sustainable Development Goals (SDGs), and we will continue to review and improve our core focus on raising access to financing for social and environmental segments, building skills and supporting empowerment.

External benchmarks and surveys
Barclays' strategy and performance on a range of ESG factors is evaluated by external agencies on an annual basis.

In 2017, we broadly maintained our performance scores in key ratings and indices. Although methodologies vary and continue to evolve, we believe there is an opportunity to continue to enhance our performance on an absolute and relative basis.

We maintained membership of both the Dow Jones Sustainability Index[c] series, where our score reduced by 1% point to 83 points against an industry average of 58 points (2016: 61 points), and the FTSE4Good Index series[d], with our absolute score up to 4.3/5 (2016: 3.9/5) and our position relative to the banks sector improved to the 91st percentile (2016: 78th percentile). Barclays was rated 'BBB' by MSCI ESG Ratings[e] (2016:'BBB') and scored 61 points in Sustainalytics ESG[f] Ratings (2016: 62 points).

Policies and guidance can support delivery towards the key outcomes for citizenship. The Barclays Way contains statements on: respect for society - our Shared Growth Ambition; respect for human rights; respect for the environment and supporting the communities in which we operate.

Our activity is supported by policies and position statements on a range of material issues including: environmental sustainability; modern slavery; human rights; and anti-bribery and anti-corruption. These are available at home.barclays/citizenship/our-approach/policy-positions.html.

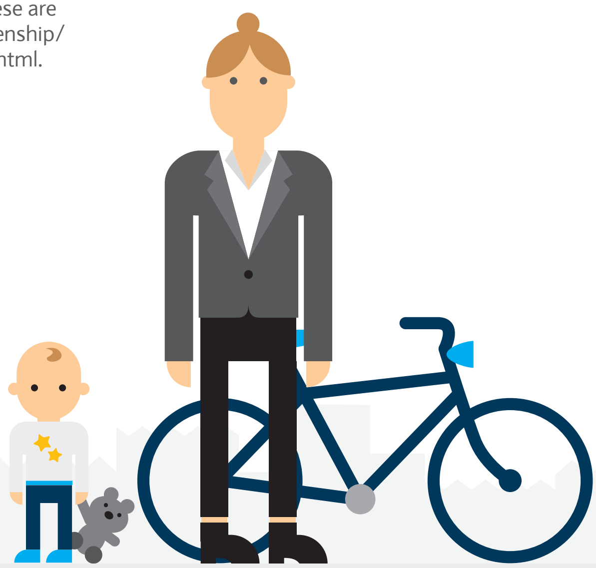
Barclays' Group Statement on Human Rights aims to achieve a consistent and comprehensive approach to respecting human rights. We are committed to operating in accordance with the Universal Declaration of Human Rights and we take account of other internationally accepted human rights standards. We respect and promote human rights through our employment policies and practices, through our supply chain and through the responsible provision of our products and services.

The Barclays Anti-Bribery and Anti-Corruption (ABC) Policy and Standards and the Barclays Introducer Policy and Standard extend to all Barclays' business dealings globally. Barclays takes a zero-tolerance approach to bribery and corruption and we are committed to conducting our global activities free from any form of bribery and corruption. We also expect the same from any third parties providing services for or on behalf of Barclays. Employees who fail to comply with the requirements of our policies and standards may face disciplinary action, up to and including dismissal or termination of employment.

Performance against our strategic non-financial performance measures for citizenship is one indicator of the effectiveness and outcome of certain policies and guidance. Policies which support our citizenship strategic non-financial measures include aspects of our policy statement on environmental sustainability.

The full details of our policies and position statements are available at home.barclays/citizenship/our-approach/policy-positions.html

We provide additional information in the Environmental, Social, Governance (ESG) Report 2017 available at home.barclays/annualreport

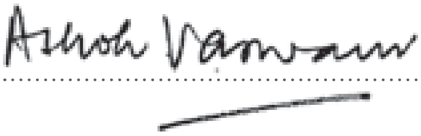


Notes
a 2016 carbon reduction actuals have been restated due to improved billing data replacing estimates and restatements to travel emissions. Further detail available in the ESG Report
b Unique participants measures colleague involvement in eligible volunteering, matched fundraising, regular giving initiatives. Data sourced from internal reporting systems including several manual sources
c Source: S&P Dow Jones; Sustainable Asset Management (SAM)
d Source: FTSE Russell
e Source: MSCI ESG Inc
f Source: Sustainalytics Inc

Barclays UK

Our performance in the UK

With 30,000 colleagues and 24 million customers and clients, Barclays UK strives to help people move forward by providing personalised and perfect experiences, delivered by passionate colleagues. In 2017, we have made significant progress in establishing the ring-fenced bank, protecting our customers and clients and transforming our business through digitisation and automation.



Overview of products, services and clients

Our future ring-fenced bank, Barclays UK, is a personal and business banking franchise, built around our customers' needs with innovation at its core. Our Personal and Premier Banking financial solutions help customers move forward by putting them at the heart of everything we do, connecting the different aspects of their lives to their financial lives, at a time that suits them. Barclaycard Consumer UK is a leading credit card provider, offering flexible borrowing and payment solutions, while delivering a market-leading customer experience. Wealth, Entrepreneurs & Business Banking serves a spectrum of clients, from those who manage their own investments to small and medium-sized enterprises (SMEs) who need specialist advice, products and services.

Market and environment in which the division operates

Against the background of a prolonged uncertain political and economic climate in the UK, we continue to deliver solid financial performance and provide innovative solutions for our customers and clients. The operating environment continues to be challenging including rapidly changing customer behaviours; increasing expectations of society and regulators; and significant technological disruption amid the threat of dis-aggregation from competitors and new entrants. However, we have a leading brand, a solid customer base and we remain well positioned in the current environment.

Barclays UK operational model

Customers and Clients
- Individuals
- Businesses (SMEs)

Products and services
- Personal banking services
- Credit cards and transactional lending
- Investment products and services
- Business banking solutions

Value creation
- To our customers and clients – Building meaningful relationships to provide relevant financial solutions
- To society – Helping communities move forward
- To Barclays – Ring-fenced UK-focused bank with sustainable returns and prudent balance growth

Contribution to Group
£7.4bn
Income

£1.7bn
Profit before tax

9.8%
RoTE

66%
Cost: Income ratio

£70.9bn
Risk Weighted Assets

Educating our customers in Digital Safety

In May 2017, we launched our UK-wide consumer engagement campaign to highlight the importance of digital safety and our role in helping people move forward in this digital age.

The digital age has made our lives much easier in many ways. We now share information, shop online, pay bills, and keep in touch with each other in cyberspace. For many people, this is their way of life and they feel confident in navigating the digital world. However, having the confidence to be able to work and play in the digital age isn't the same as knowing how to keep safe while doing so.

Our campaign resulted in over 4.8 million people taking action off the back of this outreach, resulting in our leadership role being recognised by Government ministers and the media.

We are committed to ensuring continued growth of Barclays UK, and are cognisant of the rapid pace of technological change in today's environment.

Risks to the operating model

We continue to monitor leading indicators to identify trends in UK economic performance – in particular, trends caused by low interest rates, Brexit uncertainty, as well from the impact of the increase in zero hour contracts. We aim to remain conservative and well positioned post-Brexit with stable trends in impairments supported by our strong risk management framework and oversight.

We are committed to ensuring continued growth of Barclays UK, and are cognisant of the rapid pace of technological change in today's environment. In order to continue to provide exciting and relevant solutions for our customers and remain competitive against new entrants, we are investing significantly in new technology, while simplifying and automating our existing platforms. Unrelenting growth and sophistication in organised crime remains a concern. In order to reduce the risk of cyber threat and protect our customers and clients, we continue to invest heavily in cyber risk, improving detection and response capability and implementing new resilience standards and testing approaches.

Innovation at our core

Half a century after launching the world's first Automated Teller Machine – the ATM, we developed new 'contactless cash' withdrawal options in 2017, fit for the digital age. In addition, we extended our cheque imaging pilot programme to other banks, allowing more than 243,000 customers the ability to pay in cheques instantly from wherever they are, 24 hours a day. We also achieved an industry first with Insurance Instant Price – our first mobile insurance proposition, allowing instant price quotes from our providers to approximately 1 million customers.

Key highlights this year in delivering our strategy

This year we have built the Barclays UK ring-fenced bank and a diverse, highly-experienced board has been appointed by the Barclays UK Chairman. We have also migrated over 600,000 customers onto new sort codes with minimal customer impact.

Alongside this, we have made good progress building meaningful relationships with our 24 million customers and significantly reducing the number of customer complaints - one of our key objectives for 2017 - by developing our colleagues and tackling the root causes. Interactive tools are now available to enable colleagues to more effectively own, manage and collaborate in the timely resolution of complaints. Reducing customer complaints further will continue to remain one of our top priorities for 2018.

Over 10 million customers are now actively engaged with our digital services, including our award-winning Barclays Mobile Banking mobile app.

Delivering on shared growth

Our signature citizenship programme, LifeSkills, aims to inspire young people to develop the skills they need for a better future. In less than five years, it has reached over 5.5 million young people and more than 16,000 colleagues are now registered as LifeSkills volunteers.

We expect 2018 to be a pivotal year for the financial services industry with the introduction of PSD2 and Open Banking but we believe Barclays UK has a significant opportunity to thrive in this environment. I am positive we will continue our lead in innovation in an Open Banking environment, as a new ring-fenced bank.

Ashok Vaswani
CEO, Barclays UK

Our performance in Personal Banking

Our Personal and Premier Banking team develop transparent and innovative solutions for our customers. We help customers move forward by putting them at the heart of everything we do, connecting the different aspects of their lives to their financial lives, at a time that suits them. This ranges from opening their first bank account to completing a mortgage on their dream home.

This year we created a single Product and Propositions team, bringing together our core product capabilities in Current Accounts, FX and Insurance, Consumer Lending, Mortgages and Savings with our newer Information Business and Mobile Payments products, as well as with the Community and Premier segments they serve. Through doing this, we are now able to more fully anticipate and deliver responses to our customers' needs and understand what they want in the moment they need it.

Moving Barclays UK forward

2017 has seen a continued focus on rewarding customer loyalty and creating advocates for every interaction. Over 930,000 customers now benefit from Blue Rewards, including Cashback. We landed our first 10% Cashback retail offers and have helped our customers earn over £5 million in savings since Cashback was launched.

Technology and data are such fundamental parts of how we serve customers and clients that it is vital that we all become more digitally savvy and help our customers to do the same. We started several years ago with the nationwide force of Digital Eagles, offering our customers and clients the help and resources to improve their digital skills; and continued this year with our Digital Safety campaign which aims to heighten awareness and educate our customers to be digitally safe.

Leveraging our data to benefit our customers and clients is a fundamental pillar of our strategy. We launched Local Insights, providing consumers, businesses and MPs key insights about their local area. We celebrated 1 year of our Barclays Identity Service, which allows consumers to access government services such as tax self-assessment online in a simplified, secure manner.

We launched a new online Track Savings Goals tool available through Barclays Finance Manager, which aims to support customers in setting and reaching their targets.

Our Mortgages business has continued to focus on enhancing the customer experience this year, and has won eight awards[a] in 2017. We've also continued to enhance our CloudIt offering, including allowing customers to access their mortgage statements online.

Helping our customers and colleagues

Barclays has made significant progress to enhance accessibility this year. Our high visibility and tactile debit cards aren't just useful for the visually impaired - many people struggle to read the numbers on their card - so we've offered a high contrast design option. We also launched a new larger audio PINSentry device to facilitate easier access to online banking for customers with dexterity and sight difficulties, enabling them to continue to do their banking independently. We have supported customers in vulnerable circumstances by automating complex processes such as registering a power of attorney.

As well as delivering for our customers and clients, we need to ensure we deliver for our colleagues too. Our focus on investment in training, development and coaching as well as creating new ways to engage and support our colleagues continues. Our colleagues' needs are changing just as those of our customers are, and empowerment, dynamic and flexible working as well as improved technology have been a strong focus as we develop a world-class team who put the customer at the centre of everything they do.

> "Barclays has always believed in me. The real support has come from my points of contact at the bank. It's these relationships that not only keep me banking with Barclays, but encourage me, without a shadow of a doubt, to recommend Barclays."
>
> **Kieran Miles, Premier Customer**

Notes:
a Best Lender for first-time buyers with family support(Moneywise); Best Lender for Large loans (Moneywise); Best Online Lender (What Mortgage); Best Help to Buy Mortgage Lender- Equity Loan (What Mortgage); Best Intermediary Lender (Mortgage Finance Gazette); Best Overall Lender (Mortgage Finance Gazette); Best National Bank (Mortgage Finance Gazette); Best Large Loans Mortgage Lender (Your Mortgage)

Our performance in Barclaycard Consumer UK

Barclaycard Consumer UK is a leading credit card provider, providing flexible borrowing and payment solutions to around 10 million customers in the UK. We help people move forward, by enabling them to borrow and pay in a way that suits them. We are a responsible lender, providing credit based on credit history, ability to afford credit and our risk appetite, while delivering a market-leading customer experience.

Barclaycard Consumer UK offers a suite of products to our customers. Our Barclaycard Initial credit card is aimed at customers who are looking for a first credit card, or have a limited credit history, and helps them to build a credit profile. Our Barclaycard Platinum card offers promotional savings on balance transfers and purchases for borrowers with good credit history. Alternatively, shoppers can earn reward points everywhere they shop with our Barclaycard Freedom Rewards credit card.

The UK credit market continues to experience considerable change, driven by new competitors, new technologies, economic and regulatory pressures, and changing consumer expectations and behaviour. We are responding by developing new products and services for our consumers. For example, this year we have further diversified our offers to new and existing customers with the launch of our Barclaycard Platinum travel card, which has no non-sterling transaction fees on foreign spend and ATM withdrawals.

This year also saw the integration of Barclaycard Consumer UK with our retail bank to build and grow more sustainable income while reducing complaints and creating better customer experience.

The integration of Barclaycard Consumer UK into Barclays UK has progressed with focus on enhancing the customer experience, as well as leveraging resources, technology and digital capabilities.

We are continuously looking for ways to improve the customer experience we deliver

Throughout 2017 we focused on reducing customer complaints, maintained a stable Relationship NPS and reached new records on several transaction NPS, including Customer Service. We are pleased to have won a number of awards, acknowledging the market-leading service we offer our customers. We were recognised at the Top 50 Companies for Customer Service Awards, with two awards, Best Extra-Large Centre and Best Social Media Team.

We support consumers by providing free credit scores, and personalised hints and tips on how to become fraud smart. Fraud-related activity is increasing and our research tells us that customers are increasingly concerned about how to protect themselves, and look to us to help provide support and information. We developed a digital interactive Fraud Fighter Tool to help customers understand where they are vulnerable and what they could do to better protect themselves, by giving them personalised fraud prevention tips.

We also launched the Barclaycard Start Today campaign, to encourage people to start something new that they always wanted to do. So whether it is signing up to those pottery lessons or buying a bike, Barclaycard is there for our customers to help them move forward.

Our performance in Wealth, Entrepreneurs & Business Banking

Within Wealth, Entrepreneurs & Business Banking, Wealth & Investments serves a spectrum of clients, from those who manage their own investments and require an execution service, to those who require a dedicated and holistic service through our Wealth Management services.

Business Banking offers specialist advice, products and services to over 1 million business clients across the UK, helping them to run and grow their business, from start-ups through to mid-sized businesses.

Wealth & Investments Overview

Wealth & Investments is formed of two businesses; Wealth Management and Smart Investor, both of which are supported by our in-house investment and asset management capabilities. Clients of our Wealth Management business benefit from holistic advice in Banking, Credit, Wealth Planning, and Investments through their dedicated Wealth Manager and access to specialists across Wealth & Investments and the wider Barclays UK division. Despite significant investment in regulations required, Wealth Management has achieved a strong performance, and achieved year on year growth in client acquisitions.

Despite significant investment in regulations required, Wealth Management has achieved a strong performance, and achieved year on year growth in client acquisitions.

Smart Investor provides clients access to a wide range of investment products, educational resources to help build their confidence in investing, and tools to assist in planning for their future. The focus of the business this year has been launching Smart Investor and migrating over 225,000 existing Stockbrokers clients onto the new platform. This allows our clients to leave the day-to-day management of their investments to our experts, thereby taking the complexity out of investing.

This year, we launched the Multi-Impact Growth Fund, the first impact-investing vehicle of its kind from a major UK bank, offering mainstream investors the opportunity to generate long-term capital growth while making a positive contribution to society.

Business Banking Overview

Our Business Banking unit provides coverage for clients across the UK at every stage of their business cycle in every industry, delivering distribution models which match clients' needs and sophistication.

This year, we launched our SmartBusiness Dashboard and App and now have over 12,000 clients benefiting from this unique client experience. With all their key business data in one handy place, our business clients are now spending more time within SmartBusiness and reaping the benefits.

The roll-out of Direct, our unique telephony relationship model for small business and start-up customers, has vastly increased the number of conversations and in-depth client reviews we are able to have, which directly benefits over 900,000 customers already on this new, interactive model.

In 2017, we supported more clients, reduced account opening times, lent more money and generated more income than in 2016 through targeting sustainable, long term growth. Our aim in 2018 is to empower our colleagues through continuing to invest in technology and services.

Investing in change

The Multi-Impact Growth Fund invests primarily in specialist third party funds which have been identified and blended by our experienced in-house fund and manager selection team. These funds have been chosen as best-in-class based on both their potential for strong financial returns and the consideration of their impact around key social and environmental issues such as climate or demographic changes. The Fund is the first Barclays product in the wider impact investing proposition being developed and is available to clients in Wealth Management and Smart Investor.

Barclays International

Our performance in International

Barclays International is the diversified transatlantic, wholesale and consumer bank within Barclays Bank PLC. Encompassing the Corporate and Investment Bank, Barclaycard International and Private Bank & Overseas Services businesses, our dual home markets in the UK and US anchor our business in the two most important global financial centres.

Overview of products, services and clients

On the consumer side, within Barclaycard International, we provide consumers with credit cards, lending and deposit accounts. In Private Bank & Overseas Services, we provide banking, investment and wealth management services. For SMEs and corporates, we enable payment acceptance, commercial card payments and point-of-sale finance. Through our Corporate and Investment Bank, we serve corporates and governments by providing advice, financing, trade and payment solutions, and raising capital. We support our institutional clients through sales and trading of securities.

Our business model in Barclays International is dependent upon our client relationships, the services we provide to our clients and our capital – human, technology and investment. In 2017, Barclays International contributed 68% to Group income with an RoTE of 6.6%, excluding the impact of the US deferred tax assets re-measurement.

Barclays International operational model

Customers and Clients

- Corporates
- Financial institutions
- Institutional investors
- Governments
- Consumers
- High and Ultra-High Net Worth Individuals
- Family Offices

Products and services

- Financial advice
- Primary capital raising and capital markets execution
- Risk and liquidity management
- Lending
- Sales and trading
- International credit cards
- Consumer payments
- Banking
- Investments
- Wealth management

Value creation

- To our customers and clients – we create value by facilitating the transmission of money from providers to users of capital
- To society – we provide financing, including to select social and environmental segments
- To shareholders – as a diversified transatlantic, wholesale and consumer bank

Contribution to Group

£14.4bn
Income

£3.3bn
Profit before tax

3.4%
RoTE (6.6% excl. the impact of the US deferred tax assets re-measurement)

69%
Cost: Income ratio

£210.3bn
Risk Weighted Assets

Market and environment in which the division operates

The economic markets in 2017 were characterised by a low volatility and low interest rate environment. With this benign backdrop, valuation gains in the equity markets prevailed throughout the year. Prospective and confirmed legislative and regulatory changes continued to influence and shape strategies of all market players. In the UK, consumer confidence hit a four-year low, amid sterling depreciation and despite historically low unemployment. In the US, the labour market and consumer spending strengthened, with subdued wage growth.

Barclays International is focused on investments in talent, capital and technology.

Barclays International has achieved significant milestones to meet Structural Reform regulations. Working closely with regulators and stakeholders, we are set up to serve our clients across the globe in alignment with regulatory policies and legislation. The newly-created divisional board of directors has been confirmed and has convened prior to formal board meetings to ensure that we are set to operate within the Barclays governance framework upon the formalisation of Structural Reform. Significant entities within Barclays International, such as the US Intermediate Holding Company (IHC), are subject to stringent governance standards to ensure safety and soundness, particularly around capital, liquidity and risk management.

Risks to the operating model

Geopolitical and macroeconomic uncertainty in some markets remain a risk, while the volume and reach of regulatory change continues to require significant attention.

We are making comprehensive plans for the UK's planned exit from the European Union and we believe we will provide an uninterrupted service to our clients, consumers and other stakeholders during and after the transition.

We continue to monitor growth in US consumer delinquencies having proactively reduced our exposure to middle market consumers earlier this year.

Advising on pan-European expansion

Asahi Group Holdings, the largest brewer in Japan, has targeted Europe as its next platform for growth in its drive to become a global beer industry leader. Having already established a presence in Italy, the UK and the Netherlands through the acquisition of brands such as Peroni, Grolsch and Meantime, Asahi engaged Barclays to assist in creating a truly pan-European franchise.

In March 2017, with Barclays acting as Financial Adviser, Asahi successfully closed on its €7.3bn acquisition of AB InBev's business in the Czech Republic, Slovak Republic, Poland, Hungary and Romania.

Asahi turned to Barclays for this critical transaction due to our holistic capability, including a long-standing, global coverage relationship, leading brewing industry and M&A experience, deep insight into Central Europe and cross-border deal execution expertise.

Cyber crime had a hugely detrimental impact on the global economy in 2017, with unprecedented attacks in terms of their scale, impact and rate of spread. We have continued to invest heavily to ensure that our infrastructure retains industry-leading resilience to cyber crime.

The growth strategy within Barclays International will continue to be executed in a controlled, commercial manner within the ERMF framework.

Business Highlights

Barclays International is focused on investments in talent, capital and technology. In 2017, we affirmed the executive management leadership team within BI. For example, in our Markets division, a new leadership structure creates streamlining and simplification, with global heads across credit, equities, macro and distribution.

We are focused on dynamically managing and allocating financial resources to businesses within Barclays International through optimisation of capital, leverage, risk weighted assets, funding and tax across all jurisdictions and legal entities.

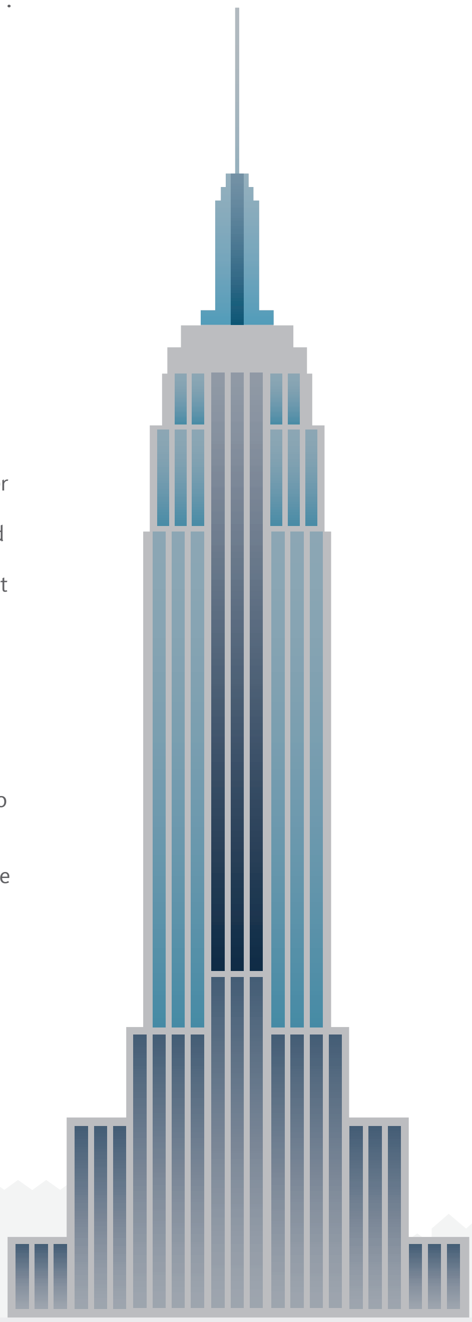
Barclays International continues to enhance its customer and client experiences through innovation. For example, in Barclaycard International, we launched a new core payment processing platform that provides, multi-currency and multi-geography settlement capabilities and enables all currencies in all territories to be processed on a single platform. We also launched an Artificial Intelligence/Machine Learning tool to provide the latest advanced platforms and techniques for fraud detection and intelligent customer service automation.

Overall, 2017 was a milestone year for Barclays International. Together, with our colleagues across the globe, we have embarked on a number of initiatives and areas of growth as we strive to matter more to our clients, to grow our revenues, and deliver much improved sustainable returns to our shareholders.

Tim Throsby
President, Barclays International and Chief Executive Officer, Corporate and Investment Bank

Our performance in the Corporate and Investment Bank

The Corporate and Investment Bank offers wholesale banking products and services to corporate and institutional clients. The business is anchored by our two home markets – two of the largest capital markets in the world. The CIB includes our markets, investment banking, corporate banking and research businesses.



Business Update

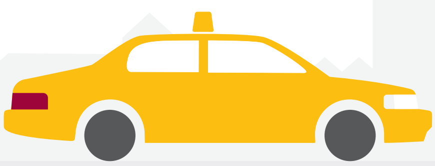
Our markets businesses provide execution, prime brokerage and risk management services across the full range of asset classes including equity, fixed income and rates. With a new markets leadership team, we are highly focused on investments in technology to drive client successes and increase market share. For example, we migrated to a new digital platform and funded critical upgrades to our electronic trading platforms in 2017. We are focused on standardisation and simplification of post-trade technologies with the backdrop of a strong regulatory and controls environment. In 2017, Barclays was named Best Bank for FX in London and Best Bank for GBP / USD in FX Week's annual awards.

Our investment banking business provides long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions, and equity and credit origination capabilities. In 2017, Barclays achieved its highest global fee share in three years[1], and was the number one ranked bank in the UK for the first time since 2012[1]. Bolstered by strong mergers and acquisitions activity, we advised on numerous landmark deals to deliver for our clients. Our Leveraged Finance business reached its highest ever global fee share, ranking Barclays top four for the second consecutive year[1]. Barclays was named 2017 Sterling Bond House of the Year by IFR magazine – with over 150 Sterling bond issues. Serving clients across a number of industries and segments, Barclays is proud to be a top three financier of capital for supranationals, sovereign and agency institutions[1], enabling the funding of critical infrastructure and helping to promote global economic growth and stability.

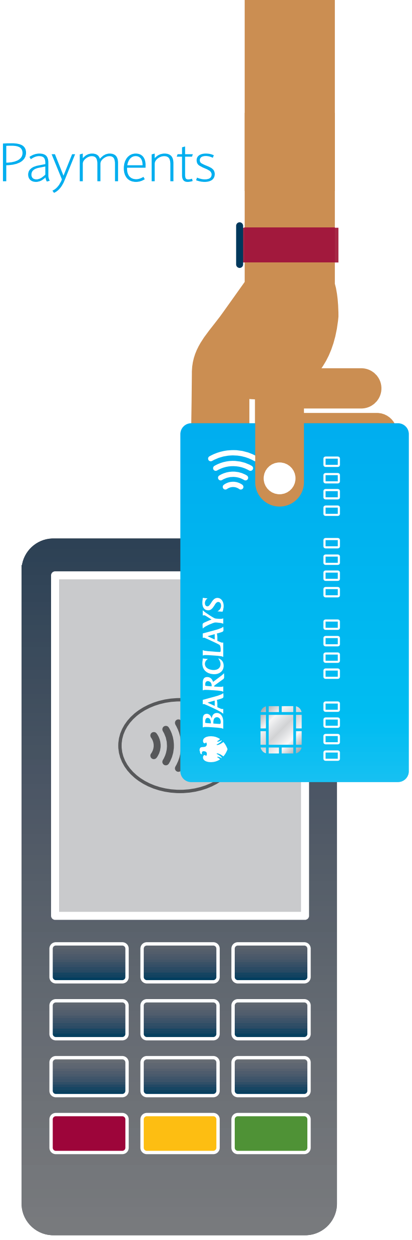
With industry expertise and a history of innovation, our corporate banking business provides comprehensive banking, financing, trade and payment solutions to businesses across the UK. For example, Barclays has supported Pod Point, the UK's leading provider of electric vehicle charging since inception in 2009. Barclays venture debt offering - enabled by our innovation finance product which is partly guaranteed by the European Investment Fund - has supported Pod Point to gain early access to capital so they can focus on developing their business.

Finally, our research business delivers independent, thought-leading content across Equities, Credit, Macro and Quantitative Portfolio Strategy. The implementation of MiFIDII has brought unprecedented change to the research industry and reinforced Barclays' commitment to providing clients with differentiated market insights, actionable trade ideas and thematic views delivered through publications, one-to-one analyst interactions, conferences and events.

Note
1 Dealogic



Our performance in Consumer, Cards and Payments



Consumer, Cards and Payments includes Barclaycard International and the Private Bank and Overseas Services. Barclaycard International provides branded and co-branded consumer credit cards, lending and deposit accounts to our customers in the US and Germany, and payment solutions to our clients in the UK. Private Bank and Overseas Services provide banking, investment and wealth management services to over 160,000 clients, globally.

Barclaycard International

Our Barclaycard International business operates in three divisions: Barclaycard US, Barclaycard Business Solutions and Barclaycard Germany.

Barclaycard US offers co-branded and branded credit cards in the US, along with consumer loans and online retail deposits. We are the ninth-largest credit card issuer in the market and this business has strengthened further in 2017. We launched a new co-branded credit card with Uber, which featured a ground breaking integration into the Uber app, offering a simple, seamless and frictionless customer experience. Our relationship with existing partners strengthened further, with our JetBlue co-branded card being named the “best no-fee loyalty airline card” for 2017 by MONEY magazine.

Across all credit card products, Barclaycard US added over 2 million new accounts in 2017. In addition, our Barclays-branded consumer retail deposits now exceed $12.5 billion.

Barclaycard Business Solutions provides merchant acquiring, payments integration and acceptance, payment gateway, commercial payments and point-of-sale consumer finance solutions in the UK. We are a leading provider in all our businesses and we are one of the largest payment acceptance providers in Europe. In 2017, we processed close to £250 billion in payments through acquiring.

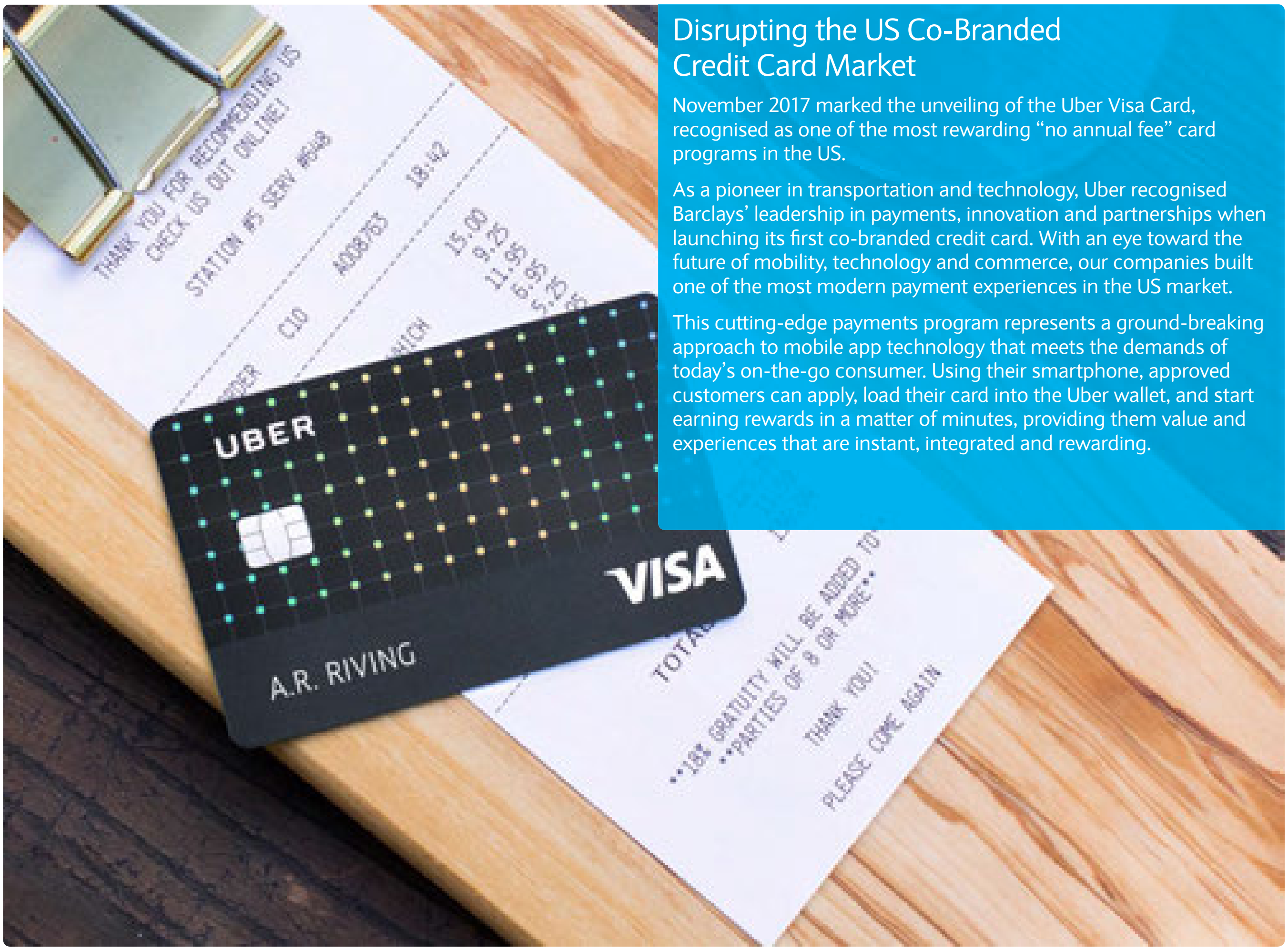
In 2017, we processed close to £250 billion in payments through acquiring.

In 2017, we completed a four-year investment in a new core payment processing platform that provides omni-channel, multi-currency and multi-geography settlement capabilities to help us strengthen our merchant relationships and support their growth. Coinciding with the launch of Apple’s iPhone 8 and X, Barclays Partner Finance rolled out an in-store financing offer in the UK with 131,000 applications received in-store since launch. We are also now a preferred partner for UK point-of-sale finance for Tesla via a digital in-store offering. Barclaycard Business Solutions’ electronic funds transfer platform, known as PrecisionPay Bank Transfer, went live in Q3 with a successful launch, providing clients with the ability to pay their suppliers via bank transfer, which is funded by a commercial card.

Barclaycard has been present in Germany for over a quarter of a century and now serves over 1.2 million cards and loans customers. We are the leading issuer of revolving credit cards in the country by outstanding balances. We also have a strongly growing instalment loans business as well as an online deposit product. In recognition of our focus on innovative products and features, all three Barclaycard open market products (New Visa, Gold and Platinum) received several best-in-class recognitions from leading German business and finance magazines. Barclaycard Germany continues to drive exceptional customer satisfaction rankings, with the business placing in the top two for both cards and loans.

We also provide cards and lending in Norway, Sweden and Denmark via our EnterCard joint venture with Swedbank and we are a leading player in the region.

Our performance in Consumer, Cards and Payments



Disrupting the US Co-Branded Credit Card Market

November 2017 marked the unveiling of the Uber Visa Card, recognised as one of the most rewarding "no annual fee" card programs in the US.

As a pioneer in transportation and technology, Uber recognised Barclays' leadership in payments, innovation and partnerships when launching its first co-branded credit card. With an eye toward the future of mobility, technology and commerce, our companies built one of the most modern payment experiences in the US market.

This cutting-edge payments program represents a ground-breaking approach to mobile app technology that meets the demands of today's on-the-go consumer. Using their smartphone, approved customers can apply, load their card into the Uber wallet, and start earning rewards in a matter of minutes, providing them value and experiences that are instant, integrated and rewarding.

Private Bank and Overseas Services

Private Bank and Overseas Services provides a diversified range of financial and wealth products and services to a broad base of clients, ranging from retail, high net worth and ultra high net worth, to family offices and corporates. With a significant global footprint, business operates across the UK, EMEA, India and Offshore Islands.

> With a significant global footprint, the business operates across the UK, EMEA, India and Offshore Islands.

Within the Private Bank, affluent clients at Barclays are supported by a dedicated Private Banker and a team of investment and wealth specialists. In addition, the Private Bank facilitates access to Barclays Corporate and Investment Bank products and services for ultra high net worth clients. The Overseas Services business delivers banking, treasury and investment solutions to core client segments through relationship led services and online channels.

With a focus on enhanced service delivery and product offerings, our Private Bank and Overseas Services business is poised for growth and scale.

Head Office and Group Service Company

Our service operations

The Head Office function contains the central operations of the Group. With the reintegration of remaining legacy assets and businesses in the second half of 2017, the function became a more material contributor to the Group results. Going forward, many of the Head Office functions will be within the Group Service Company.

The Head Office of Barclays includes the impact of treasury operations, which manage the capital, funding and liquidity position of the Group.

In 2017, the Head Office became more significant for Barclays as it contained some of the costs associated with the legacy assets and businesses, which were reintegrated on 1 July 2017. These factors contributed to a £834m loss before tax in 2017.

From 1 April 2018, the treasury operations will be embedded into the respective legal entities of Barclays Bank UK PLC, and Barclays Bank PLC, as well as into Barclays PLC.

> The Group Service Company has significant commercial and competitive value.

Central operations are already operating through the Group Service Company - a separate legal entity, recharging all of its costs to the two legal entities.

The Group Service Company was 'stood up' in September 2017 and is the hub through which we will deliver a wide range of operations, technology and functional services to the Barclays Group and the two legal entities of Barclays Bank UK PLC and Barclays Bank PLC. The purpose of the Group Service Company is to provide world-class services that are high quality, efficient and cost effective, to support our goal to be at the forefront of industry change and innovation.

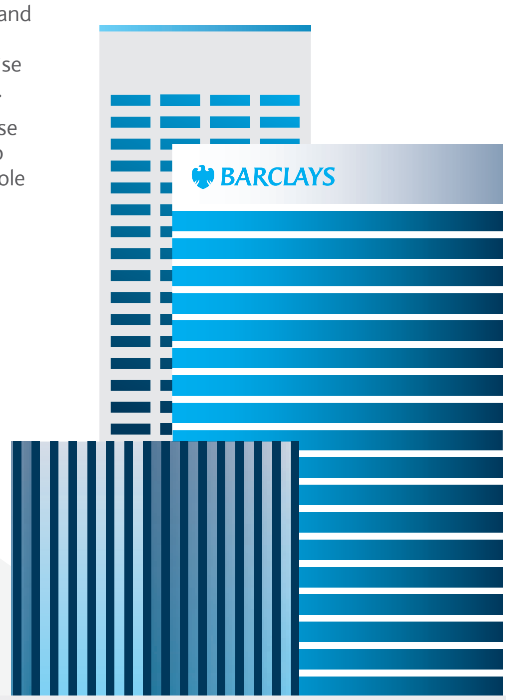
With significant commercial and competitive value, we believe the Group Service Company will radically reduce duplication of effort and cost, allowing us to give a more consistent and seamless experience to our colleagues, clients and customers. This will allow us to lead the way in next generation products and services in banking, to fully embrace the advantages that lie in automation, capitalise on our data and to innovate like a Fintech.

We intend to unlock efficiencies and release capital for strategic investment, helping to drive the optimisation of Barclays as a whole and delivering value to our shareholders.

The scale of the Group Service Company is substantial, accounting for around 42,000 colleagues working globally. It delivers services across a wide range of technical and functional capabilities, including Compliance, Corporate Relations, Legal, Risk, Real Estate, Finance, Operations and Technology. The Group Service Company operates as a separate legal entity with its own board of directors, thereby promoting transparency and increased accountability.

The Group Service Company is also a major step in the delivery of our structural reform programme. It is Barclays' response to the ring-fencing requirements established by the UK Government following the financial crisis that began in 2007. Grouping our services together in this way will allow us to maintain operational continuity for our business units and facilitate the execution of our recovery and resolution plans in the event of financial difficulty, thereby strengthening the overall resilience of the Barclays Group. It also means we have a centre of excellence for services required by the business, such as fraud management and cyber security, where we can reduce duplication and benefit from implementing best practice across all of our businesses.

For further information on the timeline and progress of our structural reform programme, please see page 204 of the Barclays PLC Annual Report 2017.



Our ongoing commitment to our people drives our success

Fostering the right culture at Barclays is critical to our success. By promoting respect, diversity and performance in the workplace we strive for excellence to deliver the best results for our customers and clients, taking pride in our achievements. We continue to be focused on the importance of embedding a conduct and values-based culture throughout the organisation and this is at the core of our strategy and processes. In recognising the significance of this commitment, conduct, culture and values remained one of our strategic priorities in 2017.

In 2016, we developed a culture measurement framework, anchored in our values to track and measure cultural progress across the Group. In 2017, we focused on embedding this framework, ensuring it is a key component of the non-financial metrics reviewed to assess the performance and culture of Barclays. Through this framework, and the results from our employee opinion survey 'Your View', quarterly insights, key cultural metrics and performance indicators are produced, stimulating management discussions which result in actions and decisions to further promote and embed a conduct and values-based culture.

We continue our ambition to become the most accessible, inclusive and sought after employer, where colleagues feel engaged and empowered to achieve their best in order to deliver the best for our customers and clients.

We continue our ambition to become the most accessible, inclusive and sought after employer, where colleagues feel engaged and empowered to achieve their best in order to deliver the best for our customers and clients. We are pleased that in 2017 the sustainable engagement of our employees improved to 78% across the Group.

This year colleagues were asked to select the phrases that they would use to describe the current culture at Barclays and we are encouraged that customer satisfaction, continuous improvement and growth are some of the top words selected. Focus continues in areas that we know are key to advancing cultural change, for example our Dynamic Working and employee wellbeing campaigns, as well as prioritising positive mental health awareness through our 'This is Me' campaign. Our ongoing commitment towards increasing female representation at all levels across Barclays remains a core focus of our talent management and leadership succession processes and we recognise that our commitment to greater gender equality is integral to drive societal change in equality, diversity and inclusion. Further details on our gender diversity commitments and additional highlights from across our Diversity and Inclusion strategy can be found in the People section on pages 89 to 92 of the Barclays PLC Annual Report 2017.

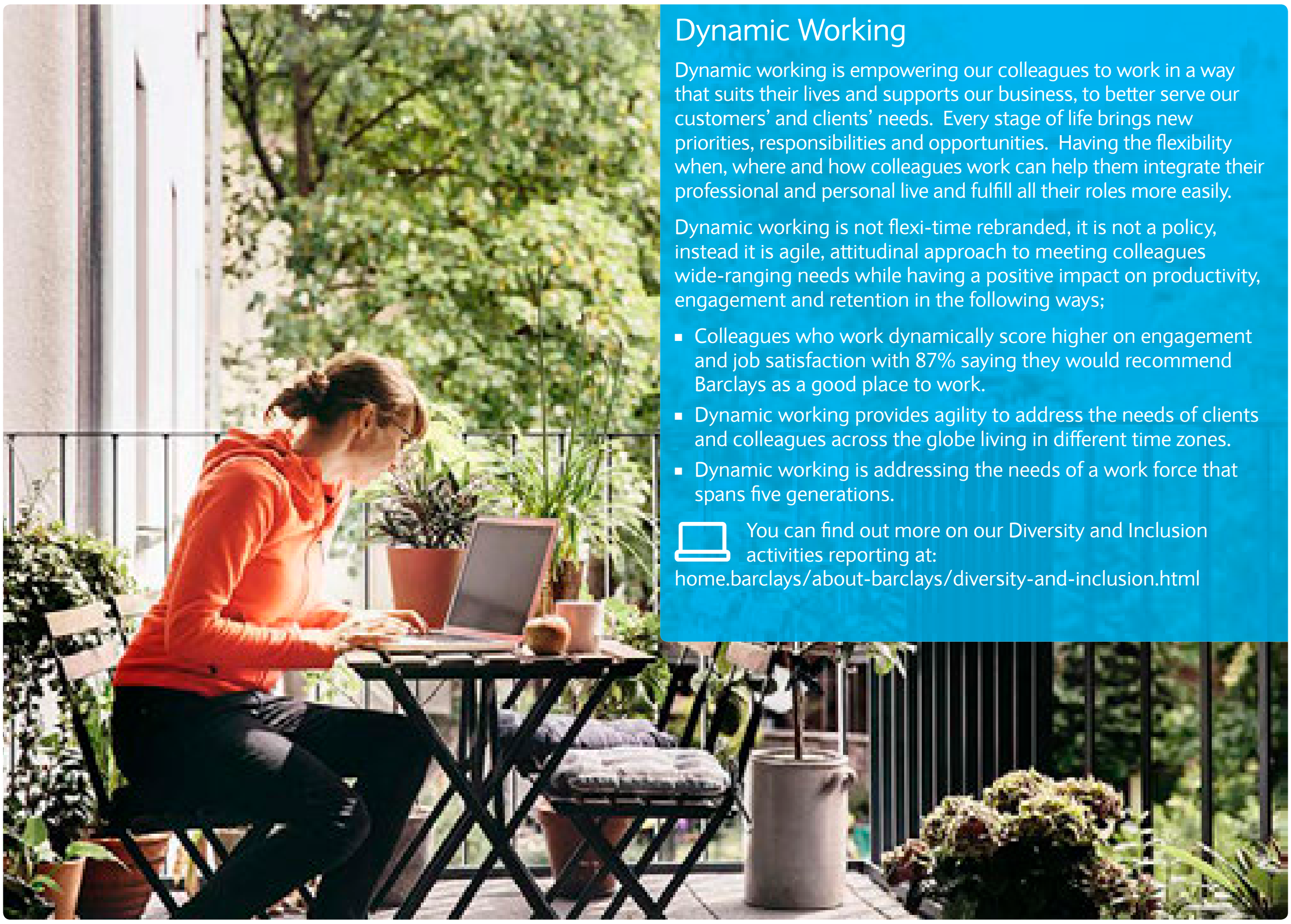
We continue to run Group CEO sponsored Enterprise Leaders' Summits, which seek to develop the next generation of enterprise leaders and strengthen a culture of collaboration among our leaders in order to deliver improved solutions and products for our customers and clients. The control functions rotational programme launched in 2016, which was expanded this year, recognises that future leaders in our businesses must have a strong awareness and understanding of the control environment. The programme provides colleagues the opportunity to work within a control function gaining valuable perspective.

We are committed to helping people succeed, whether entering the workplace for the first time or as an experienced professional. In support of the Barclays Shared Growth Ambition, and youth unemployment and social mobility, our apprenticeship programme has continued to provide opportunities for candidates from a broad range of backgrounds. Since the programme began we have hired over 3,400 apprentices, the majority with no prior qualifications or experience. We have continued to expand the programme, launching in 2017 the first ever Agriculture Higher Apprenticeship programme and Degree Apprenticeship in banking. Through the Barclays Armed Forces Transition, Employment and Resettlement (AFTER) programme we have assisted over 5,500 veterans in employment transition, hired over 500 ex-military colleagues and donated over £4.25m to military charities to assist wounded and injured personal in employment transition.

During 2017 external recognition has confirmed the sustained and global impact of our work. We are proud of the increased colleague engagement we are seeing across the organisation and both the external and internal differences that our values and culture are having and the change we can make to people's lives as a result, enabling success and giving them access to a future where they can thrive. Our drive to continue to embed a conduct and values-based culture shows the importance that we place on the positive and creative contributions of each and every one of our colleagues in order to serve customer and clients and to continue to build trust and respect in the profession of banking.

Tristram Roberts
Group Human Resources Director

For further information about the gender pay gap at Barclays, please see page 90 of the Barclays PLC Annual Report 2017.



Dynamic Working

Dynamic working is empowering our colleagues to work in a way that suits their lives and supports our business, to better serve our customers' and clients' needs. Every stage of life brings new priorities, responsibilities and opportunities. Having the flexibility when, where and how colleagues work can help them integrate their professional and personal live and fulfill all their roles more easily.

Dynamic working is not flexi-time rebranded, it is not a policy, instead it is agile, attitudinal approach to meeting colleagues wide-ranging needs while having a positive impact on productivity, engagement and retention in the following ways;

- Colleagues who work dynamically score higher on engagement and job satisfaction with 87% saying they would recommend Barclays as a good place to work.
- Dynamic working provides agility to address the needs of clients and colleagues across the globe living in different time zones.
- Dynamic working is addressing the needs of a work force that spans five generations.

You can find out more on our Diversity and Inclusion activities reporting at:
home.barclays/about-barclays/diversity-and-inclusion.html

Compliance with the UK Corporate Governance Code

A snapshot of how Barclays' activities align with the main principles of the UK Corporate Governance Code (the Code) is set out below.

As Barclays Bank PLC is not a premium listed equity issuer, it is not required to comply with the Code, but it nevertheless seeks to ensure that its activities align with the Code's main principles.

Leadership

There is clear division of responsibilities between the Chairman, who runs the Board, and the Group Chief Executive, who runs the Group's business. Individual roles on the Board and their responsibilities are set out in Barclays' *Charter of Expectations*.

The Senior Independent Director, Sir Gerry Grimstone, provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to shareholders if they have concerns that have not been addressed through the normal channels.

The Board has set out Barclays' culture, values and behaviours in *Barclays' Purpose and Values* and *The Barclays Way*, which are embedded throughout the Group.

Directors are expected to provide rigorous and constructive challenge on matters that, owing to their strategic, financial or reputational implications or consequences, are considered significant to the Group.

Effectiveness

The skills, knowledge and experience needed for an effective Board are recorded on a skills matrix, which is used by the Board Nominations Committee to inform Director recruitment, induction and ongoing development.

The composition of principal Board Committees meets the independence criteria of the Code and there is appropriate cross-membership to further promote effectiveness.

11 of 14 Directors are independent non-executive Directors (79%), while the Chairman was independent on appointment.

As at the date of this report, there are three female Directors (21%), compared to our target of 33% by 2020 which the Board remains committed to achieving.

The Board Nominations Committee regularly considers Board and senior management succession plans.

Appointments to the Board are made via a formal, rigorous and transparent process, based on merit, taking into account the skills, experience and diversity needed on the Board in the context of Barclays' strategic direction.

All Directors are expected to commit sufficient time to fulfil their duties to Barclays. In 2017, Directors' attendance at scheduled Board meetings was 97% and across the scheduled Board Committee meetings was an average of 94%.

The Board assesses its effectiveness and that of its Committees and the individual Directors annually in a process that is externally facilitated by an independent third party.

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

Barclays' *Charter of Expectations* sets out responsibilities for providing the Board with accurate, timely and high-quality information necessary for it to fulfil its duties.

The Board, assisted by its Risk and Reputation Committees, conducts robust assessments of the principal risks facing Barclays.

Accountability

The Board is responsible for setting Barclays' risk appetite, that is, the level of risk it is prepared to take in the context of achieving Barclays' strategic objectives.

Barclays' Enterprise Risk Management Framework is designed to identify and set minimum requirements in respect of the main risks to achieving the Barclays' strategic objectives and to provide reasonable assurance that internal controls are effective.

The Board, assisted by its Risk and Reputation Committees, conducts robust assessments of the principal risks facing Barclays, including those that would threaten its business model, future performance, solvency or liquidity.

The Directors also review the effectiveness of the Group's systems of internal control and risk management.

The Board has put in place processes to support the presentation to shareholders of fair, balanced and understandable information.

The Board Audit Committee, comprising independent non-executive Directors, oversees the effectiveness of Barclays' internal and external auditors.

Remuneration

The Board Remuneration Committee, comprising independent non-executive Directors, sets overarching Group remuneration policy and approves the remuneration arrangements of the Chairman, the executive Directors and other senior executives.

The Board Remuneration Committee seeks the views of Barclays' major shareholders on remuneration matters. This engagement is meaningful and contributes directly to the decisions it makes.

Barclays' reward framework is simple and transparent and is designed to support and drive business strategy and long-term success.

To ensure alignment with shareholder interests, a significant part of performance-related pay is delivered through Barclays' shares.

Unvested deferred remuneration is subject to malus. Clawback also applies to any variable remuneration awarded to Material Risk Takers after 1 January 2015.

Engagement

The Chairman and Senior Independent Director, together with other Board representatives and the Company Secretary, hold meetings with investors focusing on corporate governance matters.

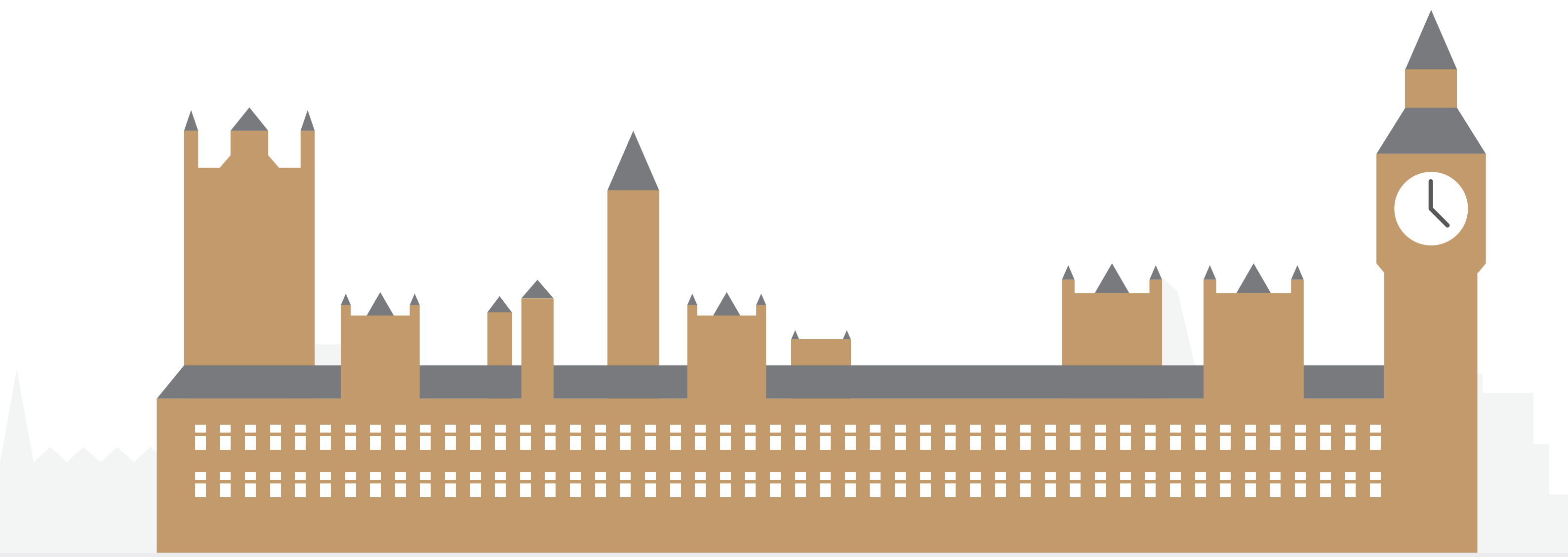
The Chief Executive and Group Finance Director present quarterly results briefings and the Group Finance Director holds briefings for equity and debt sell-side analysts.

The Board Remuneration Committee seeks the views of Barclays' major shareholders on remuneration matters. This engagement is meaningful and contributes directly to the decisions it makes.

Regular engagement with Barclays' brokers ensures that the Group's strategy and performance is being communicated effectively and provides a better understanding of investor views.

The Board receives feedback on investor relations activity, along with regular reports of changes in holdings of substantial shareholders and reports on share price movements.

A number of events are held throughout the year to maintain an open dialogue with investors, of which the AGM is the most important.



Governance

Our corporate governance processes and the role they play in supporting the delivery of our strategy.

Governance

Barclays PLC and Barclays Bank PLC governance remained aligned during 2017. The Group Service Company results in variances in staff numbers between Barclays PLC and Barclays Bank PLC.

Governance: Directors' report

The Directors present their report together with the audited accounts for Barclays Bank PLC (the 'Company') for the year ended 31 December 2017.

Section 414A of the Companies Act requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information which fulfils this requirement can be found on pages 1 to 39.

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 additional matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. The Directors' Report together with the Strategic Report constitute the management report for the purpose of DTR 4.1.8R.

The particulars of important events affecting the Company since the financial year end can be found in the notes to the financial statements. An indication of likely future developments may be found in the Strategic Report.

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

	Pages
Employee involvement	45
Disability	46
Key performance indicators	15
Financial review	135
Risk management	52
Principal Risks	62

Profits and dividends

The Group operates through branches, offices and subsidiaries in the UK and overseas. The results of the Group show a loss after tax of £1,154m (2016: profit of £3,729m). The Group had net assets of £65,734m at 31 December 2017 (2016: £70,955m). The loss attributable to Barclays PLC, the Company's parent, for the year 2017 amounted to £1,298m (2016: profit of £3,324m).

Barclays PLC will pay a final dividend in respect of 2017 of 2.0p per ordinary share on 5 April 2018 to shareholders on the share register on 2 March 2018. The Company will pay a dividend to Barclays PLC in order to fund the external dividend payment. The Directors recommend a dividend of no more than £417m to satisfy this requirement. Further details on total dividends on ordinary shares paid due 2017 are set out Note 11 to the accounts. Dividends paid on preference shares for the year ended 31 December 2017 amounted to £242m (2016: £340m). As at 31 December 2017, the distributable reserves of the Company were £24,021m.

Share Capital

There was no increase in ordinary share capital during the year. Barclays PLC owns 100% of the issued ordinary shares. There are no restrictions on the transfer of securities or agreements between holders of securities known to the Company which may result in restrictions on the transfer of securities or voting rights. Further information on the Company's share capital can be found in note 30.

Repurchase of shares

The Company did not repurchase any of its ordinary shares during 2017 (2016: none). On 15 March 2017, the 55,000,000 Series 3 non-cumulative callable US Dollar preference shares of US$0.25 nominal value each were redeemed in full at the option of the Company. On 15 December 2017, the 20,930 Series 6% sterling preference shares of £100 nominal value each were redeemed in full at the option of the Company.

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. No shares were issued or bought back in 2017. 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 2017 AGM. It will be proposed at the 2018 AGM that the Directors be granted new authorities to allot and buy-back shares.

Directors

The Directors of the Company are listed on page 44. The Directors' interests in shares are set out on page 113 of the Remuneration Report in Barclays PLC's Annual Report and Financial Statements. The membership of the Board of Directors of Barclays PLC and Barclays Bank PLC is identical. 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
Sir Ian Cheshire	Non-executive Director	Appointed 3 April 2017
Matthew Lester	Non-executive Director	Appointed 1 September 2017
Michael Turner CBE	Non-executive Director	Appointed 1 January 2018
Diane de Saint Victor	Non-executive Director	Retired 10 May 2017
Stephen Theike	Non-executive Director	Retired 10 May 2017

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 2017 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 2017 for the benefit of the then Directors, and at the date of this report are in force for the benefit of Directors of

Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The Directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the Barclays Bank UK Retirement Fund.

Similarly, qualifying pension scheme indemnities were in force during 2017 for the benefit of Directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Limited Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The Directors of the Trustee are indemnified against liability incurred in connection with the Company's activities as Trustee of the schemes above.

Environment

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

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

We have disclosed global greenhouse gas emissions (GHG) that we are responsible for as set out by 'The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013'. We provide fuller disclosure on (i) financing solutions for the lower carbon economy (ii) environmental risk management and (iii) management of our carbon and environmental footprint in the Barclays Environmental, Social and Governance (ESG) Supplement available on our website at home. barclays.com/citizenship.

	Current Reporting Year[a]	Previous Reporting Year	Previous Reporting Year
	2017	2016	2015
Global GHG Emissions[b]			
Total CO2e (tonnes)	347,165	402,531	479,934
Scope 1 CO2e emissions (tonnes)[c]	25,627	26,721	29,144
Scope 2 CO2e emissions (tonnes)[d]	250,897	308,473	342,012
Scope 3 CO2e emissions (tonnes)[e]	70,641	67,336	93,989
Intensity Ratio			
Total Full Time Equivalent (Full Time Equivalent)	79,900	76,500	85,800
Total CO2e emissions (tonnes) per FTE[f]	4.34	5.26	5.59
Scope 2 market based emissions (tonnes)	298,469	337,483	

a The carbon reporting year for our GHG emissions is 1 October to 30 September. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors' report.

b The methodology used to calculate our GHG is the Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD). We have adopted the operational control approach on reporting boundaries to define our reporting boundary. Where properties are covered by Barclays' consolidated financial statements but are leased to tenants, these emissions are not included in the Group GHG calculations. Where Barclays is responsible for the utility costs, these emissions are included.
On 1 June 2017 we completed the sale of a 33.7% stake in Barclays Africa Group Limited (BAGL) resulting in a non-controlling position. In 2017 we have restated our GHG emissions through to the 2015 baseline to account for this and BAGL emissions are not reported from 2015 onwards in order to ensure accurate tracking against our 30% carbon reduction commitment. In addition, we have restated our Scope 3 emissions to remove erroneous air data which was identified as part of the 2017 reporting process.

c Scope 1 covers direct combustion of fuels and company owned vehicles (from UK only, which is the most material contributors). Fugitive emissions reported in Scope 1 cover emissions from UK, Americas, Asia Pacific and Europe.

d Scope 2 location and market emissions cover electricity and steam purchased for own use. Market based emissions have been reported for 2017 and 2016 only.

e Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK, USA and India. USA and India ground transport covers onwards car hire only which is provided directly by the supplier. Ground transportation data (excluding Scope 1 company cars) covers only countries where robust data is available directly from the supplier.

f Intensity ratio calculations have been calculated using location based emission factors only.

Research and Development

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

Financial Instruments

Barclays' financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 52 to 54 and 76 to 125.

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.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the external auditors for non-audit services and the balance of audit and non-audit fees paid to them. More details on this can be found in Note 42 to the accounts.

With effect from the beginning of the 2017 financial year, KPMG was appointed as Barclays' statutory auditor, replacing PwC following an external audit tender conducted in 2015.

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

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

In preparing each of the Group and parent Company financial statements, the directors are required to:

- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Directors' responsibilities
The following statement, which should be read in conjunction with the Auditors' report set out on page 154 to 162, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the financial statements on pages 153 to 268, 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 Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

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

The Directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement in accordance with applicable law and regulations.

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

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

The Directors, whose names and functions are set out on page 44, confirm to the best of their knowledge that:

(a) The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
(b) The management report on pages 1 to 37, which is incorporated in the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Shapiro
Company Secretary
21 February 2018

Barclays Bank PLC
Registered in England. Company No. 1026167

Directors and Officers

Current Directors and Officers

John McFarlane – Group Chairman

Executive Directors
Jes Staley – Group Chief Executive
Tushar Morzaria – Group Finance Director

Non-Executive Directors
Mike Ashley
Tim Breedon CBE
Sir Ian Cheshire
Mary Francis CBE
Crawford Gillies
Sir Gerry Grimstone – Deputy Chairman and Senior Independent Director
Reuben Jeffery III
Matthew Lester
Dambisa Moyo
Diane Schueneman
Mike Turner CBE (appointed with effect from 1 January 2018)

Group Executive Committee		Appointed To Position
Ashok Vaswani	Chief Executive Officer, Barclays UK	2012
Bob Hoyt	Group General Counsel	2013
Tristram Roberts	Group Human Resources Director	2015
C.S. Venkatakrishnan	Chief Risk Officer	2016
Paul Compton	Group Chief Operating Officer	2016
Tim Throsby	President, Barclays International Chief Executive Officer, Corporate and Investment Bank	2017
Laura Padovani	Interim Group Chief Compliance Officer	2017

Company Secretary		Appointed To Position
Stephen Shapiro	Secretary	2017

People

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

Early careers and apprenticeships

Our Early Careers offering includes graduate, internship and apprenticeship programmes. In 2017 we hired over 780 interns and 675 graduates, and since 2012 we have created over 3,400 apprenticeships. We provide pathways for progression from apprentice to graduate supported by recognised qualifications and, in doing so, help to create an internal talent pipeline. During 2017, we launched a new graduate programme across a number of our business areas to attract the workforce of the future, and within Technology and Barclays UK we increased the number of opportunities for both interns and graduates.

Internal Mobility

By supporting internal mobility across Barclays and making it simple and easy for colleagues to move internally, we hope to successfully retain and develop our internal talent. We have developed multiple tools and resources for colleagues to find internal career opportunities and for managers to find and assess suitable internal candidates. In 2017 our rate of internal hiring was 40%, a reduction on 2016, which can be attributed to factors including a strategic move to hire externally for specific skill sets, particularly within Technology, and a focus on converting temporary staff into permanent roles.

Leadership and Learning

In 2017, a consistent Barclays Leadership Capability framework launched across the organisation. Our leadership and learning solutions are underpinned by this framework and our values. The Barclays Academies and our Global Curriculum provide colleagues with face-to-face, virtual and self-managed development resources. All new joiners undertake the 'Being Barclays' induction, providing an in-depth understanding of the values and expected behaviours through the Global Code of Conduct (The Barclays Way).

Industrial relations and Managing change

Barclays has a long-standing partnership approach to industrial relations and we value the relationships we have with over 14 trade unions, works councils and staff associations globally. Within the UK we have a formal partnership with Unite which has been in place for over 17 years. Following joint review, the partnership agreement was extended in 2017 for a further 5 years. As part of the review, Unite recognition was extended to cover an additional 1,500 employees. Throughout 2017, we have continued to have regular and constructive dialogue with employee representatives and employees on a wide range of topics. Earlier this year, as part of our implementation of structural reform, we consulted with Unite and employee forums on the successful transfer of c. 53,000 employees to new legal employing entities. We seek to avoid compulsory redundancies where possible and try to find ways in which we can achieve this during the consultation period. We continue to place significant emphasis on voluntary redundancy programmes as well as internal redeployment through our 'Internals First' programme. We also aim to keep in touch with former colleagues through the Barclays Global Alumni Programme.

Performance Management

Barclays approach to performance management is key to the delivery of our strategy and to drive a values-based culture. Colleagues align their objectives ('what' they will deliver) to business and team goals to support our strategy and good customer outcomes. Behavioural expectations ('how' they will achieve their objectives) are set in the context of our values. Our global recognition programme provides colleagues the opportunity to recognise the achievements of those who have demonstrated our values. We continue to see a year on year increase in the number of colleagues receiving a values 'Thank You' message, with over 210,000 messages sent in 2017.

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

Employee Communications

Barclays regularly updates employees on the financial and economic factors affecting the Company's performance and the delivery of the strategy through Group CEO and senior leader communications, line manager briefing packs, interviews and talking points distributed to employees every quarter in accordance with our financial reporting calendar. We hold a variety of events for employees to hear directly from the Group Executive Committee and employees are kept regularly informed about what is happening in their area and across Barclays through engagement initiatives and communications. Campaigns and colleague stories throughout the year highlight our Citizenship work and how we are supporting our customers, clients and colleagues.

Diversity and Inclusion

We aim to ensure that employees of all backgrounds are treated equally and have the opportunity to be successful. Our global Diversity and Inclusion (D&I) strategy sets objectives, initiatives and plans across five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational, in support of that ambition. Our approach to building an inclusive work environment is focused on upskilling our leadership and we provide a range of development opportunities including our Unconscious Bias Training which has been delivered to over 10,000 leaders across Barclays, and Dynamic Working line manager clinics which have been attended by over 4,000 leaders.

LGBT

An inclusive culture that enables colleagues to bring their whole selves to work is built on having leadership participation and visible role models. Now in its third year, our Spectrum Allies campaign has identified over 8,000 leaders globally who have pledged to challenge homophobia, biphobia and transphobia in the workplace and provide support to LGBT colleagues. Through the 'Your View' survey we provide colleagues with the opportunity to identify as being LGBT, with 7% of colleagues identifying as LGBT in 2017. This year was the fourth consecutive year that Barclays supported Pride in London as the headline sponsor. The #lovehappenshere theme reached over 3 million people across multiple communications channels and across the UK over 1,000 Barclays colleagues participated in regional Pride events across the UK.

Independent recognition reflects the progress we are making and the impact of our strategy. For the fifth consecutive year, Stonewall has recognised Barclays as one of only 12 Top Global Employers. The Human Rights Campaign has awarded Barclays with 100% on their corporate equity index.

People

Disability

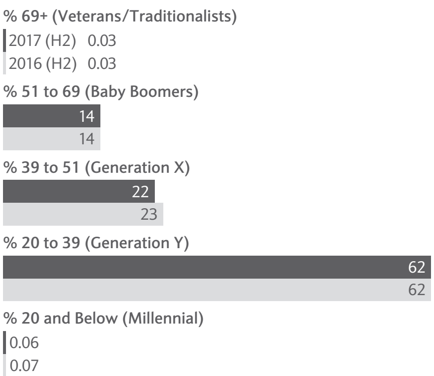
Under the UK Government's Department of Work and Pensions Disability Confident scheme, Barclays has been recognised as a Disability Confident Leader for our efforts to support those who have a disability. This year, alongside PwC, we have further scaled the 'This is Me in the City' initiative along with the Lord Mayor of the City of London. The 'This Is Me' mental health and wellbeing campaign now includes over 280 organisations across London who have pledged to focus on eliminating the stigma associated with mental health in their workplace (over 1 million employees collectively). In 2018, through these partnerships, we plan to expand 'This is Me' further in the UK. Continuing our commitment to increase employment of those with a disability or mental health condition, this year we expanded our Able to Enable internship in the UK. This 13 week paid programme is aimed at recruiting talented individuals of all ages with a background of mental health conditions, providing them with opportunities to gain work experience, learn new skills and grow their experience and confidence.

Multigenerational

Our Dynamic Working campaign is relevant to colleagues at every life stage. It addresses the diverse needs of a workforce comprised of five generations, by encouraging the integration of personal and professional responsibilities through smarter work patterns. The campaign is having a positive impact on colleague engagement with the 59% of colleagues actively working dynamically in 2017 reporting 5% points higher than the Group sustainable engagement result. Dynamic Working is also enabling Barclays to have a positive impact on the retention of diverse talent, examples include a 13% improvement in maternity returners retained after 12 months, and 95% of those taking Shared Parental Leave are fathers.

Addressing the changing needs of a multigenerational workforce will be an ongoing focus in 2018 but we are pleased that Working Families UK has recognised Barclays as one of the top 10 Employers for Working Families in 2017.

Multigenerational



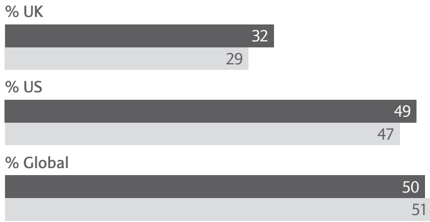
For the purpose of comparability 2016 figures exclude Barclays Africa Group Limited headcount.

Multicultural

During 2017, the Embracing Us campaign was launched in celebration of World Cultural Day, aiming to challenge global stereotypes and mind-sets in relation to nationality, faith, ethnicity, race and language. During the campaign our multicultural network, Embrace, engaged over 15,000 colleagues through multiple communications channels, leadership forums and Being Colour Brave development workshops. Barclays Apprenticeship Programme reflects our commitment to recruit a diverse workforce. Since the programme launched, we have focused on recruiting those who are NEET (Not in Education, Employment or Training). 19% of our apprentices identify as Black, Asian and Minority Ethnic, 8% points higher than the national apprenticeship average. In addition, 46% of our apprentices are female and 8% identify as a person with a disability. Through this scheme we are making a positive impact on youth unemployment and social mobility.

The multicultural profile of the organisation was acknowledged externally by the City of London and the Social Mobility Commission through the Social Mobility Employer Index as a Top 50 Employer in 2017.

Multicultural



Above shows the percentage of underrepresented populations that make up our global and regional populations. Underrepresented populations are defined regionally to ensure inclusion of all groups in the workplace. For the purposes of comparability 2016 figures exclude Barclays Africa Group Limited headcount. UK includes Asian, Mixed, Black, Other and Non-Disclosed and US includes Hispanic/Latino, Asian, Mixed, Black, Other and Non-Disclosed.

Permanent Employees by region

As at 31 December	2017	2016	2015
United Kingdom	31,000	40,700	49,000
Continental Europe and Middle East	1,600	3,200	7,400
Americas	10,400	9,700	10,600
Asia Pacific	1,600	1,800	18,800
Africa	0	42,700	43,600
Total	**44,600**	**98,100**	**129,400**

Gender Breakdown

Under the Companies Act 2006, Barclays are also required to report on the gender breakdown of our employees and 'senior managers'. Of the workforce of 44,600 (22,200 male, 22,400 female), 297 were senior managers (220 male, 77 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.

Gender Pay Gap Disclosure

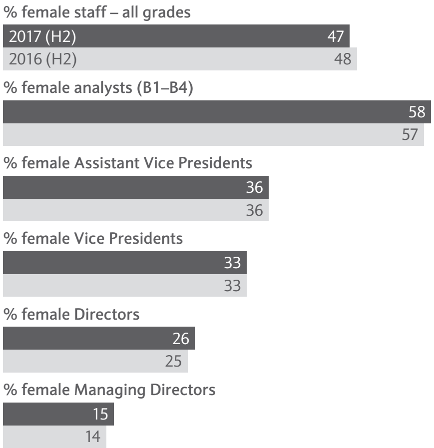
The gender pay gap measures the difference between the average male pay and the average female pay as a proportion of the average male pay. For example, average male pay of £100 per hour and average female pay of £85 per hour would indicate a gender pay gap of 15%. The calculation does not take into consideration the role that an employee performs or the seniority of the employee. As a result, gender pay gaps are often driven by higher proportions of women than men in more junior, lower paid roles and fewer women than men in senior, more highly paid roles.

Equal Pay legislation in the UK specifically relates to an employee's role, making it unlawful for an employer to pay individuals differently for performing the same or similar work. This right for women and men to receive the same pay for the same, or similar work, or work of equal value, has been a requirement under UK law since 1970. Paying our colleagues fairly and equitably relative to their role, skill, experience and performance is central to our global reward structures and benefits policies, which are reviewed regularly to ensure that there is no unfair bias in how employees are paid. At Barclays we are confident that men and women across our organisation are paid equally for doing the same job.

The difference between the gender pay gap and Equal Pay can be illustrated by the fact that men and women who are paid equally for the same or similar roles, can still generate a gender pay gap driven by the relative proportions of men and women across the organisation. This is illustrated in graphic B.

Our gender pay gap results shown in graphic C reflect the distribution of men and women between corporate grades within Barclays. As illustrated in graphic A, the percentage of women in our more senior corporate grades is lower than the percentage of women at Barclays overall. This correlates with the ordinary pay quartile data in graphic C, in which the entire population is arranged in order of ordinary pay (fixed pay), from lowest to highest, and then divided into four equal sub-populations. The numbers of male and female employees in each sub-population is then expressed as a proportion. The ordinary pay quartiles reflect the high proportions of women in more junior, lower paid roles (particularly evident in Barclays UK within the retail branch network) and the high proportions of men in senior, highly paid roles (particularly evident in Barclays International).

Graphic A
Female representation



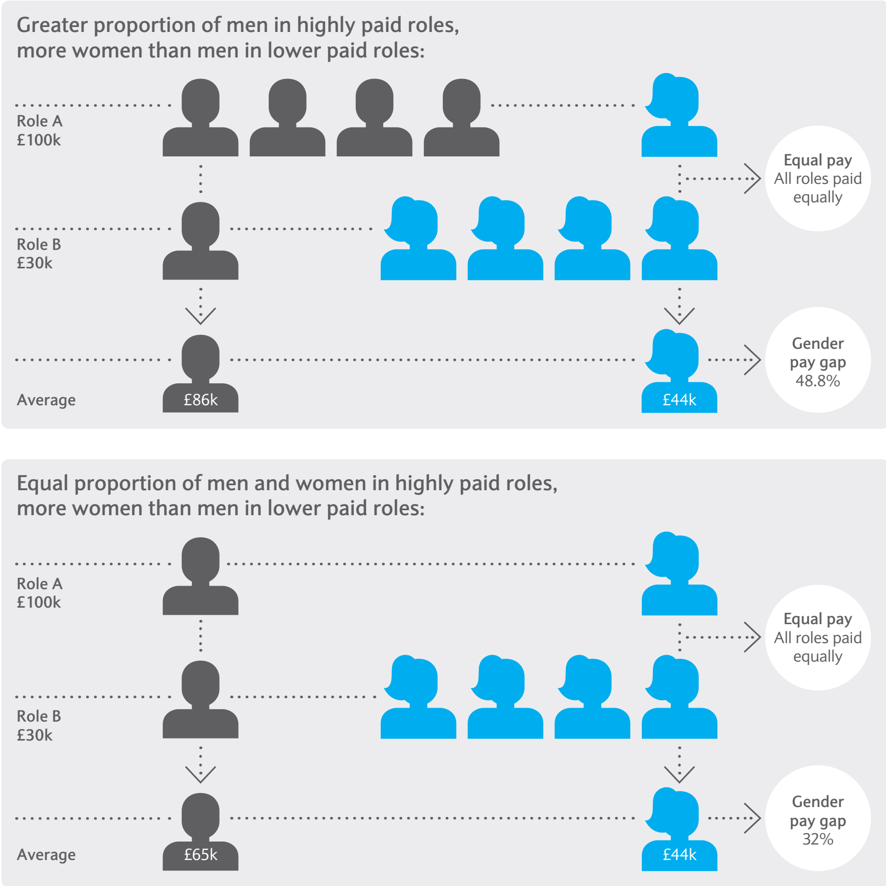
For the purposes of comparability 2016 headcount figures exclude Barclays Africa Group Limited.

The mean pay gap shown in graphic C is the difference between the average hourly pay of men and women. The median pay gap is the difference between the midpoints in the ranges of hourly pay of men and women. It arranges the hourly pay rates from highest to lowest and identifies the hourly pay in the middle of the range. The mean bonus gap is based on actual bonuses paid and does not make any adjustments to the amounts paid to employees who work a reduced number of hours.

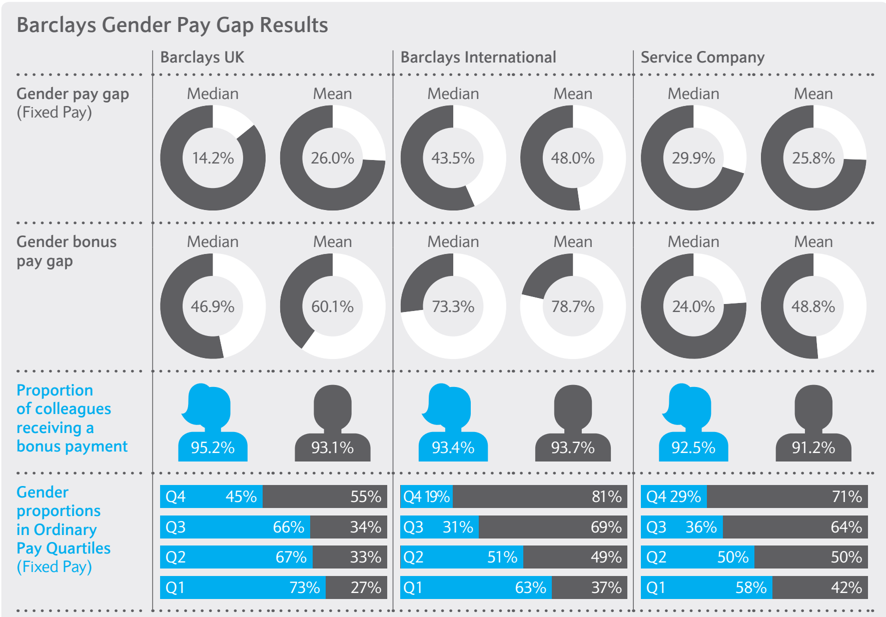
The demographics of our population and the resulting gender pay gaps emphasise the importance of maintaining our firm commitment to increasing female representation across Barclays, particularly among the senior leadership population. We welcome the introduction of gender pay gap reporting to bring further focus to our commitment to improving gender diversity – a commitment that is, and will remain, at the core of our talent management and leadership succession processes.

How we are addressing the gender pay gap
We recognise that tackling the gender pay gap will take time and therefore it is key that we remain focused on improving gender diversity through a workplace environment and culture that supports and empowers women. At Barclays, our focus goes beyond simply addressing the gender pay gap and extends to our internal and external gender equality commitments. Across both our organisation, and in the financial services industry, we are dedicated to enabling women to fulfil their career aspirations. To achieve this goal and thereby narrow our gender pay gap, we will continue to focus on ensuring there is no bias in the hiring, promotion, development and retention of women at Barclays.

Graphic B Illustrative example of the difference between the gender pay gap and equal pay



Graphic C



Under the regulations we are required to report our gender pay data for each separate UK based legal entity that has at least 250 employees therefore the Barclays PLC data is broken down by Barclays Bank UK PLC (Barclays UK), Barclays Bank PLC (Barclays International) and Barclays Services Limited (Service Company).

People

Gender Diversity Commitments

As a founding signatory of the HM Treasury Women in Finance Charter and supporter of the Hampton-Alexander Review, to support our commitment to gender equality, we proactively set gender targets and we have made good progress towards these targets. Our goal to improve the percentage of female Managing Directors and Directors to 26% by the end of 2018 (23% at the end of 2017) has subsequently expanded with commitments of 33% female representation across our Board of Directors by 2020 (21% at the end of 2017) and 33% female representation among the Group Executive Committee and their direct reports (25% at the end of 2017). Alongside these targets, Barclays has been focused on and will continue to develop, a range of extensive initiatives, programmes and policies to improve gender diversity. Below are some highlights of the ways in which we are increasing female representation at Barclays and enabling women to fulfil their career aspirations.

Creating New Career Opportunities

We have expanded our graduate and apprenticeship programmes, reflecting our commitment to improve employment opportunities, tackle societal issues and attract diverse talent. We have transformed the way we recruit for our graduate programmes to drive diversity and inclusion as students are able to demonstrate ability and potential throughout the process, so that recruitment outcomes are based on performance and not on the basis of subjects studied, universities attended and previous work experience. In doing so we hope to increase the number of female graduate hires to 50% (40% at the end of 2017, up from 31% in 2014). For those looking to re-enter the workforce after taking time out of their careers, our Encore! Returnship Programme provides opportunities for experienced professionals to join a paid programme with a view to securing a permanent role at Barclays at the end of the programme. More broadly, we have policies and practices in place to ensure that all recruitment decisions are fair and candidate shortlists are diverse.

Talent Management and Leadership Development

The creation of ex-officio positions on the Group Executive Committee and across the business unit and functional Executive Committees in 2016 by the Group CEO, has provided development opportunities for a number of our high potential female leaders and has broadened the scope of the perspectives and decision making across our leadership teams. Our Unconscious Bias training, now attended by over 10,000 leaders, supports the continued elimination of bias from our people processes, and successful events that we run each year such as the Global Women in Leadership conference and the Enterprise Leaders Summit focus on building capability and upskilling leaders.

Internally we are committed to:

Leadership accountability including gender diversity targets and the introduction of a gender taskforce	**2020 Gender Diversity Commitments** ▪ Board of Directors 33% ▪ Leadership 33% (Group ExCo and their direct reports)
Focusing on a more inclusive work environment to ensure all colleagues have the flexibility to achieve personal and professional goals	**Cultural Change** ▪ Dynamic Working ▪ Progressive parental policies ▪ Barclays' Win Gender Network
Ensuring we are developing leaders who are equipped to meet the demands of a more diverse workforce	**Talent Management** ▪ Leadership Succession Planning ▪ Ex-Officio Leadership roles ▪ Internal Mobility
	Leadership Development ▪ Unconscious Bias Training ▪ Global Women in Leadership Conference ▪ Enterprise Leaders Summits

Externally we are committed to:

Engaging men globally in gender equality in partnership with the United Nations	**UN HeForShe** ▪ Global Impact Champion
Providing enhanced employment opportunities and attracting diverse candidates	**Barclays Role Models** ▪ External engagement of Barclays' senior women across Financial Services, IT and STEM
Community impact	**Creating New Career Opportunities** ▪ Encore! Returnship Programme ▪ Expanded Apprenticeship Programme ▪ 50% Female Graduate Hires
	Strategic Partnerships ▪ Women's Business Council ▪ 30% Club

Cultural Change

Providing a workplace that encourages colleagues to achieve their personal and professional goals is key to supporting and retaining our employees. We aim to do this through our progressive maternity, paternity, adoption and shared parental leave policies which go beyond the statutory requirements, as well as through our flexible working campaign Dynamic Working. Dynamic Working supports colleagues in all stages of their lives in achieving an optimal work and life balance, helping them with parenthood, studies, caring and hobbies. Across Barclays, our Women's Initiative Network (Win) provides colleagues with career development and networking opportunities including mentoring, career fairs and senior leader speaker events.

Strategic Partnerships

Barclays recognises that gender equality extends to the communities in which we work, support and live and greater gender equality is integral to our long-term investments to drive societal change. We demonstrate this through strategic partnerships, external engagement and leadership commitment, including but not limited to, our multi-year commitment to the United Nations HeForShe campaign and our partnership with the Women's Business Council.

So what next?

Our existing pipeline of female talent is being further strengthened through the launch of a global gender taskforce, comprising of leaders from across the organisation who believe passionately in gender diversity and who will focus on new and improved initiatives to further accelerate our progress against our gender diversity commitments. We acknowledge that there is still a lot of work to do, but our determination and commitment to building a diverse and inclusive workforce through attracting, retaining and developing world class professionals is paramount, and we are working hard to foster an environment in which all employees have the opportunity to succeed, regardless of race, religion or belief, age, gender, disability, sexual orientation, gender identity or nationality.

Further details on the gender pay gap and Barclays commitments to gender diversity and equality can be found at home.barclays/diversity

Risk review
Content

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

Barclays' risk disclosures are provided in the Annual Report and in the Barclays PLC 2017 Pillar 3 Report.

Content

Risk review

Risk management

Barclays' risk management strategy

There are no differences in the manner in which risks are managed and measured between the Barclays Bank PLC Group and the Barclays PLC Group. Therefore the principal risks listed below are for Barclays PLC which includes the Barclays Bank PLC Group.

Introduction

Barclays engages in activities which entail risk taking, every day, throughout its business. This section introduces these risks, and outlines key governance arrangements for managing them. These include roles and responsibilities, frameworks, policies and standards, assurance and lessons learned processes. The Group's approach to fostering a strong Risk Culture is also described.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of Barclays. It supports the Chief Executive Officer (CEO) and Group Chief Risk Officer (CRO) in embedding effective risk management and a strong Risk Culture.

The ERMF sets out:

- Principal Risks faced by the Group
- Risk Appetite requirements
- Roles and responsibilities for risk management
- Risk Committee structure.

Principal Risks

The ERMF identifies eight Principal Risks (see table below) and sets out associated responsibilities and risk management standards.

Financial Principal Risks

- **Credit risk:** The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.
- **Market risk:** The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- **Treasury and capital risk:**
  - **Liquidity risk:** The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
  - **Capital risk:** The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans.
  - **Interest rate risk in the banking book:** The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Non-Financial Principal Risks

- **Operational risk:** The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.
- **Model risk:** The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.
- **Conduct risk:** The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.
- **Reputation risk:** The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.
- **Legal risk:** The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Risk appetite for the Principal Risks

Risk Appetite is defined as the level of risk which the Group is prepared to accept in the conduct of its activities. The Risk Appetite of the Group specifies the level of risk we are willing to take and why, to enable specific risk taking activities.

Risk Appetite is approved and disseminated across legal entities and businesses, including by use of Mandate and Scale limits to enable and control specific activities that have material concentration risk implications for the Group.

Roles and responsibilities in the management of risk

The Three Lines of Defence

All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out in the "Three Lines of Defence".

First Line of Defence

The First Line comprises all employees engaged in the revenue generating and client facing areas of the Group and all associated support functions, including Finance, Treasury, Human Resources and the Chief Operating Officer (COO) function. Employees in the First Line are responsible for:

- identifying all the risks and developing appropriate policies, standards and controls to govern their activities
- operating within any and all limits which the Risk and Compliance functions establish in connection with the Risk Appetite of the Group
- escalating risk events to senior managers in Risk and Compliance.

Second Line of Defence

Employees of Risk and Compliance comprise the Second Line of Defence. The role of the Second Line is to establish the limits, rules and constraints under which First Line activities shall be performed, consistent with the Risk Appetite of the Group, and to monitor the performance of the First Line against these limits and constraints.

Third Line of Defence

Employees of Internal Audit comprise the Third Line of Defence. They provide independent assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

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

Risk Committees

Business Risk Committees consider Risk matters relevant to their business, and escalate as required to the Group Risk Committee (GRC), whose Chairman in turn escalates to Board Committees and the Board.

There are three Board-level forums which oversee the application of the ERMF and review and monitor risk across the Group. These are: the Board Risk Committee, the Board Audit Committee, and the Board Reputation Committee. Additionally, the Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance. Finally, the main Board of Barclays receives regular information on the risk profile of the Group, and has ultimate responsibility for risk appetite and capital plans.

The Chairman of each Committee prepares a statement each year on the Committee's activities, which are included in this report on pages 45 to 79 of the Barclays PLC Annual Report 2017.

The Board

One of the Board's (Board of Directors of Barclays Bank PLC) responsibilities is the approval of Risk Appetite (see page 126 of the Barclays PLC Pillar 3 Report 2017). The Group CRO regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the ERMF.

The Board Risk Committee (BRC)

The BRC monitors the Group's risk profile against the agreed financial appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to verify that the BRC is comfortable with them. After each meeting, the Chairman of the BRC prepares a report for the next meeting of the Board. All members are independent non-executive directors. The Group Finance Director (GFD) and the Group CRO attend each meeting as a matter of course.

The BRC also considers the Group's Risk Appetite statement for operational risk and evaluates the Group's operational risk profile and operational risk monitoring.

The BRC receives regular and comprehensive reports on risk methodologies, the effectiveness of the risk management framework, 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 Group CRO or senior risk managers in the businesses.

The Board Audit Committee (BAC)

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

The Board Reputation Committee (RepCo)

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

The Board Remuneration Committee (RemCo)

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

Summaries of the relevant skills, experience and background of the Directors of the Board are presented in the Board of Directors section on pages 47 to 48 of the Barclays PLC Annual Report 2017. The terms of reference and additional details on membership and activities for each of the principal Board Committees are available from the Corporate Governance section of Barclays' website home.barclays/about-barclays/barclays-corporate-governance.html.

Risk management

Barclays' risk management strategy

Barclays' Risk Culture

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

Our Code of Conduct – the Barclays Way
Globally, all colleagues must attest to the "Barclays Way", our Code of Conduct, and all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the Purpose and Values which govern our Barclays Way of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, specifically (but not exclusively) with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Embedding of a values-based, conduct culture
The Group Executive Committee reconfirmed Conduct, Culture and Values as one of its execution priorities for 2017 with the aim of embedding the cultural measurement tool developed in 2016. The effectiveness of the Risk and Control environment, for which all colleagues are responsible, depends on the continued embedment of strong values. Please see the Board Reputation Committee report on pages 69 to 74 of the Barclays PLC Annual Report 2017 for further details.

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

Other Risk Culture drivers
In addition to values and conduct, we consider the following determinants of Risk Culture:

- **Management and governance**: This means a consistent tone from the top and clear responsibilities to enable identification and challenge.
- **Motivation and incentives**: The right behaviours are rewarded and modelled.
- **Competence and effectiveness**: This means that colleagues are enabled to identify, co-ordinate, escalate and address risk and control matters.
- **Integrity**: Colleagues are willing to meet their risk management responsibilities; colleagues escalate issues on a timely basis.

Material existing and emerging risks

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

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

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

The risks described below are material risks that senior management has identified with respect to the Group, which is defined as Barclays PLC and its consolidated subsidiaries (including the Barclays Bank Group). In connection with the implementation in 2018 of ring-fencing certain of the Group's UK businesses, Barclays Bank PLC will transfer what are materially the assets and business of the Barclays UK division to another subsidiary of the Group, Barclays Bank UK PLC. Senior management expects that upon this transfer, the material risks with respect to the Barclays Bank Group will be the same in all material respects as those risks with respect of the Group. For more information on certain risks senior management has identified with respect to the Barclays Bank Group, see "Certain potential consequences of ring-fencing to Barclays Bank PLC.

Material existing and emerging risks potentially impacting more than one Principal Risk

i) Business conditions, general economy and geopolitical issues

The Group offers a broad range of services, including to retail, institutional and government customers, in a large number of countries. The breadth of these operations means that deterioration in the economic environment, or an increase in political instability in countries where the Group is active, or in any systemically important economy, could adversely affect the Group's operating performance, financial condition and prospects.

Although economic activity continued to strengthen globally in 2017 a change in global economic conditions and the reversal of the improving trend may result in lower client activity of the Group and/or an increase of the Group's default rates, delinquencies, write-offs, and impairment charges, which in turn could adversely affect the Group's performance and prospects.

In several countries, reversals of capital inflows, as well as fiscal austerity, have already caused deterioration in political stability. This could be exacerbated by a renewed rise in asset price volatility or sustained pressure on government finances. In addition, geopolitical tensions in some areas of the world, such as the Korean Peninsula, the Middle East and Eastern Europe, are already acute and at risk of further deterioration, thus potentially increasing market uncertainties and adverse global economic and market conditions.

In the US, there is uncertainty around the policy platform of the administration which took office in 2017. There is the possibility of significant changes in policy in sectors including trade, healthcare and commodities which may have an impact on associated Barclays portfolios. A significant proportion of the Group's portfolio is located in the US, including a major credit card portfolio and a range of corporate and investment banking exposures. Stress in the US economy, weakening GDP, an unexpected rise in unemployment and/or an increase in interest rates could lead to increased levels of impairment.

Most major central banks have indicated that they expect prevailing loose monetary policies to tighten. Should 'normalisation' paths diverge substantially, flows of capital between countries could alter significantly, placing segments with sizeable foreign currency liabilities, in particular emerging markets, under pressure. In addition, possible divergence of monetary policies between major advanced economies risks triggering further financial market volatility (see also ii) Interest rate rises adversely impacting credit conditions, below).

In the UK, the vote in favour of leaving the EU (see iii) Process of UK withdrawal from the European Union, below) has given rise to political uncertainty with attendant consequences for investment and market confidence. The initial impact was a depreciation of Sterling resulting in higher costs for companies exposed to imports and a more favorable environment for exporters. Rising domestic costs resulting from higher import prices may impact household incomes and the affordability of consumer loans and mortgages. In turn this may affect businesses dependent on consumers for revenue. There has also been a reduction in activity in both commercial and residential real estate markets which has the potential to impact value of real estate assets and adversely affect mortgage assets.

Sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is some concern around the ability of authorities to manage growth while transitioning from manufacturing towards services. Although the Chinese government's efforts to stably increase the weight of domestic demand have had some success, the pace of credit growth remains a concern, given the high level of leverage and despite regulatory action. A stronger than expected slowdown could result if authorities fail to appropriately manage the end of the investment and credit-led boom.

Deterioration in emerging markets could affect the Group if it results in higher impairment charges for the Group via sovereign or counterparty defaults.

More broadly, a deterioration of conditions in the key markets where the Group operates could affect performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity, including demand for borrowing from creditworthy customers, or indirectly, a material adverse impact on GDP growth in significant markets and therefore on Group performance; (ii) higher levels of default rates and impairment; (iii) mark to market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties (iv) reduced ability to obtain capital from other financial institutions for the Group operations; and (v) lower levels of fixed asset investment and productivity growth overall.

ii) Interest rate rises adversely impacting credit conditions

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

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

Interest rates rising faster than expected could also have an adverse impact on the value of high quality liquid assets which are part of the Group Treasury function's investment activity that could consequently create more volatility through the Group's available for sale reserves than expected.

iii) Process of UK withdrawal from the European Union

The uncertainty and increased market volatility following the UK's decision to leave the EU in 2019 is likely to continue until the exact nature of the future trading relationship with the EU becomes clear. The potential risks associated with an exit from the EU include:

- Increased market risk with the impact on the value of trading book positions, mainly in Barclays International, expected to be driven predominantly by currency and interest rate volatility.
- Potential for credit spread widening for UK institutions which could lead to reduced investors appetite for Barclays' debt securities, which could negatively impact the cost of and/or access to funding. Potential for continued market and interest rate volatility could affect the interest rate risk underlying, and potentially affect the value of the assets in the banking book, as well as securities held by Barclays for liquidity purposes.
- Changes in the long-term outlook for UK interest rates which may adversely affect IAS 19 pension liabilities and the market value of equity investments funding those liabilities.
- Increased risk of a UK recession with lower growth, higher unemployment and falling UK house prices. This would likely negatively impact a number of Barclays' portfolios, particularly in Barclays UK, notably: higher Loan to Value mortgages, UK unsecured lending including credit cards and Commercial Real Estate exposures.
- Changes to current EU "Passporting" rights which will likely require adjustments to the current model for the Group's cross-border banking operation which could increase operational complexity and/or costs.
- The ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's future approach to the EU freedom of movement and immigration from the EU countries and this may impact Barclays' access to the EU talent pool.
- The legal framework within which Barclays operates could change and become more uncertain as the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation (including EU regulation of the banking sector). Certainty of existing contracts, enforceability of legal obligations and uncertainty around the outcome of disputes may be affected until the impacts of the loss of the current jurisdictional arrangements between UK and EU courts and the universal enforceability of judgements across the EU (including the status of existing EU case law) are fully known.

iv) Regulatory change agenda and impact on business model

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

The most significant of the regulatory reforms affecting the Group in 2018 is the creation of the ring-fenced Bank under the Bank's structural reform programme (for more on Structural Reform, see Supervision and Regulation on page 134).

The implementation of these changes involves a number of risks which include:

- The Group is restructuring its intra-group and external capital, funding and liquidity arrangements to meet regulatory requirements and support business needs. The changes will impact the sources of funding available to the different entities including their respective ability to access the capital markets. These changes may affect funding costs.
- The changes to the Group structure may negatively impact the assessment made by credit rating agencies and creditors over time. The risk profile and key risk drivers of the ring-fenced bank and the non ring-fenced bank will be specific to the activities and risk profile of each entity. As a result, different Group entities such as Barclays Bank PLC may also be assessed differently in future which could result in differences in credit ratings. Changes to the credit assessment at the Group or individual entity level, including the potential for ratings downgrades and ratings differences across entities, could impact access and cost of certain sources of funding.
- Implementation of ring-fencing introduces a number of execution risks. Technology change could result in outages or operational errors. Legal challenge to the ring-fence transfer scheme may delay the transfer of assets and liabilities to the ring-fenced bank. Delayed delivery could increase reputational risk or result in regulatory non-compliance.
- There is a risk that Barclays does not meet regulatory requirements across the new structure. Failure to meet these requirements 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, credit ratings, and/or financial condition.

In addition to Structural Reform there are several other significant pieces of legislation/areas of focus which will require significant management attention, cost and resource:

- Changes in prudential requirements, including the proposals for amendment of the CRD IV and the BRRD (as part of the EU's risk reduction measures package) may impact minimum requirements for own funds and eligible liabilities (MREL) (including requirements for internal MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities from time to time. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as: increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets; restricting distributions on capital instruments; modifying the terms of outstanding capital instruments; modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding for the Group); changing the Group's business mix or exiting other businesses; and/or undertaking other actions to strengthen the Group's position. (See Treasury and capital risk on pages 100 to 119 and Supervision and Regulation on page 130 for more information).

- The derivatives market has been the subject of particular focus for regulators in recent years across the G20 countries and beyond, with regulations introduced which require the reporting and clearing of standardised over the counter (OTC) derivatives and the mandatory margining of non-cleared OTC derivatives. Reforms in this area are ongoing with further requirements expected to be implemented in the course of 2018. More broadly, the recast Markets in Financial Instruments Directive in Europe (MiFID II), which came into force in January 2018, has fundamentally changed the European regulatory framework, and entails significant operational changes for market participants in a wide range of financial instruments as well as changes in market structures and practices. In addition, the EU Benchmarks Regulation which also came into force in January 2018 regulates the administration and use of benchmarks in the EU. Compliance with this evolving regulatory framework entails significant costs for market participants and is having a significant impact on certain markets in which the Group, notably Barclays International, operates. Other regulations applicable to swap dealers, including those promulgated by the US Commodity Futures Trading Commission, have imposed significant costs on the Group's derivatives business. These and any future requirements, including the US SEC's regulations relating to security-based swaps and the possibility of overlapping and/or contradictory requirements imposed on derivative transactions by regulators in different jurisdictions, are expected to continue to impact such business.

- The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the BoE, the EBA, the FDIC and the FRB. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and enforce robust, forward-looking capital and liquidity management processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's or certain of its members' business model, data provision, stress testing capability and internal management processes and controls. The stress testing requirements to which the Group and its members are subject are becoming increasingly stringent. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group, could result in the Group being required to enhance its capital position, limit capital distributions or position additional capital in specific subsidiaries. For more information on stress testing, please see Supervision and Regulation on page 129.

- The introduction and implementation of both PSD2 and the Open API standards and data sharing remedy imposed by the UK Competition and Markets Authority following its Retail Banking Market Investigation Order (together "Open Banking") from January 2018 is anticipated to transform the traditional UK banking model and conventional relationship between a customer and their bank. It will do this by providing customers with the ability to share their transactional data with authorised third party service providers either for aggregation or payment services. It is anticipated that these aggregation or payment services will be offered by third parties to Barclays customers. Members of the Barclays Group will be able to offer these same services to customers of other banks. A failure to comply with Open Banking requirements could expose Barclays to regulatory sanction, potential financial loss and reputational detriment. While Open Banking will affect the Group as a whole, the impact is likely to be particularly relevant for Barclays UK.

v) Certain potential consequences of ring-fencing to Barclays Bank PLC

In connection with the planned implementation in the first half of 2018 of ring-fencing certain of the Group's UK businesses, Barclays Bank PLC will transfer what are materially the assets and business of the Barclays UK division to another subsidiary of the Group, Barclays Bank UK PLC. Senior management expects that upon this transfer, the material risks with respect to the Barclays Bank Group will be the same in all material respects as those risks with respect to the Group. However, senior management has identified certain potential differences in risks with respect to the Barclays Bank Group as compared to risks to the Group.

The transfer of the assets and liabilities of the Barclays UK division from Barclays Bank PLC will mean that the Barclays Bank Group will be less diversified than the Group as a whole. Barclays Bank PLC will not be the parent of Barclays Bank UK PLC and thus will not have recourse to the assets of Barclays Bank UK PLC. Relative to the Group, the Barclays Bank Group will be, among other things:

- more focused on businesses outside the UK, particularly in the US, and thus more exposed to the US economy and more affected by movements in the US dollar (and other non-sterling currencies) relative to sterling, with a relatively larger portion of its business exposed to US regulation;

- more focused on wholesale businesses, such as corporate and investment banking and capital markets, which expose Barclays Bank PLC Group to a broader range of market conditions and to counterparty and operational risks and thus the financial performance of Barclays Bank PLC may be subject to greater fluctuations relative to that of the Group as a whole or that of the ring-fenced bank;

- more dependent on wholesale funding sources, as the UK retail deposit base will be transferred to the ring-fenced bank. The UK retail mortgage assets will also be transferred to the ring-fenced bank, which reduces Barclays Bank PLC's access to funding sources reliant on residential mortgage collateral. The Barclays Bank Group may therefore experience more difficult financing conditions and/or higher costs of funding including in situations of stress. As a result of the implementation of ring-fencing, different Group entities, such as Barclays Bank PLC, may be assessed differently by credit rating agencies, which may result in different, and possibly negative, assessments of Barclays Bank PLC's credit ratings as compared to its current ratings or the credit ratings of other members of the Group, which could adversely affect the sources and costs of certain sources of funding for Barclays Bank PLC; and

- potentially subject to further differing regulatory obligations, including different liquidity requirements and capital buffers.

As a result of any or all of the foregoing, implementation of ring-fencing may adversely affect the market value and/or liquidity of securities issued by Barclays Bank PLC.

Material existing and emerging risks impacting individual Principal Risks

i) Credit risk

a) Impairment

The introduction of the impairment requirements of IFRS 9 *Financial Instruments*, implemented on 1 January 2018, results in higher impairment loss allowances that are recognised earlier, on a more forward looking basis and on a broader scope of financial instruments than is the case under IAS 39 and, as a result, will have a material impact on the Group's financial condition. Measurement involves increased complex judgement and impairment charges will tend to be more volatile. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted. The capital treatment on the increased reserves has the potential to adversely impact regulatory capital ratios. In addition, the move from incurred to expected credit losses has the potential to impact the Group's performance under stressed economic conditions or regulatory stress tests. For more information please refer to Note 1on pages 170 to 176.

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

- UK real estate market. With UK property representing a significant portion of the overall UK Corporate and Retail credit exposure, the Group is at risk from a fall in property prices in both the residential and commercial sectors in the UK.

  Strong house price growth in London and the South East of the UK, fuelled by foreign investment, strong buy-to-let (BTL) demand and subdued housing supply, has resulted in affordability metrics becoming stretched. Average house prices as at the end of 2017 were more than 5.6 times average earnings.

- Large single name losses. The Group has large individual exposures to single name counterparties both in its lending activities and in its financial services and trading activities, including transactions in derivatives and transactions with brokers, central clearing houses, dealers, other banks, mutual and hedge funds and other institutional clients. The default of such counterparties could have a significant impact on the carrying value of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised, or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on the Group's results due to, for example, increased credit losses and higher impairment charges.
- Leverage finance underwriting. The Group takes on sub-investment grade underwriting exposure, including single name risk, particularly in the US and Europe. The Group is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for the Group, mainly through Barclays International, or an increased capital requirement should there be a need to hold the exposure for an extended period.

ii) Market risk

Market volatility
Elevated market volatility, which can be triggered and/or aggravated by disappointment in economic data, divergent monetary policies, political uncertainty or conflicts, would likely entail a significant deflation of assets which in turn may put under strain counterparties and have knock-on effects on the bank.

In addition, the Group's trading business is generally exposed to a prolonged period of elevated asset price volatility, particularly if it negatively affects the depth of marketplace liquidity. Such a scenario could impact the Group's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include having to absorb higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

iii) Treasury and capital risk

The Group may not be able to achieve its business plans due to, among other things: a) being unable to maintain appropriate capital ratios; b) being unable to meet its obligations as they fall due; c) rating agency downgrades; d) adverse changes in foreign exchange rates on capital ratios; e) adverse movements in the pension fund; f) non-traded market risk/interest rate risk in the banking book.

a) Inability to maintain prudential ratios and other regulatory requirements
Inability to maintain appropriate prudential ratios could lead to: an inability to support business activity; a failure to meet regulatory capital requirements including any additional capital add-ons or the requirements set for regulatory stress tests; increased cost of funding due to deterioration in investor appetite or credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen the Group's capital or leverage position.

b) Inability to manage liquidity and funding risk effectively
Inability to manage liquidity and funding risk effectively may result in the Group either not having sufficient financial resources to meet its payment obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. This could cause the Group to fail to meet regulatory liquidity standards, be unable to support day-to-day banking activities (including meeting deposit withdrawals or funding new loans) or no longer be a going concern.

The stability of the Group's current funding profile, in particular that part which is based on accounts and savings deposits payable on demand or at short notice, could be affected by the Group failing to preserve the current level of customer and investor confidence. The Group also regularly accesses the capital markets to provide long-term funding to support its operations. Several factors, including adverse macroeconomic conditions, adverse outcomes in legal, regulatory or conduct matters and loss of confidence by investors, counterparties and/or customers in the Group, can affect the ability of the Group to access the capital markets and/or the cost and other terms upon which the Group' is able to obtain market funding.

c) Credit rating changes and the impact on funding costs
Any potential or actual credit rating agency downgrades could significantly increase the Group's borrowing costs, credit spreads and materially adversely affect the Group's interest margins and liquidity position which may, as a result, significantly diverge from current expectations. Such adverse changes would also have a negative impact on the Group's overall performance.

d) Adverse changes in FX rates impacting capital ratios
The Group has capital resources, risk weighted assets and leverage exposures denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the Sterling equivalent value of these items. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements, and any failure to appropriately manage the Group's balance sheet to take account of foreign currency movements could result in an adverse impact on regulatory capital and leverage ratios.

e) Adverse movements in the pension fund

Adverse movements in pension assets and liabilities for defined benefit pension schemes could result in a pension deficit which, depending on the specific circumstance, may require the Group to make substantial additional contributions to its pension plans. The liabilities discount rate is a key driver 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 UK sovereign gilt yields and corporate credit spreads.

Therefore, the valuation of the Group's defined benefits schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low rate and/or credit spread environment. Inflation is another significant risk driver to the pension fund, as the liabilities are adversely impacted by an increase in long-term inflation expectations.

f) Non-traded market risk/interest rate risk in the banking book

A liquidity buffer investment return shortfall could increase the Bank's cost of funds and impact the capital ratios. The Bank's structural hedge programmes for interest rate risk in the banking book rely heavily on behavioural assumptions, as a result, the success of the hedging strategy is not guaranteed. A potential mismatch in the balance or duration of the hedge assumptions could lead to earnings deterioration.

iv) Operational risk

a) Cyber threat

The frequency of cyber attacks continues to grow on an annual basis and is a global threat which is inherent across all industries, including the financial sector. As the financial sector remains a primary target for cyber criminals, 2017 saw a number of highly publicised attacks involving ransomware, theft of intellectual property, customer data and service unavailability across a wide range of organisations.

The cyber threat increases the inherent risk to the availability of the Group's services and to the Group's data (whether it is held by the Group or in its supply chain), to the integrity of financial transactions of the Group, its clients, counterparties and customers. Failure to adequately manage this threat and to continually evolve enterprise security and provide an active cyber security response capability could result in increased fraud losses, inability to perform critical economic functions, customer detriment, potential regulatory censure and penalty, legal liability, reduction in shareholder value and reputational damage.

b) Service resilience

Loss of or disruption to the Group's business processing, whether arising through impacts on technology systems, real estate services, personnel availability or the support of major suppliers, represents a material inherent risk theme for the Group.

Building resilience into business processes and into the services of technology, real estate and suppliers on which those processes depend can reduce disruption to the Group's business activities or avoid it altogether. Failure to do so may result in significant customer detriment, cost to reimburse losses incurred by our customers, potential regulatory censure or penalty, and reputational damage.

c) Outsourcing

The Group depends on suppliers for the provision of many of its services and the development of future technology driven product propositions, though the Group continues to be accountable for risk arising from the actions of such suppliers. Failure to monitor and control the Group's suppliers could potentially lead to client information, or critical infrastructures and services, not being adequately protected or available when required.

The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on our ability to continue to provide services that are material to the Group, especially for those individual businesses within the Group to which many services are provided centrally by the newly established Group Service Company.

Failure to adequately manage outsourcing risk through control environments which remain robust to ever changing threats and challenges could result in increased losses, inability to perform critical economic functions, customer detriment, potential regulatory censure and penalty, legal liability and reputational damage.

d) Operational precision and payments

The risk of material errors in operational processes, including payments, are exacerbated during the present period of significant levels of structural and regulatory change, the evolving technology landscape, and a transition to digital channel capabilities.

Material operational or payment errors could disadvantage the Group's customers, clients or counterparties and could result in regulatory censure and penalties, legal liability, reputational damage and financial loss by the bank.

e) New and emergent technology

Technological advancements present opportunities to develop new and innovative ways of doing business across the Group, with new solutions being developed both in-house and in association with third party companies. Introducing new forms of technology has the potential to increase inherent risk.

Failure to closely monitor risk exposure could lead to customer detriment, loss of business, regulatory censure, missed business opportunity and reputational damage.

f) Fraud

Fraud is a constantly evolving risk to the Group. This is exacerbated during periods of significant change, including the digitisation of products, which carry higher levels of inherent risk. As the Group continues to invest in new and upgraded fraud systems criminals continually adapt and become ever more sophisticated in their approach. Risks from social engineering and attempts to trick customers into authorising payments also continue to grow and increasing regulatory focus is placing more responsibility on the industry to protect consumers.

In addition, internal fraud arising from areas such as failure of the Group's trading controls could result in high profile material losses together with regulatory censure / penalties and significant reputational damage.

g) Ability to hire and retain appropriately qualified employees

The Group has resource requirements to support existing revenue streams, moves into new business models and to deliver complex multi-year regulatory commitments and mandatory change. These commitments require diversified and specialist skilled colleagues and Barclays' ability to attract, develop and retain such a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors. External regulation such as the introduction of the Individual Accountability Regime and the required deferral and clawback provisions of our compensation arrangements may make Barclays a less attractive proposition relative to both our international competitors and other industries. Similarly, the impact of exit of the UK from the EU, in March 2019 (see Process of UK withdrawal from the European Union on page 56), could potentially have a more immediate impact on our ability to hire and retain key employees.

Failure to attract or prevent the departure of appropriately qualified and skilled employees who are dedicated to overseeing and managing current and future regulatory standards and expectations, or who have the necessary diversified skills required to deliver the Group strategy, could negatively impact our financial performance, control environment and level of employee engagement. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

h) Tax risk

The Group is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. There is a risk that the Group could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice, or by failing to manage its tax affairs in an appropriate manner, with much of this risk attributable to the international structure of the Group. The Tax Cuts and Jobs Act has introduced substantial changes to the US tax system, including the introduction of a new tax, the Base Erosion Anti-Abuse Tax. These changes have increased the Group's tax compliance obligations and require a number of system and process changes which introduce additional operational risk. In addition, increasing customer tax reporting requirements around the world and the digitisation of the administration of tax has potential to increase the Group's tax compliance burden further.

i) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements include credit impairment charges for amortised cost assets, taxes, fair value of financial instruments, pensions and post-retirements benefits, and provisions including conduct and legal, competition and regulatory matters. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in significant loss to the Group, beyond what was anticipated or provided for.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group.

j) Data management & information protection

The Group holds and processes large volumes of data, including personally identifiable information, intellectual property, and financial data. Failure to accurately collect and maintain this data, protect it from breaches of confidentiality and interference with its availability exposes the Bank to the risk of loss or unavailability of data (including customer data covered under vi), c) Data protection and privacy below), data integrity issues and could result in regulatory censure, legal liability and reputational damage.

v) Model risk

Enhanced model risk management requirements

Barclays relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures (including the calculation of impairment), conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, and meeting reporting requirements.

Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. For instance, the quality of the data used in models across Barclays has a material impact on the accuracy and completeness of our risk and financial metrics.

Models may also be misused. Model errors or misuse may result in the Group making inappropriate business decisions and being subject to financial loss, regulatory risk, reputational risk and/or inadequate capital reporting.

vi) Conduct risk

There is the risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of willful or negligent misconduct. This risk could manifest itself in a variety of ways:

a) Product governance and life cycle

Ineffective product governance, including design, approval and review of products, inappropriate controls over internal and third party sales channels and post sales services could lead to poor customer outcomes, as well as regulatory sanctions, financial loss and reputational damage.

b) Financial crime

The Group may be adversely affected if it fails to effectively mitigate the risk that its employees or third parties facilitate, or that its products and services are used to facilitate financial crime (money laundering, terrorist financing, bribery and corruption and sanctions evasion). A major focus of US and UK government policy relating to financial institutions continues to be combating money laundering and enforcing compliance with US and EU economic sanctions. The failure to comply with such regulations may result in enforcement actions by the regulators and in the imposition of severe penalties, with a consequential impact on the Group's reputation and financial results.

c) Data protection and privacy

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and to meeting privacy laws and obligations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, regulatory sanctions and financial loss, which under the new EU Data Protection Regulation may be substantial.

d) Regulatory focus on culture and accountability

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

vii) Reputation risk

Barclays' association with sensitive sectors and its impact on reputation

A risk arising in one business area can have an adverse effect upon Barclays' overall reputation; any one transaction, investment or event that, in the perception of key stakeholders reduces their trust in the Group's integrity and competence, has the potential to give rise to reputation risk for Barclays and may result in loss of business, regulatory censure and missed business opportunity.

Barclays' association with sensitive sectors is an area of concern for stakeholders and the following topics are of regular interest:

- Disclosure of climate risks and opportunities, including the activities of certain sections of the client base. This is becoming the subject of increased scrutiny from regulators, NGOs and other stakeholders.
- The risks of association with human rights violations through the perceived indirect involvement in human rights abuses committed by clients and customers.
- The manufacture and export of military and riot control goods and services by clients and customers.

viii) Legal risk and legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and breaches of legislation and/or regulations may negatively affect the Group's results, reputation and ability to conduct its business. Legal outcomes can arise as a consequence of legal risk or because of past and future actions, behaviours and business decisions as a result of other Principal Risks.

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, authorities have increasingly investigated past practices, pursued alleged breaches and imposed heavy penalties on financial services firms. This trend is expected to continue. A breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure, fines and other sanctions in the jurisdictions in which it operates, particularly in the UK and the 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. 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 legal, competition and regulatory matters to which the Group is currently exposed are set out in Note 28 legal, competition and regulatory matters. In addition to matters specifically described in Note 28, the Group is engaged in various other legal proceedings in the UK and US and a number of other overseas jurisdictions which arise in the ordinary course of business. The Group is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Group is or has been engaged. The Group is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in Note 28 on an ongoing basis.

The outcome of legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, in connection with such matters the Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group's business operations including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Group's reputation; loss of confidence by investors, counterparties, clients and/or customers; risk of credit rating agency downgrades; potential negative impact of the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to 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.

In January 2017, Barclays PLC was sentenced to serve three years of probation from the date of the sentencing order in accordance with the terms of its May 2015 plea agreement with the DOJ. During the term of probation Barclays PLC must, among other things, (i) commit no crime whatsoever in violation of the federal laws of the US, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement and (iii) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. Potential consequences of breaching the plea agreement include the imposition of additional terms and conditions on the Group, an extension of the agreement, or the criminal prosecution of Group entities, which could, in turn, entail further financial penalties and collateral consequences and have a material adverse effect on the Group's business, operating results or financial position.

There is also a risk that the outcome of any legal, competition or regulatory matters in which 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. A decision in any matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group.

Risk review
Principal Risk management
Credit risk management

Credit risk (audited)

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

Overview

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts 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 enable credit risk taking to be 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;
- enable risk-reward objectives to be met.

More information covering the reporting of credit risk can be found in Barclays PLC Pillar 3 Report 2017.

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.

Credit risk management responsibilities have been structured so that decisions are taken as close as possible to the business, while enforcing 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 CRO who, in turn, reports to the Group CRO.

Board Risk Committee
- reviews and recommends to the Board the Group's risk appetite for wholesale and retail credit risk
- reviews the Group's risk profile on behalf of the Board for wholesale and retail credit risk
- commissions, receives and considers reports on wholesale and retail credit risk issues

Group Risk Committee
- reviews appetite for wholesale and retail credit risk and makes recommendations on the setting of limits to the Board
- monitors the risk profile for wholesale and retail credit risk
- reviews and monitors the control environment for wholesale and retail credit risk

Business Unit Risk Committees
- oversee activities and manage information relating to business unit portfolios, and identify actions needed to mitigate current and arising credit risks
- review and approve business unit mandate and scale limits and, where relevant, provide recommendations for limits managed by wholesale and retail risk committees
- review relevant decisions made by, and material issues and topics raised by, other forums and committees

Wholesale and Retail Credit Risk Management Committees
- monitor the wholesale and retail credit risk profile against plan and agree required actions
- review key wholesale and retail risk issues
- review credit risk policies and framework
- monitor risk appetite consumption – key credit portfolio (mandate and scale) limits

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 policies for approval of transactions (principally retail); setting risk appetite; monitoring risk against limits and other parameters; maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; performing effective turnaround and workout scenarios for wholesale portfolios via dedicated restructuring and recoveries teams; maintaining robust collections and recovery processes/units for retail portfolios; and review and validation of credit risk measurement models.

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, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority require the support of the Group Senior Credit Officers (GSCOs), the Group's most senior credit risk sanctioners. For exposures in excess of the GSCOs' authority, approval from the Group CRO is required. 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 the 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. These can broadly be divided into three types:

- netting and set-off
- collateral
- 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. ISDAs). These master agreements typically allow for netting of credit risk exposure to a counterparty resulting from derivative transactions against the obligations to the counterparty in the event of default, and so produce a lower net credit exposure. These agreements may also reduce settlement exposure (e.g. for foreign exchange transactions) by allowing payments on the same day in the same currency to be set-off against one another.

Collateral
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. The value of collateral is impacted by property market conditions which drive demand and therefore value of the property. Other regulatory interventions on ability to repossess, longer period to repossession and granting of forbearance may also affect the collateral value.
- **wholesale lending:** a fixed charge over commercial property and other physical assets, in various forms.
- **other retail lending:** includes charges over motor vehicle and other physical assets; second lien charges over residential property, which are subordinate to first charges held either by the Group or by another party; and finance lease receivables, for which typically the Group retains legal title to the leased asset and has the right to repossess the asset on the default of the borrower.
- **derivatives:** the Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which the Group has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis. The Group may additionally negotiate the receipt of an independent amount further mitigating risk by collateralising potential mark to market exposure moves.
- **reverse repurchase agreements:** collateral typically comprises highly liquid securities which have been legally transferred to the Group subject to an agreement to return them for a fixed price.
- **financial guarantees and similar off-balance sheet commitments:** cash collateral may be held against these arrangements.

Risk transfer
A range of instruments including guarantees, credit insurance, credit derivatives and securitisation can be used to transfer credit risk from one counterparty to another. These mitigate credit risk in two main ways:

- if the risk is transferred to a counterparty which is more creditworthy than the original counterparty, then overall credit risk is reduced
- where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This is less likely than the default of either counterparty individually so credit risk is reduced.

Detailed policies are in place to appropriately recognise and record credit risk mitigation and more information can be found in the Barclays PLC Pillar 3 Report 2017.

Market risk (audited)

The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

Overview

Market risk arises primarily as a result of client facilitation in wholesale markets, involving market-making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, 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.

Organisation and structure

Board Risk Committee
- reviews and recommends to the Board the Group's risk appetite for market risk
- reviews material events impacting market risk

↑

Group Risk Committee
- monitors risk profile with respect to financial risk appetite
- debates and agrees actions on the financial risk profile and risk strategy across the Group
- considers issues escalated by Risk Type Heads and Business Risk Directors

↑

Market Risk Committee
- oversees the management of the Group's market risk profile
- reviews market risk appetite proposals from the business
- reviews arising market or regulatory issues
- reviews state of the implementation of the risk frameworks in the businesses

Market risk in the businesses resides primarily in Barclays International and Group Treasury. These businesses have the mandate to incur market risk. Market risk oversight and challenge is provided by business Committees and Group Committees, including the Market Risk Committee.

Roles and responsibilities

The objectives of market risk management are to:

- understand and control market risk by robust measurement, limit setting, reporting and oversight
- facilitate business growth within a controlled and transparent risk management framework
- control market risk in the businesses according to the allocated appetite

To meet the above objectives, a well established governance structure is in place to manage these risks consistent with the ERMF. See page 52 on risk management strategy, governance and risk culture.

The BRC recommends market risk appetite to the Board for their approval. The Market Risk Principal Risk Lead (PR Lead) is responsible for the Market Risk Control Framework and, under delegated authority from the Group CRO, agrees with the Business CROs a limit framework within the context of the approved market risk appetite.

The Market Risk Committee approves and makes recommendations concerning the Group-wide market risk profile. This includes overseeing the operation of the Market Risk Framework and associated standards and policies; reviewing arising market or regulatory issues, limits and utilisation; and risk appetite levels to the Board. The Committee is chaired by the PR Lead and attendees include the business heads of market risk, business aligned market risk managers and Internal Audit.

The head of each business is accountable for all market risks associated with its activities, while the head of the market risk team covering each business is responsible for implementing the risk control framework for market risk.

More information on market risk management can be found in Barclays PLC Pillar 3 Report 2017.

Management Value at Risk

- estimates the potential loss arising from unfavourable market movements, over one day for a given confidence level
- differs from the Regulatory value at risk (VaR) used for capital purposes in scope, confidence level and horizon
- backtesting is performed to test the model is fit for purpose.

VaR is an estimate of the potential loss arising from unfavourable market movements if the current positions were to be held unchanged for one business day. For internal market risk management purposes, a historical simulation methodology with a two-year equally weighted historical period, at the 95% confidence level is used for all trading books and some banking books.

The Management VaR model in some instances may not appropriately measure some market risk exposures, especially for market moves that are not directly observable via prices. Market risk managers are required to identify risks which are not adequately captured in VaR ('risks not in VaR' or 'RNIVs').

When reviewing VaR estimates, the following considerations are taken into account:

- the historical simulation uses the most recent two years of past data to generate possible future market moves, but the past may not be a good indicator of the future;
- the one-day time horizon may not fully capture the market risk of positions that cannot be closed out or hedged within one day;
- VaR is based on positions as at close of business and consequently, it is not an appropriate measure for intra-day risk arising from a position bought and sold on the same day;
- VaR does not indicate the potential loss beyond the VaR confidence level.

Limits are applied at the total level as well as by risk factor type, which are then cascaded down to particular trading desks and businesses by the market risk management function.

See page 99 for a review of management VaR in 2017.

Treasury and capital risk

- **Liquidity risk:** The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- **Capital risk:** The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans.
- **Interest rate risk in the banking book:** The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Overview

Barclays Treasury manages treasury and capital risk on a day-to-day basis with the Treasury Committee acting as the principal management body. To enforce effective oversight and segregation of duties and in line with the ERMF, the Treasury and capital Risk function is responsible for oversight of key capital, liquidity, interest rate risk in the banking book (IRRBB) and pension risk management activities. The following describes the structure and governance associated with the risk types within the Treasury and capital Risk function.

Organisation and structure

Board Risk Committee
- reviews and recommends to the Board the Group's risk appetite for treasury and capital risk
- reviews material issues impacting treasury and capital risk
- approves the ICAAP and ILAAP

Group Risk Committee
- reviews and recommends risk appetite to the BRC
- escalates material issues impacting treasury and capital risk to the BRC
- reviews and recommends the ICAAP and ILAAP to the BRC for approval

Treasury and Capital Risk Committee
- manages treasury and capital risk appetite
- monitors the treasury and capital risk profile
- monitors the treasury and capital risk control environment
- reviews and recommends risk appetite to the GRC and BRC
- escalates material issues impacting treasury and capital risk to the GRC and BRC

Liquidity risk management (audited)

Overview

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and maintaining that the business is sustainable. There is a control framework in place for managing liquidity risk and this is designed to meet the following objectives:

- To maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk appetite as expressed by the Board
- To maintain market confidence in the Group's name.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

Roles and responsibilities

The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate defined by the Board and the production of ILAAPs. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. The CRO for treasury and capital risk reports to the Group CRO.

Barclays' comprehensive control framework for managing the Group's liquidity risk is designed to deliver the appropriate term and structure of funding consistent with the Liquidity Risk Appetite (LRA) set by the Board.

The Board sets the LRA based on the internal liquidity risk model and external regulatory requirements namely the Liquidity Coverage Ratio (LCR). The LRA is represented as the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The approved LRA is implemented in line with the control framework and policy for liquidity risk.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Group's balance sheet and contingent liabilities and the Recovery Plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet the Group's obligations as they fall due. The control framework is subject to internal conformance testing and internal audit review.

The liquidity stress tests assess the potential contractual and contingent stress outflows under a range of scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs.

The Group maintains a range of management actions for use in a liquidity stress, these are documented in the Group Recovery Plan. Since the precise nature of any stress event cannot be known in advance, the actions are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. The Barclays Group Recovery Plan also contains more severe recovery options to generate additional liquidity in order to facilitate recovery in a severe stress. Any stress event would be regularly monitored and reviewed using key management information by key Treasury, Risk and business representatives.

Capital risk management (audited)

Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework.

Capital risk management primary objectives

- maintain adequate capital to withstand the impact of the risks that may arise under the normal and stressed conditions analysed by the Group.
- maintain adequate capital to cover the Group's current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.

Capital risk management core practices

- meet minimum regulatory requirements in all jurisdictions
- maintain capital buffers over regulatory minimums
- perform Group-wide internal and regulatory stress tests
- develop contingency plans for severe and extreme stresses, which include stress management actions and recovery actions.
- maintain capital ratios aligned with rating agency expectations.
- maintain a capital plan on a short-term and medium-term basis aligned with the Group's strategic objectives, balancing capital generation of the business with business growth and shareholder distributions.

Roles and responsibilities

The management of capital risk is integral to the Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in the Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on the Group's objectives.

The Board approves the Group capital plan, internal stress tests and results of regulatory stress tests, and the Group recovery plan. The Treasury Committee is responsible for monitoring and managing capital risk in line with the Group's capital management objectives, capital plan and risk frameworks. The Treasury and Capital Risk Committee monitors and reviews the capital risk profile and control environment, providing Second Line oversight of the management of capital risk. The BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Group capital plan/forecast in order to agree the Group's projected capital adequacy.

Local management assures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by the Group's Treasury Committee, as required.

Treasury has the primary responsibility for managing and monitoring capital and reports to the Group Finance Director. The Treasury and Capital Risk function contains a Capital Risk Oversight team, and is an independent risk function that reports to the Group CRO and is responsible for oversight of capital risk and production of ICAAPs.

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; investment returns might reduce; or the estimated value of the pension liabilities might increase. The Group monitors the pension risks arising from its defined benefit pension schemes and works with Trustees to address shortfalls. In these circumstances the Group could be required or might choose to make extra contributions to the pension fund. The Group's main defined benefit scheme was closed to new entrants in 2012.

Interest Rate Risk in the Banking Book

Overview

Banking book operations generate non-traded market risk, primarily through the mismatch between the duration of assets and liabilities and where interest rates on products reset at different dates. As per the Group's policy to remain within the defined risk appetite, interest rate and FX risks residing in the banking books of the businesses are transferred to Treasury where they are centrally managed. Currently, these risks are transferred to Treasury via funding arrangements, interest rate or FX swaps. However, the businesses remain susceptible to market risk from seven key sources:

- **Repricing/Residual risk:** the impact from the mismatch between the run-off of product balances and the associated interest rate hedges or from unhedged liquidity buffer investments;
- **Structural risk:** the change to the net interest income on hedge replenishment due to adverse movements in interest rates, assuming that the balance sheet is held static;
- **Prepayment risk:** the potential loss in value if actual prepayment or early withdrawal behaviour from customers deviates from the expected or contractually agreed behaviour, which may result in a hedge or funding adjustment at a cost to the bank. Exposures are typically considered (where appropriate) net of any applicable offsetting early repayment charges. This risk principally relates to early repayment of fixed rate loans or withdrawal from fixed rate savings products;
- **Recruitment risk:** the potential loss in value if the actual completion or drawdown behaviour from customers deviates from the expected behaviour, which may result in a hedge or funding adjustment at a cost to the bank. This risk principally relates to the completion timing around the Bank's fixed rate mortgage pipeline process;
- **Margin compression risk:** the effect of internal or market forces on a bank's net margin where, for example, in a low rate environment any fall in rates will further decrease interest income earned on the assets whereas funding cost cannot be reduced as it is already at the minimum level.
- **Lag risk:** arises from the delay in repricing customer rates for certain variable/managed rate products, following an underlying change to market interest rates. This is typically driven by either regulatory constraint around customer notification on pricing changes, processing time for the Group's notification systems or contractual agreements within a product's terms and conditions.
- **Asset swap spread risk:** the spread between Libor and sovereign bond yields that arises from the management of the liquidity buffer investments and its associated hedges.

Furthermore, liquidity buffer investments are generally subject to Available for Sale (AFS) accounting rules, whereby changes in the value of these assets impact capital via Other Comprehensive Income, creating volatility in capital directly.

Roles and responsibilities

The Non-traded Market Risk team provides risk management oversight and monitoring of all traded and non-traded market risk in Treasury and customer banking books, which specifically includes:

- interest rate risk assessment in the customer banking books,
- review and challenge the behavioural assumptions used in hedging and transfer pricing,
- risk management of the liquidity buffer investments and funding activities,
- oversight of balance sheet hedging,
- review of residual risk in the hedge accounting solution and hedging of net investments,
- proposes and monitors risk limits to manage traded and non-traded market risk within the agreed risk appetite.

Operational risk

The risk of loss to the firm from inadequate or failed processes, systems, human factors or due to external events (for example, fraud) where the root cause is not due to credit or market risks.

Overview

The management of operational risk has three key objectives:

- Deliver an operational risk capability owned and used by business leaders which is pragmatic, relevant, and enables business leaders to make sound risk decisions over the long term.
- Provide the frameworks, policies and tools to enable management to meet their risk management responsibilities while the Second Line of Defence provides robust, independent, and effective oversight and challenge.
- Deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with the Group's strategy, the stated risk appetite, the client franchise, and other stakeholder needs.

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 (94% of capital requirements), except for small parts of the organisation acquired since the original permission (6% of capital requirements) using the Basic Indicator Approach (BIA). The Group works to benchmark its internal operational risk management and measurement practices with peer banks.

The Group is committed to operating within a strong system of internal controls that enables business to be transacted and risk taken without exposing the Group to unacceptable potential losses or reputational damages. The Group has an overarching ERMF that sets out the approach to internal governance. The ERMF establishes the mechanisms and processes by which the Board directs the organisation, through setting the tone and expectations from the top, delegating authority and monitoring compliance.

Organisation and structure

Board Risk Committee (BRC)
- approves Operational Risk Management Framework
- operational risk capital oversight
- recommends and monitors operational risk appetite and the residual risk position, supported by feedback from the Board Audit Committee/Group Chief Controls Officer

Group Risk Committee
- reviews and recommends risk appetite and risk limits across the Principal Risks to the Board
- monitors the Group risk profile and the utilisation of risk appetite
- reviews appetite, limit usage and risk management within tolerance agreed by the Board
- reviews deep dives of specific risks as requested
- reviews the impact of any material acquisitions and disposals on the risk profile
- reviews remediation plans and actions taken, and agrees any further action required
- escalations to Board level

Business and Function Risk Committees
- manage and oversee the risk at the Business Unit/Function level
- escalate to Group level

Board Audit Committee (BAC)
- oversees that the operating effectiveness of the control environment is satisfactory
- oversees remediation of control issues
- feedback to the Board Risk Committee where concerns exist over the impact on residual risk through either the design or operating effectiveness of the control environment

Group Controls Committee
- oversees effectiveness of control environment
- reviews and recommends control framework
- oversees control remediation activities
- oversees execution of Operational Risk Management Framework consistently across the Group
- oversees risk and internal control matters including significant issues
- escalations to Board level

Business and Function Control Committees
- manage and oversee the control environment at the Business Unit/Function level
- escalate to Group level

Principal Risk management

Operational risk management

Operational risk comprises a number of specific risks defined as follow:

- **Data Management and Information Risk:** The risk that Barclays information is not captured, retained, used or protected in accordance with its value and legal and regulatory requirements.
- **Financial Reporting Risk**: The risk of a material misstatement or omission within the Group's external financial, regulatory reporting or internal management reporting.
- **Fraud Risk**: The risk of financial loss when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose either the Group or its customers and clients to a risk of loss.
- **Payments Process Risk**: The risk of payments being processed inaccurately, with delays, without appropriate authentication and authorisation.
- **People Risk**: The risk that Barclays is exposed to by virtue of being an employer (excluding Health and Safety related risk).
- **Premises and Security Risk**: The risk of interruption to Barclays' business due to the unavailability of premises and infrastructure as a result of intentional or accidental damage to premises and moveable assets, physical security breaches and safety and security incidents.
- **Supplier Risk**: The risk that is introduced to the firm or entity as a consequence of obtaining services or goods from another legal entity as a result of inadequate selection, inadequate exit and supplier management, resulting in operational, financial, or reputational risk to the bank, failure of services and/or negative customer impact.
- **Tax Risk**: The risk of unexpected tax cost in relation to any tax for which Barclays is liable, or of reputational damage on tax matters with key stakeholders such as tax authorities, regulators, shareholders or the public. Tax cost includes tax, interest or penalties levied by a taxing authority.
- **Technology Risk**: The risk that comes about due to dependency on technological solutions and is defined as failure to develop, deploy and maintain technology solutions that are stable, reliable and deliver what the business needs.
- **Transaction Operations Risk**: The risk of Customer/Client or Bank detriment due to unintentional error and/or failure in the end-to-end process of initiation, processing and fulfilment of an interaction between a Customer/Client and the Bank with an underlying financial instrument (e.g. mortgage, derivative product, trade product etc.).

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damages.

Roles and responsibilities

The prime responsibility for the management of operational risk and compliance with control requirements rests with the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business management through specific meetings which cover 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, operational risk events and a review of scenarios.

The Group Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Group-wide Operational Risk Management Framework and for overseeing the portfolio of operational risk across the Group.

Operational Risk Management (ORM) acts in a second line of defence capacity, and is responsible for defining and overseeing the implementation of the framework and monitoring Barclays operational risk profile. ORM alerts management when risk levels exceed acceptable ranges or risk appetite in order to drive timely decision making and actions by the first line of defence. Through attendance at Business Risk Committee meetings, ORM provide specific risk input into the issues highlighted and the overall risk profile of the business. Operational risk issues escalated from these meetings are considered through the second line of defence review meetings. Depending on their nature, the outputs of these meetings are presented to the BRC or the BAC.

For further information on operational risk management, Risk and Control Self-assessments and risk scenarios, please refer to the operational risk management section on pages 170 to 173 in Barclays PLC Pillar 3 Report 2017.

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Overview

Barclays uses models to support a broad range of activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, managing client assets, and meeting reporting requirements.

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting. Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions. Errors and misuse are the primary sources of model risk.

Robust model risk management is crucial to assessing and managing model risk within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

Organisation and structure

Barclays allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and adequately address model limitations. Barclays manages model risk as an enterprise level risk similar to other Principal Risks.

Barclays has a dedicated Model Risk Management (MRM) function that consists of two main units: the Independent Validation Unit (IVU), responsible for model validation and approval, and Model Governance and Controls (MGC), covering model risk governance, controls and reporting, including ownership of model risk policy and the model inventory.

The model risk management framework consists of the model risk policy and standards. The policy prescribes group-wide, end-to-end requirements for the identification, measurement and management of model risk, covering model documentation, development, implementation, monitoring, annual review, independent validation and approval, change and reporting processes. The policy is supported by global standards covering model inventory, documentation, validation, complexity and materiality, testing and monitoring, overlays, risk appetite, as well as vendor models and stress testing challenger models.

Barclays is continuously enhancing model risk management. The function reports to the Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Group. Model risk reporting flows to senior management as depicted below:

Board Risk Committee
- reviews and recommends to the Board the Group's risk appetite for model risk
- reviews the effectiveness of the processes and policies by which Barclays identifies and manages model risk
- assesses performance relative to model risk appetite

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Group Risk Committee
- reviews risk appetite across model risk
- monitors the group risk profile for model risk, including emerging risks, against expected trends, and the utilisation of risk appetite

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Business Unit Risk Committees
- review critical updates on model risk e.g. updates on group-wide remediation plans
- review targeted updates on progress toward meeting regulatory deliverables
- review identified policy breaches

Roles and responsibilities

The key model risk management activities include:

- Correctly identifying models across all relevant areas of the firm, and recording models in the Group Models Database (GMD), the Group-wide model inventory. The heads of the relevant model ownership areas (typically, the Business Chief Risk Officers, Business Chief Executive Officers, the Treasurer, the Chief Financial Officer, etc.) annually attest to the completeness and accuracy of the model inventory. MGC undertakes regular conformance reviews on the model inventory.
- Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to maintain that the model presented to IVU is and remains fit for purpose.
- Overseeing that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis. While all models are reviewed and re-approved for continued use each year, the validation frequency and the level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval.
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.
- Maintaining specific standards that cover model risk management activities relating to stress testing challenger models, model overlays, vendor models, and model complexity and materiality.

Conduct risk

The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

Overview

The Group defines, manages and mitigates conduct risk with the goal of providing positive customer and client outcomes, protecting market integrity and promoting effective competition. This includes taking reasonable steps to assure the Group's culture and strategy are appropriately aligned to these goals, products and services are reasonably designed and delivered to meet the needs of customers and clients, as well as promoting the fair and orderly operation of the markets in which the Group does business and that the Group does not commit or facilitate money laundering, terrorist financing, bribery and corruption or breaches of economic sanctions.

Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories under conduct risk.

Organisation and structure

The governance of conduct risk within Barclays is fulfilled through management Committees and forums operated by the First and Second Lines of Defence with clear escalation and reporting lines to the Board.

The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of conduct risk.

Board Reputation Committee
- reviews and recommends to the Board the Group's risk appetite for conduct risk
- reviews the effectiveness of the processes and policies by which Barclays identifies and manages conduct risk
- monitors the conduct risk profile of the Group
- monitors culture and cultural transformation

Group Risk Committee
- reviews and monitors the effectiveness of conduct risk management

Business Unit Risk Committees and Financial Crime Business Oversight Committees
- oversee the management of the Group's conduct risk profile as the primary Second Line governance forum
- oversee the implementation of the Conduct Risk Management Framework (CRMF)
- oversee existing and emerging conduct risk exposures

Roles and responsibilities

The Conduct Risk Management Framework (CRMF) comprises a number of elements that allow the Group to manage and measure its conduct risk profile.

Senior Managers have ownership within their areas for managing conduct risk. These individuals have a Statement of Responsibilities identifying the activities and areas for which they are accountable. The primary responsibility for managing conduct risk and compliance with control requirements sits with the business where the risk arises. The First Line Business Control Committees provide oversight of controls relating to conduct risk.

The Group Chief Compliance Officer is responsible for owning and maintaining an appropriate Group-wide CRMF for overseeing Group-wide conduct risk management. This includes defining and owning the relevant conduct risk policies and oversight of the implementation of controls to manage the risk.

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.

The Business Unit Risk Committees and the Financial Crime Business Oversight Committees are the primary Second Line governance forums for oversight of conduct risk profile and implementation of the CRMF. The responsibilities of the Business Unit Risk Committees include approval of the conduct risk tolerance and the business defined key indicators. Additional responsibilities include the identification and discussion of any emerging conduct risks exposures which have been identified.

Reputation risk

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

Overview

A reduction of trust in Barclays' integrity and competence may reduce the attractiveness of Barclays to stakeholders and could lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

Organisation and structure

The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of reputation risk.

Board Reputation Committee
- reviews the effectiveness of the processes and policies by which Barclays identifies and manages reputation risk
- considers and evaluates regular reports on Barclays' reputation risk issues and exposures
- considers whether significant business decisions will compromise Barclays' ethical policies or core business beliefs and values

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Group Risk Committee
- reviews the monitoring processes utilised by Compliance and Citizenship & Reputation for appropriateness given the level of risk identified in the businesses
- reports reputation issues in accordance with Barclays' Reputation Risk Framework for all material issues which may have the potential to incur reputation risk for Barclays

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Business Unit Risk Committees
- review and escalate reputation risks in accordance with the Reputation Risk Framework

Roles and responsibilities

The Chief Compliance Officer is accountable for developing a reputation risk framework and policies including limits against which data is monitored, reported on and escalated, as required.

Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Reputation Risk Framework sets out what is required to manage reputation risk effectively and consistently across the bank.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

Barclays International and Barclays UK are required to operate within established reputation risk appetite and their component businesses submit quarterly reports to the Group Reputation Management team, highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the GRC and RepCo.

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Overview

The Legal Risk Management Framework (LRMF) prescribes Group-wide requirements for the identification, escalation, measurement and management of legal risk, covering assessment, risk tolerance, key indicators and governance. The LRMF is supported by Group-wide legal risk policies and associated standards aligned to the following legal risks:

- **Contractual Arrangements** – the Group's rights and remedies in its relationships with other parties not being enforceable as intended due to the absence of appropriate contractual documentation or defects therein.
- **Litigation Management** – failure to adequately manage litigation involving the Group.
- **Intellectual Property (IP)** – failure to protect the Group's IP assets or the Group infringing valid IP rights of third parties.
- **Competition/Anti-trust** – failure to adequately manage competition/anti-trust issues or failure to manage relationships with competition/anti-trust authorities.
- **Use of Law Firms** – failure to control instruction of external law firms.
- **Contact with Regulators** – failure to manage interactions with regulators or failure to manage the receipt and handling of regulatory information from a regulatory or government agency appropriately.

The LRMF requires businesses and functions to integrate the management of legal risk within their strategic planning and business decision making, including adopting processes to identify legal risk exposures and managing adherence to the minimum control requirements.

In addition to legal risk detailed above, legal outcomes, including losses or the imposition of penalties, damages, fines and sanctions, may arise because of past and future actions, behaviours and business decisions aligned to the Principal Risk which gave rise to the outcome, including but not limited to conduct and operational risk. Details of current contentious legal matters in relation to the Group are set out in Note 28.

Organisation and structure

Business/function risk forums have oversight of their legal risk profile and implementation of the LRMF. The Legal Executive Committee oversees, challenges and monitors legal risk across the Group. The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of risk. Escalation paths from this forum exist to the BRC.

Board Risk Committee
- approves risk tolerances
- reviews risk profile and material risk issues
- commissions, receives and considers reports on key risk issues

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Group Risk Committee
- monitors risk profile with respect to non-financial risk tolerances
- debates and agrees actions on the non-financial risk profile and risk strategy across the Group
- considers escalated issues

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Legal Executive Committee
- oversees, challenges and monitors legal risk across the Group
- oversees and challenges effectiveness of the non-financial risk and control environment within the legal function
- considers issues of significance relating to legal risk and control

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Business/Function Risk Forums and Committees
- oversee the legal risk profile of the relevant business/function
- review conclusions from risk and control assessments and emerging risk issues
- oversee significant risk events and lessons learned assessments

Roles and responsibilities

The primary responsibility for identifying and managing legal risk and adherence to the minimum control requirements sits with the businesses/functions where the risk resides.

On behalf of the businesses/functions, the aligned General Counsel or members of Legal senior management provide oversight and challenge of the legal risk profile, for example by undertaking legal risk tolerance assessments, and providing advice on legal risk management. Legal risk tolerance assessments include both quantitative and qualitative criteria such as:

- Risk and control self-assessment, lessons learned, testing and monitoring processes.
- Analysis of legal risk material control issues or weaknesses.

- Potential legal risks resulting from upcoming changes in the control environment, systems, or internal organisational structures.
- Potential implications on the Group of forthcoming changes in the external legal and regulatory environment and/or prevailing decisions from courts and enforcing authorities as they relate to defined legal risks.

The Group General Counsel supported by the Global Head of Legal Risk, Governance and Control is responsible for maintaining an appropriate LRMF and for overseeing Group-wide legal risk management.

Risk performance

Credit risk

Summary of Contents

Summary of Contents	Page	
▪ Credit risk overview and summary of performance ▪ The Group's maximum exposure and collateral and other credit enhancements held ▪ The Group's management and representation of credit quality	77 78 83	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. This section provides a macro view of the Group's credit exposures.
▪ Analysis of the concentration of credit risk – Geographic concentrations – Industrial concentrations	88 88 90	The Group reviews and monitors risk concentrations in a variety of ways. This sections outlines performance against key concentration risks at a macro Group level.
▪ Analysis of problem loans – Age analysis of loans and advances that are past due but not impaired – Analysis of loans and advances assessed as impaired	94 94 95	The Group monitors exposures to assets where there is a heightened likelihood of default and assets where an actual default has occurred. This section outlines the exposure to assets that have been classified as impaired analysing the exposures between business units and by key product types. The Group, from time to time, agrees to the suspension of certain aspects of customer/client credit agreements, generally during temporary periods of financial difficulties where the Group is confident that the customer/client will be able to remedy the suspension.
▪ Impairment – Impairment allowances	96 96	The Group holds impairment provisions on the balance sheet as a result of the raising of a charge against profit for incurred losses in the lending book. An impairment allowance may either be identified or unidentified and individual or collective. This section outlines the movements in allowance for impairment by asset class exposure.

Credit risk

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

All disclosures in this section (pages 77 to 96) 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. 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, collateral, credit quality, and loans and advances; ii) areas of concentrations; iii) problem loans; and iv) impairment, including impairment allowances.

Please see the credit risk management section on pages 62 to 63 for details of governance, policies and procedures.

Summary of performance in the period

Loan impairment charges decreased £19m to £2,333m. Total loans and advances net of impairment decreased by £34.0bn to £415.9bn driven by a net £12.7bn decrease in cash collateral and settlement balances and a £21.3bn decrease in other lending, primarily in Corporate and Investment Bank. Overall, this resulted in a 4bps increase in the LLR to 57bps.

Credit risk loans (CRLs) decreased to £6.0bn (December 2016: £6.5bn) and the CRL coverage ratio increased to 78% (December 2016: 71%) mainly within retail portfolios.

Key metrics

Loan impairment charges in 2017 were 1% lower than 2016:

-£19m Group

Loan impairment reduced slightly reflecting lower charges in Barclays UK and in the Barclays International wholesale portfolios partially offset by an adjustment relating to an asset sale in US cards.

+£42m Retail

Overall the retail portfolios have remained stable and broadly within expectations. Notwithstanding this, impairment charges increased primarily due to an adjustment relating to an asset sale in US cards.

-£61m Wholesale

Impairment charges have decreased, despite a large single name impairment, driven by a range of releases and materially lower charges to the Oil sector.

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 146 to 149 of the Barclays PLC Pillar 3 Report 2017.

Overview

As at 31 December 2017, the Group's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer increased 7% to £791.3bn. Overall, the extent to which the Group holds mitigation against its total exposure decreased to 43% (2016: 47%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, financial investment debt securities issued by governments, cash collateral and settlement balances, all of which are considered to be lower risk. Increases in cash held at central banks and financial investment debt securities in the period have driven the increase in the Group's net exposure to credit risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis. The credit quality of counterparties to derivatives, financial investments and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 83 to 87.

Where collateral has been 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 2017, as a result of the enforcement of collateral, was £nil (2016: £16m).

Maximum exposure and effects of collateral and other credit enhancements (audited)

The Group As at 31 December 2017	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	 Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	171,036	-	-	-	-	171,036
Items in the course of collection from other banks	2,153	-	-	-	-	2,153
Trading portfolio assets:						
Debt securities	51,195	-	-	-	-	51,195
Traded loans	3,140	-	-	(128)	-	3,012
Total trading portfolio assets	54,335	-	-	(128)	-	54,207
Financial assets designated at fair value:						
Loans and advances	11,037	-	(440)	(5,497)	(344)	4,756
Debt securities	15	-	-	-	-	15
Reverse repurchase agreements	100,040	-	(426)	(99,428)	-	186
Other financial assets	519	-	-	-	-	519
Total financial assets designated at fair value	111,611	-	(866)	(104,925)	(344)	5,476
Derivative financial instruments	237,987	(184,265)	(33,092)	(6,170)	(5,885)	8,575
Loans and advances to banks	36,209	-	(6)	(583)	(37)	35,583
Loans and advances to customers:						
Home loans	147,002	-	(158)	(146,554)	-	290
Credit cards, unsecured and other retail lending	55,767	-	(228)	(3,995)	(16)	51,528
Corporate loans	162,784	(6,617)	(224)	(45,819)	(4,341)	105,783
Total loans and advances to customers	365,553	(6,617)	(610)	(196,368)	(4,357)	157,601
Reverse repurchase agreements and other similar secured lending	12,546	-	-	(12,226)	-	320
Financial investments - debt securities	57,129	-	-	(463)	(853)	55,813
Other assets	841	-	-	-	-	841
Total on-balance sheet	1,049,400	(190,882)	(34,574)	(320,863)	(11,476)	491,605
Off-balance sheet:						
Contingent liabilities	19,012	-	(318)	(1,482)	(228)	16,984
Documentary credits and other short-term trade-related transactions	812	-	(27)	(11)	(4)	770
Standby facilities, credit lines and other commitments	314,761	-	(46)	(31,058)	(1,753)	281,904
Total off-balance sheet	334,585	-	(391)	(32,551)	(1,985)	299,658
Total	1,383,985	(190,882)	(34,965)	(353,414)	(13,461)	791,263

Maximum exposure and effects of collateral and other credit enhancements (audited)

The Group As at 31 December 2016	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	 Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	102,328	-	-	-	-	102,328
Items in the course of collection from other banks	1,467	-	-	-	-	1,467
Trading portfolio assets:						
Debt securities	38,804	-	-	-	-	38,804
Traded loans	2,975	-	-	(270)	-	2,705
Total trading portfolio assets	41,779	-	-	(270)	-	41,509
Financial assets designated at fair value:						
Loans and advances	10,518	-	(17)	(4,107)	(432)	5,962
Debt securities	70	-	-	-	-	70
Reverse repurchase agreements	63,163	-	(688)	(62,233)	-	242
Other financial assets	262	-	-	-	-	262
Total financial assets designated at fair value	74,013	-	(705)	(66,340)	(432)	6,536
Derivative financial instruments	346,820	(273,602)	(41,641)	(8,282)	(5,205)	18,090
Loans and advances to banks	43,634	-	(4)	(4,896)	(22)	38,712
Loans and advances to customers:						
Home loans	144,765	-	(184)	(143,912)	-	669
Credit cards, unsecured and other retail lending	57,808	-	(227)	(5,258)	(95)	52,228
Corporate loans	190,210	(8,622)	(320)	(52,029)	(5,087)	124,152
Total loans and advances to customers	392,783	(8,622)	(731)	(201,199)	(5,182)	177,049
Reverse repurchase agreements and other similar secured lending	13,454	-	(79)	(13,242)	-	133
Financial investments - debt securities	62,880	-	-	(533)	(1,286)	61,061
Other assets	1,442	-	-	-	-	1,442
Total on-balance sheet	1,080,600	(282,224)	(43,160)	(294,762)	(12,127)	448,327
Off-balance sheet:						
Contingent liabilities	19,908	-	(247)	(1,403)	(130)	18,128
Documentary credits and other short-term trade-related transactions	1,005	-	(24)	(18)	(3)	960
Standby facilities, credit lines and other commitments	302,681	-	(324)	(26,548)	(1,704)	274,105
Total off-balance sheet	323,594	-	(595)	(27,969)	(1,837)	293,193
Total	1,404,194	(282,224)	(43,755)	(322,731)	(13,964)	741,520

Maximum exposure and effects of collateral and other credit (audited)

The Bank As at 31 December 2017	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	165,713	-	-	-	-	165,713
Items in the course of collection from other banks	1,011	-	-	-	-	1,011
Trading portfolio assets:						
Debt securities	35,753	-	-	-	-	35,753
Traded loans	3,137	-	-	(126)	-	3,011
Total trading portfolio assets	38,890	-	-	(126)	-	38,764
Financial assets designated at fair value:						
Loans and advances	22,395	-	(440)	(5,497)	(344)	16,114
Debt securities	3,307	(2,016)	-	-	-	1,291
Reverse repurchase agreements	91,443	-	(352)	(91,091)	-	-
Other financial assets	29	-	-	-	-	29
Total financial assets designated at fair value	117,174	(2,016)	(792)	(96,588)	(344)	17,434
Derivative financial instruments	232,288	(178,496)	(32,061)	(6,170)	(5,494)	10,067
Loans and advances to banks	37,255	(278)	-	(555)	(11)	36,411
Loans and advances to customers:						
Home loans	146,052	-	(158)	(145,616)	(21)	257
Credit cards, unsecured and other retail lending	31,542	-	(235)	(1,732)	(16)	29,559
Corporate loans	211,366	(6,505)	(14,150)	(54,159)	(4,022)	132,530
Total loans and advances to customers	388,960	(6,505)	(14,543)	(201,507)	(4,059)	162,346
Reverse repurchase agreements and other similar secured lending	22,964	-	-	(22,964)	-	-
Financial investments - debt securities	54,306	-	-	-	(853)	53,453
Other assets	2,980	-	-	-	-	2,980
Total on-balance sheet	1,061,541	(187,295)	(47,396)	(327,910)	(10,761)	488,179
Off-balance sheet:						
Contingent liabilities	27,417	-	(310)	(1,431)	(179)	25,497
Documentary credits and other short-term trade-related transactions	812	-	(27)	(11)	(4)	770
Standby facilities, credit lines and other commitments	252,109	-	(27)	(23,658)	(1,732)	226,692
Total off-balance sheet	280,338	-	(364)	(25,100)	(1,915)	252,959
Total	1,341,879	(187,295)	(47,760)	(353,010)	(12,676)	741,138

Maximum exposure and effects of collateral and other credit (audited)[a]

The Bank As at 31 December 2016	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	97,466	-	-	-	-	97,466
Items in the course of collection from other banks	1,010	-	-	-	-	1,010
Trading portfolio assets:						
Debt securities	24,695	-	-	-	-	24,695
Traded loans	2,971	-	-	(267)	-	2,704
Total trading portfolio assets	27,666	-	-	(267)	-	27,399
Financial assets designated at fair value:						
Loans and advances	12,901	-	(17)	(4,084)	(432)	8,368
Debt securities	4,196	(2,984)	-	-	-	1,212
Reverse repurchase agreements	63,743	-	(552)	(62,989)	-	202
Other financial assets	19	-	-	-	-	19
Total financial assets designated at fair value	80,859	(2,984)	(569)	(67,073)	(432)	9,801
Derivative financial instruments	327,202	(240,535)	(39,443)	(8,282)	(4,823)	34,119
Loans and advances to banks	36,391	(5,586)	-	(1)	(22)	30,782
Loans and advances to customers:						
Home loans	143,763	-	(183)	(142,929)	-	651
Credit cards, unsecured and other retail lending	31,204	-	(232)	(3,021)	(95)	27,856
Corporate loans	248,157	(8,755)	(18,931)	(58,036)	(4,593)	157,842
Total loans and advances to customers	423,124	(8,755)	(19,346)	(203,986)	(4,688)	186,349
Reverse repurchase agreements and other similar secured lending	22,941	-	-	(22,918)	-	23
Financial investments - debt securities	61,320	-	-	-	(1,286)	60,034
Other assets	3,737	-	-	-	-	3,737
Total on-balance sheet	1,081,716	(257,860)	(59,358)	(302,527)	(11,251)	450,720
Off-balance sheet:						
Contingent liabilities	26,731	-	(240)	(1,344)	(77)	25,070
Documentary credits and other short-term trade-related transactions	979	-	(24)	(18)	(3)	934
Standby facilities, credit lines and other commitments	240,112	-	(319)	(23,639)	(1,704)	214,450
Total off-balance sheet	267,822	-	(583)	(25,001)	(1,784)	240,454
Total	1,349,538	(257,860)	(59,941)	(327,528)	(13,035)	691,174

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

The Group's approach to management and representation of 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 96):

- 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
- A loan is considered past due and classified as "Higher risk" when the borrower has failed to make a payment when due under the terms of the loan contract
- Loans on forbearance programmes, as defined on page 153 of the Barclays PLC Annual Report 2017, are categorised as "Higher risk"
- The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment

The Group uses the following internal measures to determine credit quality for loans that are performing:

Default Grade	Wholesale lending Probability of default	Credit Quality Description
1-3	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	0.60-2.15%	Satisfactory
15-19	2.15-11.35%	
20-21	11.35%+	Higher Risk

For retail clients, a range of analytical tools is used to derive the probability of default of clients at inception and on an ongoing basis.

For loans that are 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 unsecured retail facilities. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, home loans with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

Higher risk: there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Group's impairment policies. 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, Fitch or Moody's. Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities.

Risk performance

Credit risk

Balance sheet credit quality

The following tables present the credit quality of Group assets exposed to credit risk.

Overview

As at 31 December 2017, the ratio of the Group's assets classified as strong remained broadly stable at 89% (2016: 86%) of total assets exposed to credit risk.

Balance sheet credit quality (audited)

The Group As at 31 December 2017	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	171,036	-	-	171,036	100	-	-	100
Items in the course of collection from other banks	2,088	56	9	2,153	97	3	-	100
Trading portfolio assets:								
Debt securities	48,484	2,085	626	51,195	95	4	1	100
Traded loans	1,432	1,189	519	3,140	45	38	17	100
Total trading portfolio assets	49,916	3,274	1,145	54,335	92	6	2	100
Financial assets designated at fair value:								
Loans and advances	9,457	817	763	11,037	86	7	7	100
Debt securities	-	15	-	15	-	100	-	100
Reverse repurchase agreements	82,263	17,692	85	100,040	82	18	-	100
Other financial assets	482	37	-	519	93	7	-	100
Total financial assets designated at fair value	92,202	18,561	848	111,611	82	17	1	100
Derivative financial instruments	229,580	7,863	544	237,987	97	3	-	100
Loans and advances to banks	35,136	926	147	36,209	97	3	-	100
Loans and advances to customers:								
Home loans	135,576	5,781	5,645	147,002	92	4	4	100
Credit cards, unsecured and other retail lending	26,026	24,801	4,940	55,767	47	44	9	100
Corporate loans	113,506	36,786	12,492	162,784	70	22	8	100
Total loans and advances to customers	275,108	67,368	23,077	365,553	76	18	6	100
Reverse repurchase agreements and other similar secured lending	11,430	1,101	15	12,546	91	9	-	100
Financial investments - debt securities	57,107	18	4	57,129	100	-	-	100
Other assets	456	353	32	841	54	42	4	100
Total assets	924,059	99,520	25,821	1,049,400	89	9	2	100

Balance sheet credit quality (audited)

The Group As at 31 December 2016	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	102,328	-	-	102,328	100	-	-	100
Items in the course of collection from other banks	1,330	128	9	1,467	91	9	-	100
Trading portfolio assets:								
Debt securities	37,052	1,344	408	38,804	96	3	1	100
Traded loans	594	1,977	404	2,975	20	66	14	100
Total trading portfolio assets	37,646	3,321	812	41,779	90	8	2	100
Financial assets designated at fair value:								
Loans and advances	9,691	533	294	10,518	92	5	3	100
Debt securities	59	11	-	70	84	16	-	100
Reverse repurchase agreements	53,152	9,999	12	63,163	84	16	-	100
Other financial assets	244	18	-	262	93	7	-	100
Total financial assets designated at fair value	63,146	10,561	306	74,013	85	14	1	100
Derivative financial instruments	330,931	14,963	926	346,820	95	5	-	100
Loans and advances to banks	39,542	3,830	262	43,634	91	9	-	100
Loans and advances to customers:								
Home loans	136,922	2,589	5,254	144,765	95	1	4	100
Credit cards, unsecured and other retail lending	5,343	50,685	1,780	57,808	9	88	3	100
Corporate loans	140,413	37,170	12,627	190,210	74	20	6	100
Total loans and advances to customers	282,678	90,444	19,661	392,783	72	23	5	100
Reverse repurchase agreements and other similar secured lending	9,364	4,090	-	13,454	70	30	-	100
Financial investments - debt securities	62,838	30	12	62,880	100	-	-	100
Other assets	1,324	115	3	1,442	92	8	-	100
Total assets	931,127	127,482	21,991	1,080,600	86	12	2	100

Balance sheet credit quality (audited)

The Bank As at 31 December 2017	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	165,713	-	-	165,713	100	-	-	100
Items in the course of collection from other banks	992	15	4	1,011	99	1	-	100
Trading portfolio assets:								
Debt securities	33,220	1,931	602	35,753	93	5	2	100
Traded loans	1,431	1,189	517	3,137	46	38	16	100
Total trading portfolio assets	34,651	3,120	1,119	38,890	89	8	3	100
Financial assets designated at fair value:								
Loans and advances	20,816	816	763	22,395	93	4	3	100
Debt securities	3,307	-	-	3,307	100	-	-	100
Reverse repurchase agreements	77,367	13,991	85	91,443	85	15	-	100
Other financial assets	29	-	-	29	100	-	-	100
Total financial assets designated at fair value	101,519	14,807	848	117,174	86	13	1	100
Derivative financial instruments	226,788	4,956	544	232,288	98	2	-	100
Loans and advances to banks	36,586	538	131	37,255	99	1	-	100
Loans and advances to customers:								
Home loans	134,852	5,615	5,585	146,052	92	4	4	100
Credit cards, unsecured and other retail lending	9,088	19,180	3,274	31,542	29	61	10	100
Corporate loans	168,578	31,902	10,886	211,366	80	15	5	100
Total loans and advances to customers	312,518	56,697	19,745	388,960	80	15	5	100
Reverse repurchase agreements and other similar secured lending	22,096	853	15	22,964	96	4	-	100
Financial investments - debt securities	54,294	12	-	54,306	100	-	-	100
Other assets	2,742	228	10	2,980	92	8	-	100
Total assets	957,899	81,226	22,416	1,061,541	90	8	2	100

Balance sheet credit quality (audited)[a]

The Bank As at 31 December 2016	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	97,466	-	-	97,466	100	-	-	100
Items in the course of collection from other banks	859	63	88	1,010	85	6	9	100
Trading portfolio assets:								
Debt securities	23,025	1,273	397	24,695	93	5	2	100
Traded loans	594	1,977	400	2,971	20	67	13	100
Total trading portfolio assets	23,619	3,250	797	27,666	85	12	3	100
Financial assets designated at fair value:								
Loans and advances	12,076	531	294	12,901	94	4	2	100
Debt securities	4,196	-	-	4,196	100	-	-	100
Reverse repurchase agreements	56,603	7,128	12	63,743	89	11	-	100
Other financial assets	1	18	-	19	5	95	-	100
Total financial assets designated at fair value	72,876	7,677	306	80,859	90	9	1	100
Derivative financial instruments	314,944	11,332	926	327,202	96	4	-	100
Loans and advances to banks	33,000	3,172	219	36,391	90	9	1	100
Loans and advances to customers:								
Home loans	136,129	2,392	5,242	143,763	95	1	4	100
Credit cards, unsecured and other retail lending	4,266	25,584	1,354	31,204	14	82	4	100
Corporate loans	206,033	32,304	9,820	248,157	83	13	4	100
Total loans and advances to customers	346,428	60,280	16,416	423,124	82	14	4	100
Reverse repurchase agreements and other similar secured lending	19,669	3,272	-	22,941	86	14	-	100
Financial investments - debt securities	61,300	19	1	61,320	100	-	-	100
Other assets	3,662	73	2	3,737	98	2	-	100
Total assets	973,823	89,138	18,755	1,081,716	90	8	2	100

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

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 149 of the Barclays PLC Pillar 3 Report 2017.

Geographic concentrations

As at 31 December 2017, the geographic concentration of the Group's assets remained broadly consistent with 2016. Exposure is concentrated in the UK 42% (2016: 41%), in the Americas 33% (2016: 33%) and Europe 21% (2016: 21%).

Credit risk concentrations by geography (audited)

The Group As at 31 December 2017	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	**53,069**	**57,158**	**56,034**	**57**	**4,718**	**171,036**
Items in the course of collection from other banks	**987**	**1,166**	**-**	**-**	**-**	**2,153**
Trading portfolio assets	**10,604**	**13,621**	**25,679**	**473**	**3,958**	**54,335**
Financial assets designated at fair value	**33,923**	**23,724**	**46,288**	**1,611**	**6,065**	**111,611**
Derivative financial instruments	**81,974**	**81,566**	**57,858**	**2,792**	**13,797**	**237,987**
Loans and advances to banks	**10,842**	**11,835**	**8,044**	**1,714**	**3,774**	**36,209**
Loans and advances to customers	**253,703**	**39,687**	**63,246**	**2,541**	**6,376**	**365,553**
Reverse repurchase agreements and other similar secured lending	**203**	**375**	**10,521**	**32**	**1,415**	**12,546**
Financial investments - debt securities	**17,471**	**23,598**	**14,110**	**114**	**1,836**	**57,129**
Other assets	**564**	**13**	**148**	**33**	**83**	**841**
Total on-balance sheet	**463,340**	**252,743**	**281,928**	**9,367**	**42,022**	**1,049,400**
Off-balance sheet:						
Contingent liabilities	**7,603**	**3,039**	**6,708**	**529**	**1,133**	**19,012**
Documentary credits and other short-term trade related transactions	**800**	**5**	**-**	**7**	**-**	**812**
Standby facilities, credit lines and other commitments	**105,112**	**36,079**	**168,003**	**1,601**	**3,966**	**314,761**
Total off-balance sheet	**113,515**	**39,123**	**174,711**	**2,137**	**5,099**	**334,585**
Total	**576,855**	**291,866**	**456,639**	**11,504**	**47,121**	**1,383,985**
As at 31 December 2016						
On-balance sheet:						
Cash and balances at central banks	30,473	40,426	24,859	77	6,493	102,328
Items in the course of collection from other banks	969	498	-	-	-	1,467
Trading portfolio assets	8,981	9,171	19,863	435	3,329	41,779
Financial assets designated at fair value	25,821	10,244	33,181	733	4,034	74,013
Derivative financial instruments	108,753	107,337	105,129	1,493	24,108	346,820
Loans and advances to banks	7,931	12,664	16,894	1,778	4,367	43,634
Loans and advances to customers	253,751	47,050	81,045	3,089	7,848	392,783
Reverse repurchase agreements and other similar secured lending	218	309	11,439	92	1,396	13,454
Financial investments - debt securities	18,128	27,762	12,030	251	4,709	62,880
Other assets	1,226	-	137	10	69	1,442
Total on-balance sheet	456,251	255,461	304,577	7,958	56,353	1,080,600
Off-balance sheet:						
Contingent liabilities	8,268	3,275	6,910	702	753	19,908
Documentary credits and other short-term trade related transactions	915	9	-	40	41	1,005
Standby facilities, credit lines and other commitments	106,426	35,476	156,078	1,694	3,007	302,681
Total off-balance sheet	115,609	38,760	162,988	2,436	3,801	323,594
Total	571,860	294,221	467,565	10,394	60,154	1,404,194

Credit risk concentrations by geography (audited)[a]

The Bank As at 31 December 2017	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	**52,958**	**56,188**	**52,298**	**56**	**4,213**	**165,713**
Items in the course of collection from other banks	**986**	**25**	**-**	**-**	**-**	**1,011**
Trading portfolio assets	**10,558**	**13,441**	**12,001**	**443**	**2,447**	**38,890**
Financial assets designated at fair value	**52,072**	**23,014**	**23,682**	**1,611**	**16,795**	**117,174**
Derivative financial instruments	**85,520**	**81,307**	**50,198**	**2,785**	**12,478**	**232,288**
Loans and advances to banks	**10,037**	**11,975**	**9,786**	**1,686**	**3,771**	**37,255**
Loans and advances to customers	**273,797**	**65,432**	**42,155**	**2,152**	**5,424**	**388,960**
Reverse repurchase agreements and other similar secured lending	**4,553**	**2,914**	**9,185**	**5**	**6,307**	**22,964**
Financial investments - debt securities	**16,940**	**21,912**	**13,573**	**114**	**1,767**	**54,306**
Other assets	**2,691**	**205**	**-**	**34**	**50**	**2,980**
Total on-balance sheet	**510,112**	**276,413**	**212,878**	**8,886**	**53,252**	**1,061,541**
Off-balance sheet:						
Contingent liabilities	**13,713**	**2,789**	**9,256**	**526**	**1,133**	**27,417**
Documentary credits and other short-term trade related transactions	**800**	**5**	**-**	**7**	**-**	**812**
Standby facilities, credit lines and other commitments	**104,422**	**32,944**	**109,386**	**1,412**	**3,945**	**252,109**
Total off-balance sheet	**118,935**	**35,738**	**118,642**	**1,945**	**5,078**	**280,338**
Total	**629,047**	**312,151**	**331,520**	**10,831**	**58,330**	**1,341,879**
As at 31 December 2016						
On-balance sheet:						
Cash and balances at central banks	30,445	39,350	21,682	30	5,959	97,466
Items in the course of collection from other banks	969	41	-	-	-	1,010
Trading portfolio assets	8,894	8,989	7,080	373	2,330	27,666
Financial assets designated at fair value	37,122	9,762	21,306	1,038	11,631	80,859
Derivative financial instruments	102,307	108,660	91,354	2,570	22,311	327,202
Loans and advances to banks	6,164	12,805	11,711	1,645	4,066	36,391
Loans and advances to customers	299,063	68,066	44,138	2,621	9,236	423,124
Reverse repurchase agreements and other similar secured lending	520	7,101	12,796	65	2,459	22,941
Financial investments - debt securities	17,563	26,865	11,963	251	4,678	61,320
Other assets	3,662	147	(145)	27	46	3,737
Total on-balance sheet	506,709	281,786	221,885	8,620	62,716	1,081,716
Off-balance sheet:						
Contingent liabilities	11,307	4,201	9,467	724	1,032	26,731
Documentary credits and other short-term trade related transactions	914	9	-	14	42	979
Standby facilities, credit lines and other commitments	106,230	32,832	96,794	1,251	3,005	240,112
Total off-balance sheet	118,451	37,042	106,261	1,989	4,079	267,822
Total	625,160	318,828	328,146	10,609	66,795	1,349,538

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

Industry concentrations

As at 31 December 2017, the concentration of the Group's assets by industry remained broadly consistent year on year. Total assets concentrated towards banks and other financial institutions was 36% (2016: 43%), predominantly within derivative financial instruments. The proportion of the overall balance concentrated towards governments and central banks increased to 20% (2016: 14%) and towards home loans remained stable at 11% (2016: 11%).

Credit risk concentrations by industry (audited)

The Group As at 31 December 2017	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	171,036	-	-	-	-	-	-	171,036
Items in the course of collection from other banks	2,153	-	-	-	-	-	-	-	-	-	-	2,153
Trading portfolio assets	4,683	10,666	3,311	807	26,030	3,900	598	3,324	128	-	888	54,335
Financial assets designated at fair value	21,468	78,506	38	4,666	4,812	2	3	2,083	28	-	5	111,611
Derivative financial instruments	126,248	87,466	2,383	2,103	5,811	8,179	576	3,096	-	-	2,125	237,987
Loans and advances to banks	28,326	-	-	-	7,883	-	-	-	-	-	-	36,209
Loans and advances to customers	-	74,924	9,249	23,706	9,433	6,104	12,450	20,483	147,002	54,205	7,997	365,553
Reverse repurchase agreements and other similar secured lending	7,241	4,844	-	153	307	-	-	1	-	-	-	12,546
Financial investments - debt securities	10,193	1,379	-	-	44,780	103	-	674	-	-	-	57,129
Other assets	76	744	-	-	21	-	-	-	-	-	-	841
Total on-balance sheet	200,388	258,529	14,981	31,435	270,113	18,288	13,627	29,661	147,158	54,205	11,015	1,049,400
Off-balance sheet:												
Contingent liabilities	1,572	3,556	3,236	675	8	2,605	969	4,947	4	389	1,051	19,012
Documentary credits and other short-term trade related transactions	524	-	192	-	-	-	71	23	-	-	2	812
Standby facilities, credit lines and other commitments	1,026	31,427	37,913	12,956	384	31,702	14,436	34,392	10,785	126,169	13,571	314,761
Total off-balance sheet	3,122	34,983	41,341	13,631	392	34,307	15,476	39,362	10,789	126,558	14,624	334,585
Total	203,510	293,513	56,322	45,066	270,505	52,595	29,103	69,024	157,947	180,761	25,639	1,383,985

Credit risk concentrations by industry (audited)

The Group As at 31 December 2016	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	102,328	-	-	-	-	-	-	102,328
Items in the course of collection from other banks	1,467	-	-	-	-	-	-	-	-	-	-	1,467
Trading portfolio assets	2,233	7,998	1,625	565	21,060	3,733	324	2,972	257	-	1,012	41,779
Financial assets designated at fair value	14,713	49,784	3	5,699	856	5	33	2,811	33	2	74	74,013
Derivative financial instruments	182,859	139,065	2,913	3,488	6,547	4,585	810	3,392	-	-	3,161	346,820
Loans and advances to banks	39,315	-	-	-	4,319	-	-	-	-	-	-	43,634
Loans and advances to customers	-	91,812	12,337	24,200	12,028	7,384	12,967	21,838	144,765	56,729	8,723	392,783
Reverse repurchase agreements and other similar secured lending	2,596	10,568	-	38	252	-	-	-	-	-	-	13,454
Financial investments - debt securities	12,842	4,877	-	-	44,264	-	43	807	-	-	47	62,880
Other assets	959	458	-	-	25	-	-	-	-	-	-	1,442
Total on-balance sheet	256,984	304,562	16,878	33,990	191,679	15,707	14,177	31,820	145,055	56,731	13,017	1,080,600
Off-balance sheet:												
Contingent liabilities	1,484	4,231	3,387	707	8	2,649	1,033	4,847	40	531	991	19,908
Documentary credits and other short-term trade related transactions	431	2	377	-	-	-	157	38	-	-	-	1,005
Standby facilities, credit lines and other commitments	1,021	29,328	38,829	11,876	400	29,699	14,741	26,359	9,610	126,709	14,109	302,681
Total off-balance sheet	2,936	33,561	42,593	12,583	408	32,348	15,931	31,244	9,650	127,240	15,100	323,594
Total	259,920	338,123	59,471	46,573	192,087	48,055	30,108	63,064	154,705	183,971	28,117	1,404,194

Credit risk concentrations by industry (audited)

The Bank As at 31 December 2017	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	165,713	-	-	-	-	-	-	165,713
Items in the course of collection from other banks	1,011	-	-	-	-	-	-	-	-	-	-	1,011
Trading portfolio assets	4,356	4,343	2,940	744	19,369	3,755	581	1,828	126	-	848	38,890
Financial assets designated at fair value	15,565	90,078	1	4,666	4,812	2	3	2,014	28	-	5	117,174
Derivative financial instruments	125,319	82,710	2,383	2,102	5,811	8,179	565	3,094	-	-	2,125	232,288
Loans and advances to banks	29,382	-	-	-	7,873	-	-	-	-	-	-	37,255
Loans and advances to customers	-	127,631	8,835	22,982	9,366	5,954	11,819	18,618	146,052	30,119	7,584	388,960
Reverse repurchase agreements and other similar secured lending	189	22,485	-	153	137	-	-	-	-	-	-	22,964
Financial investments - debt securities	10,117	894	-	-	42,979	-	-	316	-	-	-	54,306
Other assets	2,279	603	-	-	98	-	-	-	-	-	-	2,980
Total on-balance sheet	**188,218**	**328,744**	**14,159**	**30,647**	**256,158**	**17,890**	**12,968**	**25,870**	**146,206**	**30,119**	**10,562**	**1,061,541**
Off-balance sheet:												
Contingent liabilities	1,542	10,810	4,623	667	7	2,569	907	4,869	4	377	1,042	27,417
Documentary credits and other short-term trade related transactions	524	-	192	-	-	-	71	23	-	-	2	812
Standby facilities, credit lines and other commitments	1,025	38,101	37,620	12,822	362	31,676	14,151	33,820	10,354	58,672	13,506	252,109
Total off-balance sheet	**3,091**	**48,911**	**42,435**	**13,489**	**369**	**34,245**	**15,129**	**38,712**	**10,358**	**59,049**	**14,550**	**280,338**
Total	**191,309**	**377,655**	**56,594**	**44,136**	**256,527**	**52,135**	**28,097**	**64,582**	**156,564**	**89,168**	**25,112**	**1,341,879**

Credit risk concentrations by industry (audited)[a]

The Bank As at 31 December 2016	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	97,466	-	-	-	-	-	-	97,466
Items in the course of collection from other banks	1,010	-	-	-	-	-	-	-	-	-	-	1,010
Trading portfolio assets	1,742	2,828	1,417	489	13,891	3,525	277	2,288	253	-	956	27,666
Financial assets designated at fair value	9,895	61,629	2	5,650	856	2	33	2,682	33	3	74	80,859
Derivative financial instruments	181,713	120,644	2,898	3,487	6,547	4,585	802	3,365	-	-	3,161	327,202
Loans and advances to banks	32,123	-	-	-	4,268	-	-	-	-	-	-	36,391
Loans and advances to customers	-	154,430	11,812	23,587	11,635	7,215	12,317	19,822	143,763	30,166	8,377	423,124
Reverse repurchase agreements and other similar secured lending	172	22,558	-	38	173	-	-	-	-	-	-	22,941
Financial investments - debt securities	12,803	4,305	-	-	43,316	-	43	806	-	-	47	61,320
Other assets	2,730	993	-	-	14	-	-	-	-	-	-	3,737
Total on-balance sheet	242,188	367,387	16,129	33,251	178,166	15,327	13,472	28,963	144,049	30,169	12,615	1,081,716
Off-balance sheet:												
Contingent liabilities	1,831	5,791	4,629	947	11	3,603	1,307	6,509	55	713	1,335	26,731
Documentary credits and other short-term trade related transactions	426	-	377	-	-	-	157	19	-	-	-	979
Standby facilities, credit lines and other commitments	961	35,694	38,596	11,745	392	29,654	14,376	25,678	9,610	59,386	14,020	240,112
Total off-balance sheet	3,218	41,485	43,602	12,692	403	33,257	15,840	32,206	9,665	60,099	15,355	267,822
Total	245,406	408,872	59,731	45,943	178,569	48,584	29,312	61,169	153,714	90,268	27,970	1,349,538

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

Analysis of problem loans

Loans that are past due or assessed as impaired within this section are reflected in the balance sheet credit quality tables on pages 84 to 87 as being Higher risk.

Age analysis of loans and advances that are past due but not impaired

The following table presents an age analysis of gross loans and advances that are past due but not impaired. 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.

Loans and advances past due but not impaired (audited)

The Group	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 2017						
Loans and advances designated at fair value	**653**	**-**	**20**	**-**	**10**	**683**
Home loans	**3**	**1**	**-**	**-**	**22**	**26**
Credit cards, unsecured and other retail lending	**-**	**-**	**12**	**31**	**66**	**109**
Corporate loans	**6,272**	**277**	**129**	**85**	**98**	**6,861**
Total	**6,928**	**278**	**161**	**116**	**196**	**7,679**
As at 31 December 2016						
Loans and advances designated at fair value	29	8	18	-	16	71
Home loans	1	-	-	33	31	65
Credit cards, unsecured and other retail lending	2	-	2	11	77	92
Corporate loans	6,962	1,235	149	178	354	8,878
Total	6,994	1,243	169	222	478	9,106

Loans and advances past due but not impaired (audited)

The Bank	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 2017						
Loans and advances designated at fair value	**653**	**-**	**20**	**-**	**10**	**683**
Home loans	**3**	**1**	**-**	**-**	**16**	**20**
Credit cards, unsecured and other retail lending	**-**	**-**	**12**	**17**	**43**	**72**
Corporate loans	**4,561**	**263**	**128**	**85**	**97**	**5,134**
Total	**5,217**	**264**	**160**	**102**	**166**	**5,909**
As at 31 December 2016						
Loans and advances designated at fair value	29	8	18	-	16	71
Home loans	1	-	-	33	24	58
Credit cards, unsecured and other retail lending	2	-	2	11	40	55
Corporate loans	4,134	1,216	142	176	354	6,022
Total	4,166	1,224	162	220	434	6,206

Loans and advances past due but not impaired decreased by £1.4bn to £7.7bn, mainly due to fewer large Corporate loans past due 1-2 months.

Analysis of loans and advances assessed as impaired

The following table presents an analysis of gross loans and advances into those collectively or individually assessed as impaired. The table includes an age analysis for loans and advances collectively assessed as impaired.

Loans that are collectively assessed as impaired 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.

Loans that are individually assessed as impaired consist predominantly of wholesale loans that are past due and for which an individual allowance has been raised.

Home loans, unsecured loans and credit card receivables that are subject to forbearance in the retail portfolios are included within the collectively assessed for impairment category. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

Loans and advances assessed as impaired (audited)

The Group	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 collectively assessed £m	Individually assessed for impairment £m	Total £m
As at 31 December 2017								
Home loans	**2,622**	**465**	**200**	**304**	**477**	**4,068**	**922**	**4,990**
Credit cards, unsecured and other retail lending	**989**	**344**	**245**	**511**	**1,808**	**3,897**	**302**	**4,199**
Corporate loans	**546**	**34**	**20**	**28**	**85**	**713**	**1,384**	**2,097**
Total	**4,157**	**843**	**465**	**843**	**2,370**	**8,678**	**2,608**	**11,286**
As at 31 December 2016								
Home loans	2,866	795	201	298	452	4,612	820	5,432
Credit cards, unsecured and other retail lending	1,135	354	250	516	1,702	3,957	492	4,449
Corporate loans	288	53	35	72	131	579	1,580	2,159
Total	4,289	1,202	486	886	2,285	9,148	2,892	12,040

Loans and advances assessed as impaired (audited)

The Bank	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 collectively assessed £m	Individually assessed for impairment £m	Total £m
As at 31 December 2017								
Home loans	**2,622**	**465**	**200**	**304**	**477**	**4,068**	**867**	**4,935**
Credit cards, unsecured and other retail lending	**644**	**180**	**121**	**235**	**1,129**	**2,309**	**208**	**2,517**
Corporate loans	**544**	**33**	**19**	**26**	**82**	**704**	**1,340**	**2,044**
Total	**3,810**	**678**	**340**	**565**	**1,688**	**7,081**	**2,415**	**9,496**
As at 31 December 2016								
Home loans	2,866	795	201	298	452	4,612	808	5,420
Credit cards, unsecured and other retail lending	768	175	115	228	1,059	2,345	428	2,773
Corporate loans	286	52	34	70	129	571	1,528	2,099
Total	3,920	1,022	350	596	1,640	7,528	2,764	10,292

Loans and advances assessed as impaired decreased by £0.8bn to £11.3bn, reflecting a stable or generally improving trend in the ageing of impaired loans across the Group.

Impairment

Impairment allowances

Impairment allowances remained stable at £4,652m (2016: £4,620m) during the year.

Movements in allowance for impairment by asset class (audited)

The Group	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
2017								
Home loans	**467**	**-**	**(5)**	**(4)**	**(29)**	**-**	**29**	**458**
Credit cards, unsecured and other retail lending	**3,060**	**-**	**(43)**	**(223)**	**(2,042)**	**252**	**2,051**	**3,055**
Corporate loans	**1,093**	**(5)**	**-**	**(13)**	**(258)**	**82**	**240**	**1,139**
Total impairment allowance	**4,620**	**(5)**	**(48)**	**(240)**	**(2,329)**	**334**	**2,320**	**4,652**
2016								
Home loans	518	(3)	(5)	(108)	(23)	-	88	467
Credit cards, unsecured and other retail lending	3,394	(2)	(70)	(709)	(1,806)	296	1,957	3,060
Corporate loans	1,009	-	-	81	(364)	69	298	1,093
Total impairment allowance	4,921	(5)	(75)	(736)	(2,193)	365	2,343	4,620

Movements in allowance for impairment by asset class (audited)

The Bank	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
2017								
Home loans	**461**	**-**	**(5)**	**(2)**	**(29)**	**-**	**28**	**453**
Credit cards, unsecured and other retail lending	**1,773**	**-**	**(31)**	**(101)**	**(930)**	**141**	**891**	**1,743**
Corporate loans	**1,019**	**(1)**	**-**	**(17)**	**(255)**	**82**	**107**	**935**
Total impairment allowance	**3,253**	**(1)**	**(36)**	**(120)**	**(1,214)**	**223**	**1,026**	**3,131**
2016								
Home loans	368	(3)	(5)	35	(22)	-	88	461
Credit cards, unsecured and other retail lending	2,111	-	(60)	(313)	(1,148)	190	993	1,773
Corporate loans	802	-	-	209	(335)	68	275	1,019
Total impairment allowance	3,281	(3)	(65)	(69)	(1,505)	258	1,356	3,253

For further analysis of loans and advances showing different management analysis please refer to the Barclays PLC Annual Report 2017:

- Retail and wholesale loan portfolio analysis on page 147
- Analysis of specific portfolios and asset types on pages 148 to 150
- Potential credit risk loans and coverage ratios on page 152
- Forbearance on pages 153 to 156.

Risk performance

Market risk

Summary of Contents

Market risk

The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations

All disclosures in this section (pages 98 to 99) are unaudited unless otherwise stated.

Overview of market risk

This section contains key statistics describing the market risk profile of the bank. 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 150 to 157 of the Barclays PLC Pillar 3 Report 2017 provides descriptions of these metrics.

Measures of market risk in the Group and accounting measures

Traded market risk measures such as VaR and balance sheet exposure measures have fundamental differences:

- balance sheet measures show accruals-based balances or marked to market values as at the reporting date
- VaR measures also take account of current marked to market values, but in addition hedging effects between positions are considered
- market risk measures are expressed in terms of changes in value or volatilities as opposed to static values.

For these reasons, it is not possible to present direct reconciliations of traded market risk and accounting measures. The table 'Balance sheet view of trading and banking books', on page 161 of the Barclays PLC Annual Report 2017, helps the reader understand the main categories of assets and liabilities subject to regulatory market risk measures.

Summary of performance in the period

Overall, the Group has maintained a steady risk profile:

- measures of traded market risk have been relatively stable over 2017, characterised by a low volatility environment.

Key metrics

-10% Average Management value at risk

in 2017 at £19m (2016: £21m) remained relatively stable.

This small reduction was driven by a 25% decrease in average credit risk VaR, primarily due to tighter credit spreads.

Traded market risk review

Review of management measures
The following disclosures provide details on management measures of market risk. See the risk management section on pages 152 to 153 of the Barclays PLC Pillar 3 Report 2017 for more detail on management measures and the differences when compared to regulatory measures.

The table below shows the total Management VaR on a diversified basis by risk factor. Total Management VaR includes all trading positions in CIB and Head Office.

Limits are applied against each risk factor VaR as well as total Management VaR, which are then cascaded further by risk managers to each business.

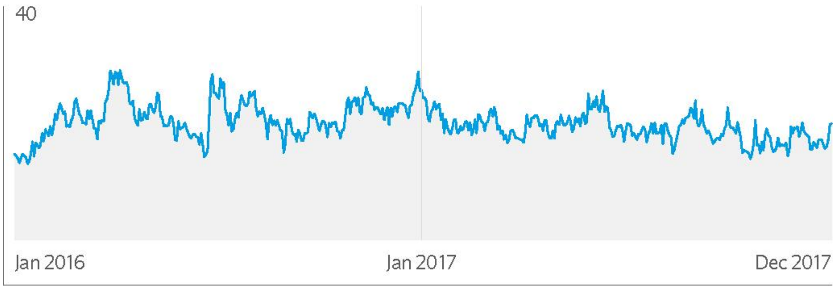
Management VaR (95%, one day) (audited)

	2017			2016		
	Average	High[b]	Low[b]	Average	High[b]	Low[b]
For the year ended 31 December[a]	£m	£m	£m	£m	£m	£m
Credit risk	12	18	8	16	24	9
Interest rate risk	8	15	4	7	13	4
Equity risk	8	14	4	7	11	4
Basis risk	5	6	3	5	9	3
Spread risk	5	8	3	3	5	2
Foreign exchange risk	3	7	2	3	5	2
Commodity risk	2	3	1	2	4	1
Inflation risk	2	4	1	2	3	2
Diversification effect[b]	(26)	n/a	n/a	(24)	n/a	n/a
Total management VaR	19	26	14	21	29	13

Notes
a Includes BAGL.
b Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each area. 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.

Management VaR remained relatively stable year on year characterised by a low volatility environment. The year on year reduction in credit risk VaR was driven primarily by tighter credit spreads.

Group Management VaR[a] (£m)



Note
a Includes BAGL.

Business Scenario Stresses
As part of the Group's risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to seven global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, global recession, and a sharp increase in economic growth.

In 2017, the scenario analyses showed that the largest market risk related impacts would be due to a severe deterioration in financial liquidity and global recession.

Summary of Contents

Liquidity risk

The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

All disclosures in this section (pages 101 to 114) are unaudited and exclude BAGL unless otherwise stated.

Overview

Barclays Bank PLC follows the same Liquidity Risk management policies as Barclays PLC and hence the disclosures in this section are those of Barclays PLC except for the contractual maturity tables which are required to meet the IFRS 7 disclosure requirements. In these tables, the Barclays Bank PLC balances are reported.

The Group has a comprehensive Key Risk Control Framework for managing the Group's liquidity risk. The Liquidity Framework meets the PRA's standards and is designed to maintain that the Group's liquidity resources are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

This section provides an analysis of the Group's: i) summary of performance, ii) liquidity risk stress testing, iii) liquidity pool, iv) funding structure and funding relationships, and v) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework see pages 163 to 165 of the Barclays PLC Pillar 3 Report 2017.

Summary of performance in the period

The Group continued to maintain surpluses to its internal and regulatory requirements.The liquidity pool increased to £220bn (December 2016: £165bn) reflecting the approach of holding a conservative liquidity position and through net deposit growth, the unwind of legacy Non-Core portfolios, money market borrowing and drawdown from the Bank of England Term Funding Scheme. The Liquidity Coverage Ratio (LCR) increased to 154% (December 2016: 131%), equivalent to a surplus of £75bn (December 2016: £39bn) to 100%.

Wholesale funding outstanding excluding repurchase agreements was £157bn (December 2016: £158bn). The Group issued £11.5bn equivalent of capital and senior unsecured debt from Barclays PLC (the Parent company) of which £6.1bn was in public senior unsecured debt, and £5.4bn in capital instruments. In the same period £6.1bn of Barclays Bank PLC capital and senior public term instruments either matured or were redeemed, including the $1.375bn 7.1% Series 3 USD preference shares.

Key metrics

154% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements.

£12bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt.

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 net stressed outflows for specific scenarios.

Liquidity Risk Appetite
As part of the LRA, the Group runs three short term liquidity stress scenarios, aligned to the PRA's prescribed stresses:

- 90-day market-wide stress event
- 30-day Barclays specific stress event
- combined 30-day market-wide and Barclays specific stress event.

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 combined stress scenario, results in the greatest net outflows of each of the liquidity stress tests. The combined LRA scenario has been enhanced and improved to capture a Barclays-specific stress coinciding with a market stress over the full stress horizon. As part of the LRA, Barclays also establishes the minimum LCR limit. Barclays also evaluates its long-term LRA, one year stress test based on prolonged closure of capital markets.

Risk performance

Treasury and Capital risk – Liquidity

Key LRA assumptions include:

For the year ended 31 December 2017

Drivers of Liquidity Risk	LRA Combined stress – key assumptions
Wholesale Secured and Unsecured Funding Risk	- Zero rollover of maturing wholesale unsecured funding - Loss of repo capacity on non-extremely liquid repos at contractual maturity date - Roll of repo for extremely liquid repo at wider haircut at contractual maturity date - Withdrawal of contractual buyback obligations, excess client futures margin, Prime Brokerage client cash and overlifts - Haircuts applied to the market value of marketable assets held in the liquidity buffer
Retail and Corporate Funding Risk	- Retail and Corporate deposit outflows as counterparties seek to diversify their deposit balances
Intra-day Liquidity Risk	- Liquidity held against intraday requirements for the settlement of cash and securities under a stress
Intra-Group Liquidity Risk	- Liquidity support for material subsidiaries. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group
Cross-Currency Liquidity Risk	- Currency liquidity cash flows at contractual maturity for physically settled FX forwards and cross currency swaps
Off-balance Sheet Liquidity Risk	- Drawdown on committed facilities based on facility and counterparty type - Collateral outflows due to a 2 notch credit rating downgrade - Increase in the Group's initial margin requirement across all major exchanges - Variation margin outflows from collateralised risk positions - Outflow of collateral owing but not called - Loss of internal sources of funding within the PB synthetics business
Franchise-Viability Risk	- Liquidity held in order to meet outflows that are non-contractual in nature, but are necessary in order to support the firm's ongoing franchise (e.g. debt buybacks)
Funding Concentration Risk	- Liquidity held against largest wholesale funding counterparty refusing to roll

Liquidity regulation

The Group monitors its position against the CRD IV Delegated Act 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 holding sufficient High Quality Liquid Assets to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of 12 months and has been developed to promote a sustainable maturity structure of assets and liabilities.

The CRD IV LCR became effective on 1 October 2015, with a minimum ratio requirement in the UK of 80% as at 31 December 2016; this increased to 90% on 1 January 2017 and then to 100% on 1 January 2018. As of 31 December 2017, the Group reported a CRD IV LCR of 154% (2016: 131%).

In October 2014, the BCBS published a standard for the NSFR with the minimum requirement. On 23 November 2016, the European Commission published draft amendments to the Capital Requirements Regulation (CRR) including its proposed implementation of NSFR in the EU. This proposal made a number of changes from the Basel NSFR, particularly in the treatment of derivative and secured financing transactions. In October 2017, the BCBS agreed to allow national discretion for the NSFR's treatment of derivative liabilities. Barclays continues to assess the impact of these changes on its NSFR ratio, and notes that NSFR is not proposed to be a binding regulation in the EU until two years after the European legislation is finalised. We remain above 100% well ahead of implementation timelines, based on a conservative interpretation of the Basel rules.

Internal and regulatory liquidity stress tests

The LRA short term stress scenarios and the CRD IV LCR are comparable, in the sense that adequacy of defined liquidity resources is assessed against net stressed outflows over a short term stress horizon. The CRD IV LCR stress tests provide an independent assessment of the Group's liquidity risk profile.

Stress Test	Barclays short-term LRA	CRD IV LCR
Time Horizon	30 - 90 days	30 days
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows

As at December 2017, the Group held eligible liquid assets well in excess of 100% of net stress outflows for both the 30 day combined market-wide and Barclays specific LRA scenario and the LCR.

Compliance with internal and regulatory stress tests

As at 31 December 2017	Barclays' Short Term LRA (30 day combined stress requirement)[a, b] £bn	CRD IV LCR[b] £bn
Eligible liquidity buffer	220	215
Net stress outflows	(175)	(140)
Surplus	**45**	**75**
Liquidity pool as a percentage of anticipated net outflows as at 31 December 2017	**126%**	**154%**
Liquidity pool as a percentage of anticipated net outflows as at 31 December 2016	120%	131%

Notes
a Of the three stress scenarios monitored as part of the short term LRA, the 30 day combined stress scenario results in the lowest ratio at 126% (2016: 144%). This compares to 139% (2016: 134%) under the 90 day market-wide scenario and 131% (2016: 120%) under the 30 day Barclays specific scenario.
b 31 December 2016 reflects the Barclays specific scenario results of 120% being the lowest ratio of the three scenarios. LCR and LRA includes BAGL in 2016.

Liquidity pool

The Group liquidity pool as at 31 December 2017 was £220bn (2016: £165bn). During 2017, the month-end liquidity pool ranged from £165bn to £232bn (2016: £132bn to £175bn), and the month-end average balance was £202bn (2016: £153bn). 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 2017

		Liquidity pool of which CRD IV LCR eligible			2016
	Liquidity pool £bn	Cash £bn	Level 1 £bn	Level 2A £bn	Liquidity pool £bn
Cash and deposits with central banks[a]	173	169	-	-	103
Government bonds[b]					
AAA to AA-	31	-	29	-	
BBB+ to BBB-	2	-	2	-	
Other LCR Ineligible Government bonds	1	-	-	-	
Total government bonds	**34**	-	**31**	-	39
Other					
Goverment Guaranteed Issuers, PSEs and GSEs	6	-	5	2	
International Organisations and MDBs	4	-	4	-	
Covered bonds	2	-	2	-	
Other	1	-	1	-	
Total Other	**13**	-	**12**	**2**	23
Total as at 31 December 2017	**220**	**169**	**43**	**2**	
Total as at 31 December 2016	165	101	55	3	

Notes
a Of which over 99% (2016: over 98%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
b Of which over 84% (2016: over 90%) are comprised of UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

The Group liquidity pool is well diversified by major currency and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD £bn	EUR £bn	GBP £bn	Other £bn	Total £bn
Liquidity pool as at 31 December 2017	**70**	**55**	**71**	**24**	**220**
Liquidity pool as at 31 December 2016	44	36	49	36	165

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 (geographically, by type and by counterparty) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Group aims to align the sources and uses of funding. As such, retail and corporate loans and advances are largely funded by customer deposits, with the surplus primarily funding the liquidity pool. Other assets, together with other loans and advances to customers and unencumbered assets are funded by wholesale debt and equity. The majority of reverse repurchase agreements are matched by repurchase agreements. Derivative liabilities and assets are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

These funding relationships are summarised below:

Assets	2017 £bn	2016 £bn
Loans and advances to customers[a]	313	326
Group liquidity pool	220	165
Other assets[b]	89	185
Reverse repurchase agreements, trading portfolio assets, cash collateral and settlement balances[c]	273	190
Derivative financial instruments	238	347
Total assets	1,133	1,213

Liabilities	2017 £bn	2016 £bn
Customer accounts[a]	387	374
< 1 Year wholesale funding	57	70
> 1 Year wholesale funding	100	88
Equity and other liabilities	78	151
Reverse repurchase agreements, trading portfolio liabilities, cash collateral and settlement balances[c]	273	190
Derivative financial instruments	238	340
Total liabilities	1,133	1,213

Deposit funding (audited)

Funding of loans and advances to customers	2017			2016
	Loans and advances to customers	Customer deposits	Loan to deposit ratio	Loan to deposit ratio
As at 31 December 2017	£bn	£bn	%	%
Barclays UK	184	193		
Barclays International	101	162		
Total retail and corporate funding[d]	285	355	80%	89%
Barclays International and Head Office	81	74		
Total Barclays Group	366	429	85%	93%

Notes
a Excludes cash collateral and settlement balances.
b Other assets include trading portfolio assets that are not part of repurchase agreements, loans and advances to banks and other asset categories.
c Includes reverse repurchase agreements that other similar secured lending and trading portfolio assets that are part of repurchase agreements.
d Excludes investment banking balances other than interest earning lending. Comparatives have been restated to include interest earning lending balances within the investment banking business.

As at 31 December 2017, £153bn (2016: £139bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits £4bn (2016: £4bn) of other liabilities are 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 assesses the behavioural maturity of both customer assets and liabilities to identify structural balance sheet funding gaps. Customer behaviour is determined by quantitative modelling combined with qualitative assessment taking into account historical experience, current customer composition, and macroeconomic projections. These behavioural profiles represent our forward looking expectation of the run-off profile.

Behavioural maturity profile

	Loans and advances to customers £bn	Customer deposits £bn	Customer funding surplus/ (deficit) £bn	Behavioural maturity profile cash outflow/(inflow) Not more than one year £bn	Over one year but not more than five years £bn	More than five years £bn
As at 31 December 2017						
Barclays UK	**184**	**193**	**9**	**1**	**(19)**	**27**
Barclays International	**101**	**162**	**61**	**6**	**19**	**36**
Barclays Non-Core	**-**	**-**	**-**	**-**	**-**	**-**
Total	**285**	**355**	**70**	**7**	**-**	**63**
As at 31 December 2016						
Barclays UK	166	189	23	(2)	(19)	44
Barclays International	118	152	34	(6)	7	33
Barclays Non-Core	19	-	(19)	(1)	(6)	(12)
Total	303	341	38	(9)	(18)	65

Wholesale funding[a]

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a variety of distribution channels and geographies, 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 2017, the Group's total wholesale funding outstanding (excluding repurchase agreements) was £157.4bn (2016: £157.8bn), of which £20.4bn (2016: £25.8bn) was secured funding and £137.0bn (2016: £132.0bn) unsecured funding. Unsecured funding includes £44.8bn (2016: £37.6bn) of privately placed senior unsecured notes issued through a variety of distribution channels including intermediaries and private banks.

During the year, the Group issued £11.5bn equivalent of capital and senior unsecured debt from Barclays PLC (the Parent company), of which £6.1bn was in public senior unsecured debt and £5.4bn in capital instruments. In the same period, £6.1bn of Barclays Bank PLC capital and senior public term instruments either matured or were redeemed, including the $1.375bn 7.1% Series 3 USD preference shares.

As at 31 December 2017 wholesale funding of £57.2bn (2016: £70.3bn) matures in less than one year, of which £13.8bn[b] (2016: £21.5bn) relates to term funding. Although not a requirement, the liquidity pool exceeded the wholesale funding maturing in less than one year by £163bn (2016: £95bn).

The Group expects to continue issuing public wholesale debt in 2018 from Barclays PLC (the Parent company), in order to maintain compliance with indicative MREL requirements and maintain a stable and diverse funding base by type, currency and market.

Maturity profile of wholesale funding[b]

	<1 month £bn	1-3 months £bn	3-6 months £bn	6-12 months £bn	<1 year £bn	1-2 years £bn	2-3 years £bn	3-4 years £bn	4-5 years £bn	>5 years £bn	Total £bn
Barclays PLC (the Parent company)											
Senior unsecured (Public benchmark)	-	0.7	-	0.1	0.8	1.5	1.0	4.2	4.0	9.6	21.1
Senior unsecured (Privately placed)	-	-	-	0.1	0.1	-	-	0.2	-	0.5	0.8
Subordinated liabilities	-	-	-	-	-	-	1.1	-	-	5.4	6.5
Barclays Bank PLC (including subsidiaries)											
Deposits from banks	5.4	4.7	0.7	0.6	11.4	0.1	0.1	0.3	-	-	11.9
Certificates of deposit and commercial paper	2.4	8.1	7.1	7.0	24.6	1.2	0.8	0.6	0.4	0.1	27.7
Asset backed commercial paper	1.9	4.1	0.4	-	6.4	-	-	-	-	-	6.4
Senior unsecured (Public benchmark)	-	-	-	-	-	2.5	0.6	0.6	-	1.1	4.8
Senior unsecured (Privately placed)[c]	0.5	0.9	3.6	2.9	7.9	9.9	6.7	1.8	3.1	14.6	44.0
Covered bonds	-	1.0	-	-	1.0	1.8	1.0	1.0	2.4	1.3	8.5
Asset backed securities	-	-	0.6	0.2	0.8	1.7	1.0	-	0.1	1.8	5.4
Subordinated liabilities	2.3	0.1	0.8	-	3.2	0.1	0.8	5.2	3.5	4.5	17.3
Other[d]	0.5	-	0.1	0.4	1.0	0.2	0.2	0.3	-	1.3	3.0
Total as at 31 December 2017	**13.0**	**19.6**	**13.3**	**11.3**	**57.2**	**19.0**	**13.3**	**14.2**	**13.5**	**40.2**	**157.4**
Of which secured	**1.9**	**5.1**	**1.1**	**0.2**	**8.3**	**3.5**	**2.0**	**1.0**	**2.5**	**3.1**	**20.4**
Of which unsecured	**11.1**	**14.5**	**12.2**	**11.1**	**48.9**	**15.5**	**11.3**	**13.2**	**11.0**	**37.1**	**137.0**
Total as at 31 December 2016	16.6	17.3	16.4	20.0	70.3	14.3	14.4	8.6	14.1	36.1	157.8
Of which secured	3.7	5.6	3.4	2.3	15.0	1.8	3.2	0.4	1.0	4.4	25.8
Of which unsecured	12.9	11.7	13.0	17.7	55.3	12.5	11.2	8.2	13.1	31.7	132.0

Notes
a 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 and collateral swaps. It does not include participation in central bank facilities reported within repurchase agreements and other similar secured borrowing.
b Term funding comprises public benchmark and privately placed senior unsecured notes, covered bonds, asset backed securities (ABS) and subordinated debt where the original maturity of the instrument was more than 1 year.
c Includes structured notes of £33.4bn, £7.2bn of which matures within 1 year.
d Primarily comprised of fair value deposits of £1.7bn.

Currency composition of wholesale debt

As at 31 December 2017, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding

	USD %	EUR %	GBP %	Other %
Deposits from banks	48	21	27	4
Certificates of deposits and commercial paper	50	40	9	1
Asset backed commercial paper	85	10	5	-
Senior unsecured (public benchmark)	59	23	12	6
Senior unsecured (Privately placed)	46	28	10	16
Covered bonds/ABS	30	42	28	-
Subordinated liabilities	40	30	29	1
Total as at 31 December 2017	**50**	**28**	**10**	**12**
Total as at 31 December 2016	48	32	16	4

To manage cross-currency refinancing risk, the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities.

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

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.

Contractual maturity of financial assets and liabilities (audited)

The Group 31 December 2017	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	170,190	846	–	–	–	–	–	–	–	–	171,036
Items in the course of collection from other banks	2,153	–	–	–	–	–	–	–	–	–	2,153
Trading portfolio assets	113,755	–	–	–	–	–	–	–	–	–	113,755
Financial assets designated at fair value	14,800	77,289	8,828	4,570	1,252	2,095	160	196	557	6,535	116,282
Derivative financial instruments	237,741	41	81	–	–	71	22	15	1	15	237,987
Financial investments	30	2,378	2,717	97	504	5,675	3,928	16,162	17,107	10,365	58,963
Loans and advances to banks	3,324	30,356	1,256	77	125	247	93	543	–	188	36,209
Loans and advances to customers	12,021	70,816	8,511	5,519	7,622	35,969	26,151	39,435	48,382	111,127	365,553
Reverse repurchase agreements and other similar secured lending	7,522	4,446	578	–	–	–	–	–	–	–	12,546
Other financial assets	–	725	–	–	–	116	–	–	–	–	841
Total financial assets	561,536	186,897	21,971	10,263	9,503	44,173	30,354	56,351	66,047	128,230	1,115,325
Other assets[a]											14,018
Total assets											1,129,343
Liabilities											
Deposits from banks	5,092	30,884	718	438	214	74	135	316	35	–	37,906
Items in the course of collection due to other banks	446	–	–	–	–	–	–	–	–	–	446
Customer accounts	335,266	74,812	7,381	3,386	3,628	2,684	500	882	231	656	429,426
Repurchase agreements and other similar secured borrowing	3,550	17,841	4,516	2,136	1,396	310	93	10,006	490	–	40,338
Trading portfolio liabilities	37,352	–	–	–	–	–	–	–	–	–	37,352
Financial liabilities designated at fair value	13,298	102,860	10,570	5,918	3,139	10,515	7,281	5,879	4,923	9,335	173,718
Derivative financial instruments	237,242	10	3	–	–	10	5	4	41	1,030	238,345
Debt securities in issue	907	17,025	8,395	5,107	1,562	6,654	3,881	11,944	9,502	4,409	69,386
Subordinated liabilities	–	2,402	791	7	23	57	1,949	8,751	5,866	4,347	24,193
Other financial liabilities	–	4,557	–	–	–	671	–	–	–	–	5,228
Total financial liabilities	633,153	250,391	32,374	16,992	9,962	20,975	13,844	37,782	21,088	19,777	1,056,338
Other liabilities[a]											7,271
Total liabilities											1,063,609
Cumulative liquidity gap	(71,617)	(135,111)	(145,514)	(152,243)	(152,702)	(129,504)	(112,994)	(94,425)	(49,466)	58,987	65,734

Note
a As at 31 December 2017, other assets includes balances of £1,193m (2016: £71,454m) and other liabilities includes balances of £nil (2016: £65,292m) relating to amounts held for sale. Please refer to Note 43 for details.

Contractual maturity of financial assets and liabilities (audited)

The Group As at 31 December 2016	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	102,006	322	–	–	–	–	–	–	–	–	102,328
Items in the course of collection from other banks	1,467	–	–	–	–	–	–	–	–	–	1,467
Trading portfolio assets	80,255	–	–	–	–	–	–	–	–	–	80,255
Financial assets designated at fair value	15,558	43,233	5,555	2,376	2,081	686	90	129	771	8,129	78,608
Derivative financial instruments	345,818	6	400	5	2	14	168	175	123	109	346,820
Financial investments	40	1,015	3,064	741	2,666	10,127	9,031	15,148	12,817	8,716	63,365
Loans and advances to banks	4,705	34,346	2,753	480	133	412	236	20	549	–	43,634
Loans and advances to customers	26,931	85,990	7,522	6,310	8,245	29,326	25,602	44,776	48,233	109,848	392,783
Reverse repurchase agreements and other similar secured lending	7,043	3,678	892	144	905	792	–	–	–	–	13,454
Other financial assets	251	1,111	–	–	–	76	–	–	–	–	1,438
Total financial assets	584,074	169,701	20,186	10,056	14,032	41,433	35,127	60,248	62,493	126,802	1,124,152
Other assets[a]											89,803
Total assets											1,213,955
Liabilities											
Deposits from banks	5,906	39,610	1,120	672	351	193	13	328	21	–	48,214
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	–	–	636
Customer accounts	317,951	87,616	5,305	3,023	4,528	2,836	1,262	1,043	443	696	424,703
Repurchase agreements and other similar secured borrowing	5,480	9,234	1,934	917	1,327	311	–	83	474	–	19,760
Trading portfolio liabilities	34,687	–	–	–	–	–	–	–	–	–	34,687
Financial liabilities designated at fair value	15,285	41,547	4,007	4,112	1,827	7,540	5,762	5,773	3,588	6,591	96,032
Derivative financial instruments	339,646	4	–	–	2	10	34	46	75	670	340,487
Debt securities in issue	27	16,731	11,713	5,902	6,867	3,167	8,069	9,186	10,122	3,585	75,369
Subordinated liabilities	–	7	–	–	1,317	3,230	56	7,487	7,064	4,710	23,871
Other financial liabilities	–	4,151	–	–	–	1,010	–	–	–	–	5,161
Total financial liabilities	719,618	198,900	24,079	14,626	16,219	18,297	15,196	23,946	21,787	16,252	1,068,920
Other liabilities[a]											74,080
Total liabilities											1,143,000
Cumulative liquidity gap	(135,544)	(164,743)	(168,636)	(173,206)	(175,393)	(152,257)	(132,326)	(96,024)	(55,318)	55,232	70,955

Note
a As at 31 December 2017, other assets includes balances of £1,193m (2016: £71,454m) and other liabilities includes balances of £nil (2016: £65,292m) relating to amounts held for sale. Please refer to Note 43 for details.

Contractual maturity of financial assets and liabilities (audited)

The Bank As at 31 December 2017	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	164,867	846	–	–	–	–	–	–	–	–	165,713
Items in the course of collection from other banks	1,011	–	–	–	–	–	–	–	–	–	1,011
Trading portfolio assets	79,836	–	–	–	–	–	–	–	–	–	79,836
Financial assets designated at fair value	128	85,892	9,023	5,359	2,026	3,570	1,837	479	2,134	6,734	117,182
Derivative financial instruments	232,042	41	81	–	–	71	22	15	1	15	232,288
Financial investments	12	1,203	1,674	96	482	5,608	3,804	16,130	17,010	8,564	54,583
Loans and advances to banks	1,990	32,714	1,097	124	149	352	109	516	14	190	37,255
Loans and advances to customers	11,814	101,569	9,370	7,423	7,458	42,791	23,978	34,679	43,106	106,772	388,960
Reverse repurchase agreements and other similar secured lending	–	22,256	608	100	–	–	–	–	–	–	22,964
Other financial assets	–	2,050	–	–	–	443	–	–	–	–	2,493
Total financial assets	491,700	246,571	21,853	13,102	10,115	52,835	29,750	51,819	62,265	122,275	1,102,285
Other assets[a]											22,715
Total assets											1,125,000
Liabilities											
Deposits from banks	5,775	30,958	746	345	149	7	103	266	15	–	38,364
Items in the course of collection due to other banks	446	–	–	–	–	–	–	–	–	–	446
Customer accounts	322,519	97,616	7,764	4,026	3,830	2,363	3,068	507	5,519	867	448,079
Repurchase agreements and other similar secured borrowing	–	29,516	4,837	3,125	1,506	310	93	10,006	490	–	49,883
Trading portfolio liabilities	41,542	–	–	–	–	–	–	–	–	–	41,542
Financial liabilities designated at fair value	111	110,715	11,290	5,858	3,373	9,557	8,065	4,806	6,150	9,119	169,044
Derivative financial instruments	228,124	10	3	–	–	10	5	4	41	1,030	229,227
Debt securities in issue	874	11,025	7,269	4,889	1,555	4,988	2,865	11,825	6,738	3,846	55,874
Subordinated liabilities	–	2,392	785	–	–	44	1,949	8,727	5,936	4,370	24,203
Other financial liabilities	–	4,128	–	–	–	306	–	–	–	–	4,434
Total financial liabilities	599,391	286,360	32,694	18,243	10,413	17,585	16,148	36,141	24,889	19,232	1,061,096
Other liabilities[a]											5,870
Total liabilities											1,066,966
Cumulative liquidity gap	(107,691)	(147,480)	(158,321)	(163,462)	(163,760)	(128,510)	(114,908)	(99,230)	(61,854)	41,189	58,034

Note
a For December 2017, other assets includes balances of £nil (2016: £3,453m) and other liabilities includes balances of £nil (2016: £2,135m) relating to amounts held for sale. Please refer to Note 43 for details.

Contractual maturity of financial assets and liabilities (audited)[a]

The Bank As at 31 December 2016	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	97,144	322	–	–	–	–	–	–	–	–	97,466
Items in the course of collection from other banks	1,010	–	–	–	–	–	–	–	–	–	1,010
Trading portfolio assets	36,527	–	–	–	–	–	–	–	–	–	36,527
Financial assets designated at fair value	114	55,096	6,477	3,278	2,008	712	502	1,816	2,292	8,570	80,865
Derivative financial instruments	326,792	24	–	4	2	9	142	148	26	55	327,202
Financial investments	16	956	1,685	736	2,635	10,103	8,970	15,115	12,766	8,617	61,599
Loans and advances to banks	2,903	29,648	1,916	485	145	967	275	39	13	–	36,391
Loans and advances to customers	25,548	106,221	14,248	6,682	9,406	32,356	28,712	49,249	42,873	107,829	423,124
Reverse repurchase agreements and other similar secured lending	5,164	14,683	952	194	905	1,043	–	–	–	–	22,941
Other financial assets	–	1,858	–	–	–	251	–	–	–	–	2,109
Total financial assets	495,218	208,808	25,278	11,379	15,101	45,441	38,601	66,367	57,970	125,071	1,089,234
Other assets[b]											30,513
Total assets											1,119,747
Liabilities											
Deposits from banks	6,268	41,523	1,186	677	360	11	13	395	31	–	50,464
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	–	–	636
Customer accounts	308,167	102,723	6,299	3,376	4,765	2,805	917	574	641	734	431,001
Repurchase agreements and other similar secured borrowing	–	24,093	2,022	917	1,326	311	–	83	474	–	29,226
Trading portfolio liabilities	31,999	–	–	–	–	–	–	–	–	–	31,999
Financial liabilities designated at fair value	178	60,113	4,432	4,044	2,691	7,130	4,966	6,162	4,533	7,081	101,330
Derivative financial instruments	316,944	119	–	–	1	5	18	42	75	670	317,874
Debt securities in issue	–	9,238	9,164	5,608	6,458	2,558	6,709	8,781	9,459	2,889	60,864
Subordinated liabilities	–	–	–	–	1,317	3,181	42	7,487	7,064	4,787	23,878
Other financial liabilities	–	2,950	–	–	–	548	–	–	–	–	3,498
Total financial liabilities	664,192	240,759	23,103	14,622	16,918	16,549	12,665	23,524	22,277	16,161	1,050,770
Other liabilities[b]											10,979
Total liabilities											1,061,749
Cumulative liquidity gap	(168,974)	(200,925)	(198,750)	(201,993)	(203,810)	(174,918)	(148,982)	(106,139)	(70,446)	38,464	57,998

Notes
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.
b For December 2017, other assets includes balances of £nil (2016: £3,453m) and other liabilities includes balances of £nil (2016: £2,135m) relating to amounts held for sale. Please refer to Note 43 for details.

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 105); 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
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 (audited)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017									
Deposits from banks	5,092	30,889	720	654	213	316	36	–	37,920
Items in the course of collection due to other banks	446	–	–	–	–	–	–	–	446
Customer accounts	335,266	74,830	7,383	7,020	3,197	884	231	725	429,536
Repurchase agreements and other similar secured lending	3,550	17,846	4,526	3,557	410	10,259	490	–	40,638
Trading portfolio liabilities	37,352	–	–	–	–	–	–	–	37,352
Financial liabilities designated at fair value	13,298	102,982	10,609	9,118	18,142	6,177	5,490	12,827	178,643
Derivative financial instruments	237,242	9	3	–	15	5	48	1,755	239,077
Debt securities in issue	907	17,205	8,497	6,810	10,983	12,053	9,726	4,465	70,646
Subordinated liabilities	–	2,790	1,739	559	4,985	9,789	5,929	6,208	31,999
Other financial liabilities	–	4,557	–	–	671	–	–	–	5,228
Total financial liabilities	633,153	251,108	33,477	27,718	38,616	39,483	21,950	25,980	1,071,485
As at 31 December 2016									
Deposits from banks	5,906	39,617	1,122	1,025	207	328	21	–	48,226
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	636
Customer accounts	317,951	87,635	5,312	7,565	4,154	1,067	533	1,013	425,230
Repurchase agreements and other similar secured lending	5,480	9,249	1,939	2,253	312	83	474	–	19,790
Trading portfolio liabilities	34,687	–	–	–	–	–	–	–	34,687
Financial liabilities designated at fair value	15,285	41,599	4,023	5,979	13,443	5,899	3,900	8,443	98,571
Derivative financial instruments	339,646	4	–	2	44	48	84	1,086	340,914
Debt securities in issue	27	16,916	11,828	13,059	11,915	9,654	10,992	4,061	78,452
Subordinated liabilities	–	374	635	3,021	6,761	9,011	7,860	4,866	32,528
Other financial liabilities	–	4,151	–	–	1,010	–	–	–	5,161
Total financial liabilities	719,618	199,545	24,859	32,904	37,846	26,090	23,864	19,469	1,084,195

Contractual maturity of financial liabilities - undiscounted (audited)[a]

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017									
Deposits from banks	5,775	30,964	749	495	113	266	15	–	38,377
Items in the course of collection due to other banks	446	–	–	–	–	–	–	–	446
Customer accounts	322,519	99,739	7,953	8,172	9,593	1,820	6,435	1,861	458,092
Repurchase agreements and other similar secured lending	–	29,525	4,850	4,659	410	10,259	490	–	50,193
Trading portfolio liabilities	41,542	–	–	–	–	–	–	–	41,542
Financial liabilities designated at fair value	111	110,792	11,323	9,294	17,992	5,114	6,770	12,660	174,056
Derivative financial instruments	228,124	9	3	–	15	5	48	1,755	229,959
Debt securities in issue	874	11,195	7,361	6,568	8,263	11,934	6,963	3,902	57,060
Subordinated liabilities	–	2,780	1,732	529	4,972	9,765	5,998	6,231	32,007
Other financial liabilities	–	4,128	–	–	306	–	–	–	4,434
Total financial liabilities	599,391	289,132	33,971	29,717	41,664	39,163	26,719	26,409	1,086,166
As at 31 December 2016									
Deposits from banks	6,268	41,531	1,187	1,039	25	396	31	–	50,477
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	636
Customer accounts	308,167	102,958	6,502	8,399	4,751	1,300	1,660	2,482	436,219
Repurchase agreements and other similar secured lending	–	24,096	2,026	2,253	312	83	474	–	29,244
Trading portfolio liabilities	31,999	–	–	–	–	–	–	–	31,999
Financial liabilities designated at fair value	178	60,163	4,449	6,777	12,258	6,330	4,925	9,024	104,104
Derivative financial instruments	316,944	119	–	1	23	44	84	1,086	318,301
Debt securities in issue	–	9,409	9,262	12,336	9,886	9,248	10,299	3,365	63,805
Subordinated liabilities	–	367	635	3,021	6,699	9,011	7,860	4,943	32,536
Other financial liabilities	–	2,950	–	–	548	–	–	–	3,498
Total financial liabilities	664,192	241,593	24,061	33,826	34,502	26,412	25,333	20,900	1,070,819

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

Maturity of off-balance sheet commitments received and given

The table below presents the maturity split of the Group's off-balance sheet commitments received and given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

Maturity analysis of off-balance sheet commitments received (audited)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017											
Guarantees, letters of credit and credit insurance	**6,373**	**5**	**2**	**3**	**1**	**8**	**7**	**5**	**3**	**4**	**6,411**
Forward starting repurchase agreements	**–**	**29**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29**
Total off-balance sheet commitments received	**6,373**	**34**	**2**	**3**	**1**	**8**	**7**	**5**	**3**	**4**	**6,440**
As at 31 December 2016											
Guarantees, letters of credit and credit insurance	6,044	18	1	410	2	23	1	3	–	–	6,502
Forward starting repurchase agreements	102	246	–	1	–	–	18	–	–	–	367
Total off-balance sheet commitments received	6,146	264	1	411	2	23	19	3	–	–	6,869

Maturity analysis of off-balance sheet commitments given (audited)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017											
Contingent liabilities	**16,047**	**1,085**	**560**	**92**	**242**	**346**	**80**	**59**	**245**	**256**	**19,012**
Documentary credits and other short-term trade related transactions	**34**	**593**	**147**	**26**	**6**	**5**	**1**	**–**	**–**	**–**	**812**
Standby facilities, credit lines and other commitments	**311,481**	**1,144**	**883**	**77**	**778**	**44**	**47**	**259**	**2**	**46**	**314,761**
Total off-balance sheet commitments given	**327,562**	**2,822**	**1,590**	**195**	**1,026**	**395**	**128**	**318**	**247**	**302**	**334,585**
As at 31 December 2016											
Contingent liabilities	17,111	425	845	233	285	355	187	88	259	151	19,939
Documentary credits and other short-term trade related transactions	987	10	8	–	–	–	–	–	–	–	1,005
Standby facilities, credit lines and other commitments	300,043	479	415	604	818	55	47	150	–	70	302,681
Total off-balance sheet commitments given	318,141	914	1,268	837	1,103	410	234	238	259	221	323,625

Maturity analysis of off-balance sheet commitments received (audited)

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017									
Guarantees, letters of credit and credit insurance	5,409	4	1	3	11	5	3	4	5,440
Forward starting repurchase agreements	–	5	–	–	–	–	–	–	5
Total off-balance sheet commitments received	**5,409**	**9**	**1**	**3**	**11**	**5**	**3**	**4**	**5,445**
As at 31 December 2016									
Guarantees, letters of credit and credit insurance	4,760	18	1	412	6	2	–	–	5,199
Forward starting repurchase agreements	43	–	–	–	–	–	–	–	43
Total off-balance sheet commitments received	4,803	18	1	412	6	2	–	–	5,242

Maturity analysis of off-balance sheet commitments given (audited)

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2017											
Contingent liabilities	22,979	1,706	734	609	242	425	80	117	269	256	27,417
Documentary credits and other short-term trade related transactions	34	593	147	26	6	5	1	–	–	–	812
Standby facilities, credit lines and other commitments	249,122	1,121	883	77	758	44	43	13	2	46	252,109
Total off-balance sheet commitments given	**272,135**	**3,420**	**1,764**	**712**	**1,006**	**474**	**124**	**130**	**271**	**302**	**280,338**
As at 31 December 2016											
Contingent liabilities	21,785	545	1,020	1,469	356	729	294	128	280	156	26,762
Documentary credits and other short-term trade related transactions	965	6	8	–	–	–	–	–	–	–	979
Standby facilities, credit lines and other commitments	237,675	399	366	598	780	32	45	145	1	71	240,112
Total off-balance sheet commitments given	260,425	950	1,394	2,067	1,136	761	339	273	281	227	267,853

Capital risk

The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the firm's pension plans.

More details on monitoring and managing capital risk may be found in the Risk Management sections on pages 166 to 167 of the Barclays PLC 2017 Pillar 3 Report.

All disclosures in this section (pages 115 to 116) are unaudited unless otherwise stated.

Overview

The Prudential Regulation Authority (PRA) requires Barclays to manage and monitor regulatory capital at the level of each licensed banking entity and investment firm within the Group.

Currently the PRA regulates Barclays PLC Group on a consolidated basis and Barclays Bank PLC on a "solo" basis. Barclays Bank PLC solo comprises Barclays Bank PLC plus certain additional subsidiaries, subject to PRA approval. Barclays Bank PLC Group is not regulated by the PRA.

This section gives a summary of the capital resources of Barclays Bank PLC Group.

Capital Resources

Regulatory Capital - Barclays Bank PLC Group

As at 31 December	2017 £m	2016 £m
Fully loaded CET1 capital	**45,232**	46,450
PRA transitional tier 1 capital	**58,325**	58,652
PRA transitional total regulatory capital	**73,339**	74,871

For full disclosures on Barclays PLC Group capital risk please refer to pages 179 to 187 of the Barclays PLC Annual Report 2017.

Foreign exchange risk (audited)

The Group is exposed to two sources of foreign exchange risk.

a) Transactional foreign currency exposure
Transactional foreign currency exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays International which is monitored through VaR.

Banking book transactional foreign exchange risk outside of Barclays International is monitored on a daily basis by the market risk function and minimised by the businesses.

b) Translational foreign exchange exposure
The Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD and EUR. Changes in the GBP value of the net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital.

The Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by matching the CET1 capital movements to the revaluation of the Group's foreign currency RWA exposures.

Functional currency of operations (audited)

	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre- economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
As at 31 December 2017						
USD	**27,848**	**(12,404)**	**(540)**	**14,904**	**(6,153)**	**8,751**
EUR	**2,489**	**(3)**	**-**	**2,486**	**(2,127)**	**359**
ZAR	**8**	**-**	**-**	**8**	**-**	**8**
JPY	**467**	**(152)**	**(301)**	**14**	**-**	**14**
Other	**2,475**	**-**	**(1,299)**	**1,176**	**-**	**1,176**
Total	**33,287**	**(12,559)**	**(2,140)**	**18,588**	**(8,280)**	**10,308**
As at 31 December 2016						
USD	29,460	(12,769)	-	16,691	(7,898)	8,793
EUR	2,121	(363)	-	1,758	(2,053)	(295)
ZAR	3,679	-	(2,571)	1,108	-	1,108
JPY	438	(209)	(224)	5	-	5
Other	2,793	-	(1,318)	1,475	-	1,475
Total	38,491	(13,341)	(4,113)	21,037	(9,951)	11,086

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier 1 (AT1) instruments that are held as equity. These are accounted for at historic cost under IFRS and do not qualify as hedges for accounting purposes.

During 2017, total structural currency exposure net of hedging instruments decreased by £0.8bn to £10.3bn (2016: £11.1bn). Foreign currency net investments decreased by £5.2bn to £33.3bn (2016: £38.5bn) driven predominantly by the decrease in ZAR investments following the partial disposal of the Group's investment in BAGL and accounting deconsolidation of the remaining holding. The hedges associated with these investments decreased by £2.8bn to £14.7bn (2016: £17.5bn).

Interest rate risk in the banking book

The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

All disclosures in this section (pages 117 to 119) are unaudited and exclude BAGL unless otherwise stated.

Overview

The non-traded market risk framework covers exposures in the banking book, mostly relating to accrual accounted and Available for Sale instruments. The potential volatility of net interest income is measured by an Annual Earnings at Risk (AEaR) metric which is monitored regularly and reported to Senior Management and the BRC as part of the limit monitoring framework.

For further detail on interest rate risk in the banking book governance and framework see pages 168 to 169 of the Barclays PLC Pillar 3 Report 2017.

Summary of performance in the period

- Annual Earnings at Risk (AEaR), is a key measure of interest rate risk in the banking book (IRRBB). The additional sensitivity measure of a positive 100bps shock was added for 2017, driven by the rise in GBP base rate in November 2017.

Key metrics

+£76m AEaR

across the Group from a positive 100bps shock in interest rates.

Interest rate risk in the banking book

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities, including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology as described on page 168 of the Barclays PLC Pillar 3 Report 2017. Note that this metric assumes an instantaneous parallel change to interest rate forward curves. The model floors shocked market rates at zero; changes in Net Interest Income (NII) sensitivity are only observed where forward rates are greater than zero. The main model assumptions are: (i) one year time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (e.g. considers that customers may remortgage before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

Net Interest Income Sensitivity (AEaR) by currency[a,b,c]	2017		2016	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
The Group	£m	£m	£m	£m
GBP	12	(76)	9	(215)
USD	1	(1)	3	(5)
EUR	4	(1)	7	1
Other currencies	3	(5)	3	(1)
Total	**20**	**(83)**	22	(220)
As percentage of net interest income	**0.20%**	**(0.84%)**	0.21%	(2.09%)

Note
a Excludes investment banking business and excludes 100% BAGL.
b Excludes Treasury operations, which are driven by the firm's investments in the liquidity pool, which are risk managed using value-based risk measures described on pages 163 to 165 of the Barclays PLC Pillar 3 Report 2017. Treasury's NII (AEaR) sensitivity to a +25/-25bps move is £13m/£(2)m respectively.
c Expected fixed rate mortgage pipeline completions in Barclays UK assumed to be consistent with level and timing of pipeline hedging.

Net Interest Income Sensitivity (AEaR) by currency[a]	2017		2016	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
The Bank	£m	£m	£m	£m
GBP	15	(63)	6	(163)
USD	-	-	1	(2)
EUR	-	-	7	1
Other currencies	-	-	2	(1)
Total	**15**	**(63)**	16	(165)
As percentage of net interest income	**0.21%**	**(0.85%)**	0.19%	(1.93%)

Note
a Barclays UK and Barclays International sensitivity (excluding Investment Banking business and Treasury) and excludes 100% BAGL.

Economic Capital by business unit

Barclays measures some non-traded market risks using an economic capital (EC) methodology. EC is predominantly calculated using a VaR model using a 99% confidence interval aligning to other regulatory submissions. For more information on definitions of prepayment, recruitment and residual risk, and on how EC is used to manage non-traded market risk, see the treasury and capital risk management section on pages 168 to 169 of the Barclays PLC Pillar 3 Report.

Economic Capital by business unit

As at 31 December 2017	Barclays UK £m	Barclays International[a] £m	Total £m
Prepayment risk	20	13	33
Recruitment risk	64	1	65
Residual risk	3	3	6
Total	87	17	104
As at 31 December 2016			
Prepayment risk	27	8	35
Recruitment risk	18	2	20
Residual risk	1	35	36
Total	46	45	91

Note
a Only retail exposures within Barclays International are captured in the measure.

Recruitment risk in Barclays UK has increased by £46m due to higher volumes of pipeline hedging, as a result of increased customer appetite for fixed rate mortgages.

Analysis of equity sensitivity

Equity sensitivity table measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, available for sale and cash flow hedge reserves. This data is captured using DV01 metric which is an indicator of the shift in value for a 1 basis point in the yield curve.

Analysis of equity sensitivity (audited)

	31 December 2017		31 December 2016	
The Group	+25 basis points £m	-25 basis points £m	+50 basis points £m	-50 basis points £m
Net interest income	20	(83)	22	(220)
Taxation effects on the above	(6)	25	(7)	66
Effect on profit for the year	14	(58)	15	(154)
As percentage of net profit after tax	(1.22%)	5.05%	0.40%	(4.13%)
Effect on profit for the year (per above)	14	(58)	15	(154)
Available for Sale reserve	(164)	219	(154)	114
Cash flow hedge reserve	(616)	598	(732)	692
Taxation effects on the above	195	(204)	222	(202)
Effect on equity	(571)	555	(649)	450
As percentage of equity	(0.87%)	0.84%	(0.91%)	0.63%

Analysis of equity sensitivity (audited)	31 December 2017		31 December 2016	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
The Bank	£m	£m	£m	£m
Net interest income	15	(63)	16	(165)
Taxation effects on the above	(4)	19	(5)	50
Effect on profit for the year	11	(44)	11	(115)
As percentage of net profit after tax	(1.66%)	6.98%	0.53%	(5.53%)
Effect on profit for the year (per above)	11	(44)	11	(115)
Available for sale reserve	(164)	219	(154)	114
Cash flow hedge reserve	(491)	473	(562)	522
Taxation effects on the above	164	(173)	179	(159)
Effect on equity	(479)	475	(526)	362
As percentage of equity	(0.83%)	0.82%	(0.91%)	0.62%

As indicated in relation to the net interest income sensitivity table on page 117, the impact of a 25bps movement in rates is largely driven by Barclays UK.

The year on year movement in cash flow hedge reserve sensitivities was driven by structural changes in business activities and related hedging. Movements in the available for sale reserve would impact CRD IV fully loaded CET1 capital, however the movement in the cash flow hedge reserve would not impact CET1 capital.

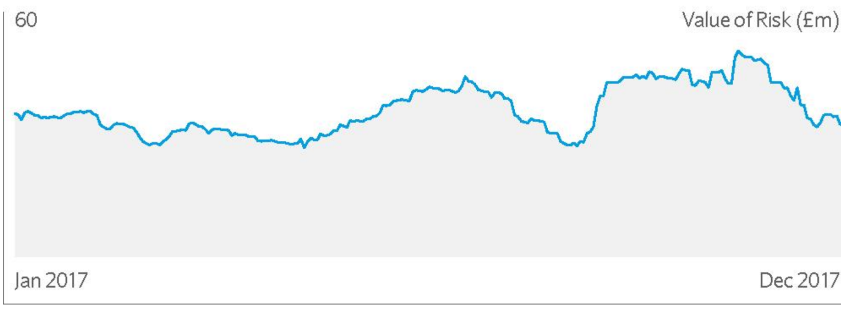
Volatility of the Available for Sale portfolio in the liquidity pool

Changes in value of Available for Sale exposures flow directly through capital via the Available for Sale reserve. The volatility of the value of the Available for Sale investments in the Liquidity pool is captured and managed through a value measure rather than an earning measure, i.e. the non-traded market risk VaR.

Although the underlying methodology to calculate the non traded VaR is identical to the one used in Traded Management VaR, the two measures are not directly comparable. The Non-Traded VaR represents the volatility to capital driven by the Available for Sale exposures. These exposures are in the banking book and do not meet the criteria for trading book treatment.

Volatility of AFS portfolio in Liquidity Pool

Non-traded Value at Risk (£m)



Analysis of volatility of the available for sale portfolio in the liquidity pool	2017			2016		
	Average	High	Low	Average	High	Low
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Non-Traded Market Value at Risk (daily, 95%)	36	50	27	40	46	32

Non-traded VaR was mainly driven by volatility of interest rates in developed markets. The increases in late Spring and early Autumn were driven primarily by additional outright interest rate risk exposure taken in the liquidity pool at those times.

Operational risk

The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks

All disclosures in this section are unaudited unless otherwise stated.

Overview

Operational risks are inherent in the Group's business activities and it is not always cost effective or possible to attempt to eliminate all operational risks. The Operational Risk Management Framework is therefore focused on identifying operational risks and confirming that they are assessed and managed within the Group's approved risk appetite. More material losses are less frequent and the Group seeks to reduce the likelihood and impact of these in accordance with its risk appetite.

The Operational Principal Risk comprises the following risks: data management and information, financial reporting, fraud, payments process, people, premises and security, supplier, tax, technology and transaction operations.

For definitions of these risks see page 70. In order to provide complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational risks listed above to cover areas included within conduct, legal and model risks.

This section provides an analysis of the Group's operational risk profile, including events above the Bank's reportable threshold, which have had a financial impact in 2017.

For information on conduct risk events please see page 123.

Summary of performance in the period

During 2017, total operational risk losses increased to £309m (2016: £209m) while the number of recorded events for 2017 decreased to 2,949 from 3,414 events recorded during the prior year. The loss for the year was primarily driven by events falling within the execution, delivery and process management and external fraud categories, with a limited number of high impact events.

Key metrics

87%

of the Group's net reportable operational risk events had a loss value of £50k or less

75%

of events by number are due to external fraud

Operational risk profile

Within operational risk, a high proportion of risk events have a low financial cost while a very small proportion of operational risk events will have a material impact on the financial results of the Group. In 2017, 87% of the Group's net reportable operational risk events by volume had a value of less than £50,000 (2016: 86%), although this type of event accounted for only 16% (2016: 22%) of the Group's total net operational risk losses.

The analysis below presents the Group's operational risk events by Basel event category:

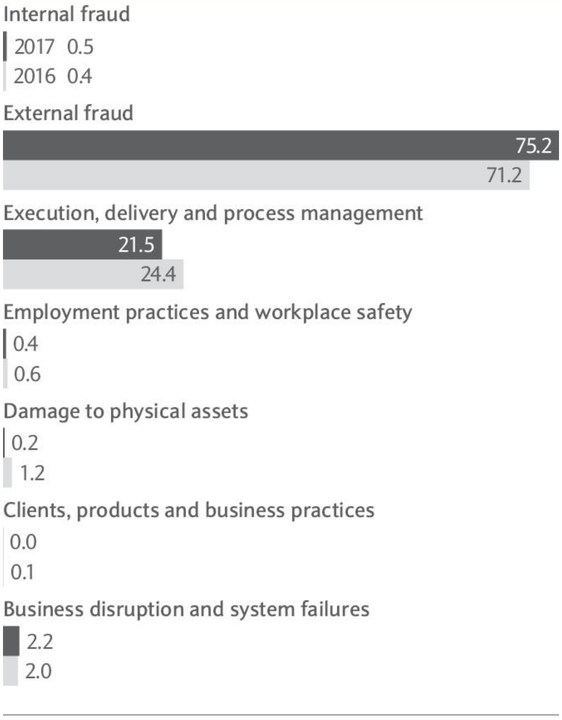
- Execution, Delivery and Process Management impacts increased to £222m (2016: £165m) and accounted for 72% (2016: 69%) of overall operational risk losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. The increase in impact was largely driven by a limited number of events with higher loss values.
- External Fraud is the category with the highest frequency of events (75% of total events in 2017, up from 71% in prior year) where high volume, low value events are driven by debit and credit card fraud. These accounted for 20% of overall operational risk losses in 2017, slightly down compared to 25% for prior year.
- Business Disruption impacts increased to £24m, accounting for 8% of total operational risk losses in 2017, mainly driven by a few events with significant impacts. Overall the volume of events in this category remained low and decreased from 2016.

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 Management for each risk type. External Fraud and Technology are highlighted as key operational risk exposures. The operational risk profile is also informed by a number of risk themes: execution, resilience, cyber and data. These represent threats to the Group but have scope which extends across multiple risk types, and therefore require a risk management approach which is integrated within relevant risk and control frameworks.

Investment continues to be made in new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made and to minimise any disruption to genuine transactions. Fraud remains an industry-wide threat and the Group continues to work closely with external partners on various prevention initiatives. Technology, resilience and cyber security risks evolve rapidly so the Group maintains continued focus and investment in the control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside the Group.

For further information, see operational risk management section (pages 69 and 70).

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 The data disclosed includes operational risk losses for reportable events (excluding BAGL) having an impact of ≥ £10,000 and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that continue to evolve, prior year losses are updated.

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

All disclosures in this section are unaudited unless otherwise stated.

Overview

Model risk is a focal area of management and the Board. It is an important component of regulators' assessment of Barclays' risk management capabilities. Models are used to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risks, valuing exposures, conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, or meeting reporting requirements.

Summary of performance in the period

The Principal Risk framework for model risk was established in 2016. In 2017, the framework was enhanced and embedded further in the organisation by:

- Strengthening of the Group-wide Model Risk Management (MRM) framework, policy and associated standards, validation templates and procedures.
- Enhancement of Board oversight of model risk, through the establishment of a model risk tolerance framework and periodic updates to the Board on the progress of the MRM implementation.
- Improved collection and attestation of the Group's global inventory of models.
- Reporting metrics on policy adherence and breaches.
- Enhancement of model development and model identification processes, with the areas of model ownership throughout the firm establishing their own model control functions.

In addition to the governance outlined above, which details how new models are validated and existing models are internally controlled and assessed, models have been classified based on their materiality (the level of reliance placed on the model output for decision making or reporting), and their complexity. A strengthened programme of review and validation for such material models commenced during 2017. In 2018, model risk governance will be broadened beyond the quantitative models of the firm to include "non modelled methods" covering certain material decision making and capital planning functions of the firm, such as the primary stress testing programmes and impairment estimations

Conduct risk

The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct

All disclosures in this section are unaudited unless otherwise stated.

Overview

This section details Barclays' conduct risk profile and provides information on material conduct risks and mitigating actions Barclays has taken.

Barclays strives to create and maintain mutually beneficial long-term relationships with its customers and clients. This means taking personal accountability for understanding their needs and providing them with products and services that meet those needs appropriately and help them manage their financial affairs.

As a transatlantic consumer, corporate and investment bank, Barclays also plays a critical role in promoting fair, open and transparent markets, as well as fostering shared growth for all. This means abiding by standards that in many cases are higher than those set by the laws and regulations that apply to the Group.

In 2017, aligned with the revised Enterprise Risk Management Framework (ERMF), the oversight of financial crime was transferred to conduct risk from operational risk.

Summary of performance in the period

Barclays is committed to continuing to drive the right culture throughout all levels of the organisation. Barclays will continue to enhance effective management of conduct risk and appropriately consider the relevant tools, governance and management information in decision making processes. Focus on management of conduct risk is ongoing and the Group Dashboards are a key component of this.

The Group continues to review the role and impact of conduct issues in the remuneration process at both the individual and business level.

Businesses have continued to assess the potential customer, client and market impacts of strategic change and structural reform. As part of the 2017 Medium-Term Planning Process, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2017, conduct risks were raised by businesses for consideration by the Board Reputation Committee (RepCo). RepCo reviewed the risks raised and whether management's proposed actions were appropriate to mitigate the risks effectively. RepCo received regular updates with regards to key risks and issues including those relating to structural reform and regulatory change.

The Group continued to incur significant costs in relation to litigation and conduct matters, please refer to Note 28 Legal, competition and regulatory matters and Note 26 Provisions for further detail. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering the Group's strategy and an ongoing commitment to improve oversight of culture and conduct.

The Board and Senior Management received Group Dashboards setting out key indicators in relation to conduct, culture, citizenship and complaints. These continue to be evolved and enhanced to allow effective oversight and decision making. Barclays has operated at the overall set tolerance for conduct risk throughout 2017. The tolerance is assessed by the business through Key Indicators which are aggregated and provide an overall rating which is reported to the RepCo as part of the Conduct Dashboard.

Barclays remained focused on the continuous improvements being made to manage risk effectively, with an emphasis on enhancing governance and management information to help identify risks at earlier stages.

For further details on the non-financial performance measures, please refer to page 15 of the Strategic Report.

Reputation risk

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

All disclosures in this section are unaudited unless otherwise stated.

Overview

Reputation risk was re-designated as a Principal Risk under Barclays' Enterprise Risk Management Framework with effect from January 2017.

Reputation risk may arise from any business decision or activity. It may also arise as a result of issues and incidents relevant to other Principal Risks, in particular other non-financial risks e.g. conduct or operational risk. Reputation risks and issues are identified via regular information gathering from within the business and from external stakeholders. Some risks and issues are specific to Barclays, while others are also relevant to the banking sector more generally.

Barclays has set tolerances for reputation risk, which take into account the risks arising from specific events or decisions and longer term strategic themes. The primary responsibility for managing reputation risk lies with each business and function, where there are processes in place to identify, assess and manage reputation risks and issues.

There are circumstances, however, where it is necessary to escalate to Group level the evaluation of the reputation risk associated with particular decisions beyond an individual, business or function. The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of reputation risk.

Summary of performance in the period

Barclays is committed to identifying reputation risks and issues as early as possible and managing them appropriately. Throughout 2017, reputation risks and issues were overseen by the Board Reputation Committee (RepCo), which reviews the processes and policies by which Barclays identifies and manages reputation risk.

RepCo reviewed risks raised by the businesses and considered whether management's proposed actions, for example attaching conditions to proposed client transactions or increased engagement with impacted stakeholders, were appropriate to mitigate the risks effectively. RepCo also received regular updates with regard to key reputation risks and issues, including: legacy conduct issues; Barclays' association with sensitive sectors; cyber and data security; fraud and scams impacting Barclays customers and the resilience of key Barclays systems and processes.

In 2017, the central reputation management team received 581 referrals from across the businesses (625 referrals in 2016) for consideration. These referrals covered a variety of sectors including, but not limited to, defence, fossil fuels and mining.

As part of Barclays 2017 Medium Term Planning process, material reputation risks associated with strategic and financial plans were also assessed.

The effectiveness of the supporting governance arrangements and management information, including the impact of other Principal Risks on Barclays' reputation, were reviewed by the Board and senior management during 2017. Following this, RepCo requested certain refinements to reputation risk reporting and processes, which are in progress.

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

All disclosures in this section are unaudited unless otherwise stated.

Overview

The Group conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of loss or imposition of penalties, damages, fines, sanctions and other legal outcomes relating to a failure to meet its legal obligations in the conduct of its business. Legal risk encompasses the failure of the Group to appropriately escalate or manage contractual arrangements, litigation, intellectual property, competition/anti-trust issues, use of law firms and its contact with regulators. The multitude of laws and regulations pertaining to the Group's activities across the globe are by nature dynamic resulting in a level of legal risk that cannot be avoided. A Legal Risk Management Framework (LRMF) prescribes the requirements for identification, escalation, measurement and management of legal risk to support effective risk management across the Group.

Summary of performance in the period

In 2017, Barclays remained focused on continuous improvements to manage legal risk effectively, with an emphasis on enhancing governance to help identify risks at earlier stages and escalate as appropriate.

This is supported by the LRMF which includes legal risk tolerances, key indicators and governance. The LRMF is supported by legal risk policies and associated standards covering six areas of identified legal risk and mandatory minimum control requirements. For further information, see legal risk management on page 74. Legal risk policies and tolerances were reviewed and enhanced during 2017 to reflect the LRMF.

Business and functions have progressed implementing the requirements outlined in the LRMF within their areas, including strengthening evaluation and monitoring of their legal risk profile. Mandatory training in relation to legal risk was rolled out across the Group in Q4 2017.

The Legal Function organisation and coverage model aligns expertise to businesses, functions, products, activities and geographic locations. It continues to provide legal support, oversight and challenge across the organisation, including advising on appropriate identification, management and escalation of legal risk and potential legal outcomes aligned to other Principal Risks. A legal risk oversight committee, as part of the Legal Executive Committee, meets on a quarterly basis to oversee, challenge and monitor legal risk across the Group.

Overall, in 2017 significant progress has been made to implement legal risk as a new Principal Risk across the Group. As the LRMF matures, Barclays will continue to strengthen and embed consistent Group-wide processes to support management and monitoring of legal risk as well as drive continued education to support proactive identification and escalation of legal risk issues.

Supervision and regulation

Supervision of the Group

The Group's operations, including its overseas branches, subsidiaries and associates, are subject to a large number of rules and regulations that are a condition for authorisations to conduct banking and financial services business in each of the jurisdictions in which the Group operates. These apply to business operations, impact financial returns and include capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities, conduct of business regulations and many others. These requirements are set in legislation and by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates. Often, the requirements may reflect global standards developed by international bodies such as the G20, the Basel Committee on Banking Supervision (BCBS), the International Organisation of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). Various bodies, such as central banks and self-regulatory organisations, also create voluntary Codes of Conduct which affect the way the Group does business.

Regulatory developments impact the Group globally. We focus particularly on EU, UK and US regulation due to the location of Barclays' principal areas of business. Regulations elsewhere may also have a significant impact on Barclays due to the location of its branches, subsidiaries and, in some cases, clients. For more information on the risks related to supervision and regulation of the Group, including regulatory change, please see the Risk Factor above entitled 'Regulatory Change agenda and impact on Business Model' on page 56.

Supervision in the EU

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms in the EU. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business in another member state through the establishment of branches or by the provision of services on a cross-border basis without the need for local authorisation. Barclays' operations in Europe are authorised and regulated by a combination of both home and host regulators. The impact of the UK's departure from the EU in this respect and, more broadly, its impact on the UK domestic regulatory framework, is yet to be determined.

In the UK, the Bank of England (BoE) has responsibility for monitoring the UK financial system as a whole, including by way of conducting annual stress tests on UK banks. The day-to-day regulation and supervision of the Group is divided between the Prudential Regulation Authority (PRA) (a division of the BoE) and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation.

Barclays Bank PLC is authorised and subject to solo prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. Barclays is also subject to prudential supervision by the PRA on a Group consolidated basis. Barclays Services Limited is an appointed representative of Barclays Bank PLC and Clydesdale Financial Services Limited (the principals). This status enables Barclays Services Limited to undertake activities which would otherwise require authorisation, with the principals assuming regulatory responsibility for the conduct of Barclays Services Limited as their appointed representative. Barclays Bank PLC's German, French and Italian branches are also subject to direct supervision by the European Central Bank (ECB). Barclays Bank Ireland PLC, which is licensed as a credit institution by the Central Bank of Ireland, has submitted an application for an extension of its current licence to support the Group's ability to provide services to EU clients after Brexit.

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, conduct and culture and strategy.

The regulation and supervision of market conduct matters is the responsibility of the FCA. The FCA's regulation of the UK firms in the Group is carried out through a combination of continuous assessment, regular thematic work and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead.

Both the PRA and the FCA have continued to develop and apply a more 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 or matters of conduct.

The FCA has retained an approach to enforcement based on credible deterrence that has seen significant growth in the size of regulatory fines. The approach appears to be trending towards a more US model of enforcement including vigorous enforcement of criminal and regulatory breaches, heightened fines and proposed measures related to increased corporate criminal liability.

The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. This may affect both the incidence of conduct costs and increase the cost of remediation.

The FCA and the PRA have also increasingly focused on individual accountability within firms. This focus is reflected in the Senior Managers and Certification Regime (the SMCR) which came into force in 2016. The SMCR, which implements the recommendations in the final report of the Parliamentary Commission on Banking Standards relating to individual accountability in banks, imposes a regulatory approval, accountability and fitness and propriety framework in respect of senior or key individuals within relevant firms.

The UK Serious Fraud Office (SFO) has played an active role in recent years in investigating and prosecuting complex fraud, bribery and corruption. If, as a result of an investigation, the SFO determines that it has sufficient evidence to support a realistic prospect of conviction, and to prosecute would be in the public interest, the SFO may bring forward a prosecution. Alternatively, the SFO may consider using a Deferred Prosecution Agreement (DPA). DPAs, which were introduced in February 2014, are judicially supervised agreements between the SFO and organisations that could be prosecuted whereby the SFO suspends prosecution while the organisation in question complies with conditions imposed on it by the DPA, such as the payment of fines.

Supervision in the US

Barclays' US activities and operations are subject to umbrella supervision by the Board of Governors of the Federal Reserve System (FRB), as well as additional supervision, requirements and restrictions imposed by other federal and state regulators. Barclays PLC, Barclays Bank PLC and their US branches and subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001, the Commodity Exchange Act, the federal securities laws, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA), which comprehensively amended the regulation of financial institutions in the US in response to the financial crisis, including by amending the other aforementioned statutes. In some cases, US requirements may impose restrictions on Barclays' global activities in addition to its activities in the US.

Barclays PLC and Barclays Bank PLC, along with Barclays US LLC (BUSL), Barclays' top-tier US holding company that holds substantially all of Barclays' US subsidiaries and assets (including Barclays Capital Inc. and Barclays Bank Delaware) are regulated as bank holding companies (BHCs) by the FRB. BUSL is subject to requirements that are similar to those applicable to large US domestic bank holding companies, including in respect of capital adequacy, capital planning and stress testing (including FRB non-objection to proposed capital distributions), risk management and governance, liquidity, leverage limits and financial regulatory reporting. Barclays Bank PLC's US branches are also subject to enhanced prudential supervision requirements relating to, among others, liquidity and risk management.

Because the BHC Act generally restricts the activities of BHCs to banking and activities closely related to banking, Barclays PLC, Barclays Bank PLC and BUSL have elected to be treated as financial holding companies under the BHC Act. Financial holding company status allows these entities to engage in a variety of financial and related activities, directly or through subsidiaries, including underwriting, dealing and making markets in securities. Failure to maintain financial holding company status could result in increasingly stringent penalties and ultimately, in the closure or cessation of certain operations in the US. To qualify as a financial holding company, Barclays PLC and Barclays Bank PLC, as foreign banking organisations and BHCs, and BUSL, as a BHC, must maintain certain regulatory capital ratios above minimum requirements and must be deemed to be "well managed" for U.S. bank regulatory purposes. In addition, any US depository institution subsidiaries of the foreign banking organisation or BHC must also maintain certain regulatory capital ratios above minimum requirements and be deemed to be "well managed" and must have at least a "satisfactory" rating under the Community Reinvestment Act of 1977.

In addition to umbrella oversight by the FRB (and applicable Federal Reserve Banks), certain of Barclays' branches and subsidiaries are regulated by additional authorities based on the location or activities of those entities. The New York and Florida branches of Barclays Bank PLC are subject to extensive supervision and regulation by, as applicable, the New York State Department of Financial Services (NYSDFS) and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Delaware Office of the State Bank Commissioner. The deposits of Barclays Bank Delaware are insured by the Federal Deposit Insurance Corporation (FDIC) pursuant to the Federal Deposit Insurance Act, which also provides for FDIC supervisory authority over Barclays Bank Delaware and requires that Barclays PLC, Barclays Bank PLC and BUSL act as a source of strength for the insured bank. This could, among other things, require these entities to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

Barclays' US securities broker/dealer and investment banking operations, primarily conducted through Barclays Capital Inc., are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under US federal and state securities laws.

Similarly, Barclays' US commodity futures, commodity options and swaps-related and client clearing operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs. Barclays Bank PLC is also prudentially regulated as a swaps dealer so is subject to the FRB swaps rules with respect to margin and capital requirements.

Barclays' US retail and consumer activities, including the US credit card operations of Barclays Bank Delaware, are subject to direct supervision and regulation by the Consumer Financial Protection Bureau (CFPB). The CFPB has the authority to examine and take enforcement action related to compliance with federal laws and regulations regarding the provision of consumer financial services and the prohibition of 'unfair, deceptive or abusive acts and practices'.

Supervision in Asia Pacific

Barclays' operations in Asia Pacific are supervised and regulated by a broad range of national regulators including: the Japan Financial Services Agency, the Bank of Japan, the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore, the Reserve Bank of India, the Securities and Exchange Board of India and the People's Bank of China, China's State Administration of Foreign Exchange and the China Banking Regulatory Commission. Such supervision and regulation extends to activities conducted through branches of Barclays Bank PLC in the Asia Pacific region as well as subsidiaries of the Group.

Supervision and regulation

Global regulatory developments

Regulatory change continues to affect all large financial institutions. Such change emanates from global institutions such as the G20, FSB, IOSCO and BCBS, the EU regionally, and national regulators, especially in the UK and US. The level of regulatory and supervisory uncertainty faced by the Group and the financial markets more broadly continues to remain elevated in our primary markets. In the EU, the legislative and regulatory bodies have been implementing, and continue to propose, multiple financial regulatory reforms, and the conditions of the UK's eventual exit from the EU remain unclear, so the extent to which the UK will continue to follow EU legislation after Brexit remains unclear. In the US, the financial regulatory environment continues to evolve due to political developments and the ongoing implementation of regulations arising from the DFA. Furthermore, the application of various regional rules on a cross-border basis increases regulatory complexity for global financial institutions. For more information, please see the Risk Factor entitled 'Regulatory Change agenda and impact on Business Model' on page 56.

The programme of reform of the global regulatory framework previously agreed by G20 Heads of Government in April 2009 has continued to be taken forward throughout 2017. The G20 continues to monitor emerging risks and vulnerabilities in the financial system and has stated that it will take action to address them if necessary.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, G20 Heads of Government adopted FSB proposals to reform the regulation of global systemically important financial institutions (G-SIFIs), including global systemically important banks (G-SIBs), such as Barclays. In December 2017, the BCBS finalised 'Basel III' (the BCBS international regulatory framework for banks), with the majority of the December 2017 changes expected to be implemented by 1 January 2022, including by regulators in many jurisdictions where Barclays operates.

Financial regulatory framework

Financial services regulation can broadly be categorised as follows: (a) prudential regulation, which aims to promote safety and soundness of financial institutions and reduce risk in the financial system; (b) recovery and resolution, a key aspect of which is to ensure that G-SIFIs are capable of being resolved without recourse to taxpayer support and minimising market disruption; (c) structural reform and the Volcker rule; (d) market infrastructure regulation, aimed at enhancing client protection, financial stability and market integrity; and (e) conduct, culture and other regulation.

(a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Directive IV (CRD IV), which came into effect in 2014 and included new or enhanced requirements for the quality and quantity of capital, liquidity and leverage. Beyond the minimum standards required by CRD IV, the PRA has expected Barclays, in common with other major UK banks and building societies, to meet a 7% Common Equity Tier 1 (CET1) ratio at the level of the consolidated group since 1 January 2016.

G-SIBs are subject to a number of additional prudential requirements, including the requirement to hold additional loss absorbing capacity and additional capital buffers above the level required by Basel III standards. The level of G-SIB buffer is set by the FSB according to a bank's systemic importance and can range from 1% to 3.5% of risk weighted assets. The G-SIB buffer must be met with common equity.

In November 2017, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to Barclays. The additional G-SIB buffer has been phased in from January 2016, from when G-SIBs were required to meet 25% of their designated buffer. This increased to 50% in 2017, 75% in 2018 and will increase to 100% in January 2019. Barclays is also subject to, among other buffers, a countercyclical capital buffer (CCyB) based on rates determined by the regulatory authorities in each jurisdiction in which Barclays maintains exposures. These rates may vary in either direction. On 27 June 2017, the FPC raised the UK CCyB rate from 0% to 0.5% with binding effect from 27 June 2018. In November 2017, the FPC raised the UK CCyB rate from 0.5% to 1% with binding effect from 28 November 2018.

In January 2016, the BCBS endorsed a new market risk framework, including rules made as a result of its "fundamental review of the trading book" (FRTB). The implementation of this framework has now been delayed, with the BCBS setting an expected implementation date of 1 January 2022 to allow for a review of the calibration of the framework.

The BCBS's finalisation of Basel III, noted above, among other things, eliminated model-based approaches for certain categories of risk weighted assets (RWAs) (for example, operational risk RWAs, CVA volatility and credit risk RWAs for equity exposures), revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach, established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the "output floor"), and for G-SIBs introduced a leverage ratio buffer in an amount equal to 50% of the applicable G-SIB buffer used for RWA purposes (meaning, for Barclays, a leverage ratio buffer of 0.75%). The majority of the final Basel III changes are expected to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor.

The BCBS has also published final standards on the securitisation framework and interest rate risk in the banking book and guidelines on step-in risk. The final standards for measuring and controlling large exposures were published by the BCBS in April 2014 to take effect in 2019. In November 2016, the European Commission adopted a proposal (commonly referred to as CRD V) to begin the legislative process for introducing these standards within the EU. These proposals, if implemented in their current form, would, among other things, implement FRTB by overhauling existing rules relating to standardised and advanced market risk and the rules governing the inclusion of positions in the regulatory trading book. The proposals would also enhance rules for counterparty credit risk, in line with BCBS proposals finalised in 2014, strengthen requirements relating to leverage and large exposures and introduce a net stable funding ratio (NSFR), requiring banks to fund their assets with stable sources of funds. CRD V also proposes to require that where (i) two or more credit institutions or investment firms established in the EU have a common parent undertaking established outside the EU and (ii) the group has been identified as a G-SIB or has entities in the EU (whether subsidiaries or branches) with total assets of at least €30 billion, the group must establish an intermediate parent undertaking, authorised and established in, and subject to the supervision of, an EU member state.

IFRS 9 (an accounting standard that covers accounting for financial instruments), which was adopted into EU law by the European Commission in November 2016, came into force on 1 January 2018. In October 2016, the BCBS issued two documents on the treatment of accounting provisions in the regulatory framework, to take account of the future move to expected credit loss provisioning under IFRS and Financial Accounting Standards Board (FASB) standards. One paper considered transitional arrangements to phase in the immediate capital impact of the new provisioning standards, while the other discussed more fundamental changes to the recognition of provisions in regulatory capital and changes to the risk weighting framework. The BCBS then published an interim approach (including transitional arrangements) on 29 March 2017, retaining the current regulatory treatment of provisions under the Basel framework for an interim period and proposing to consider more thoroughly the longer term regulatory treatment of provisions. On 28 December 2017, an EU Regulation came into force to provide transitional arrangements for mitigating the impact of the introduction of IFRS 9, in large part, on CET1 capital arising from the expected credit loss accounting measures set out in IFRS 9. The Regulation has applied since 1 January 2018.

In the US, BUSL and Barclays Bank PLC's US branches are subject to enhanced prudential supervision requirements as required by the DFA and described above in "Supervision in the US".

In addition to prudential regulations already promulgated under the DFA, the FRB has issued proposed regulations for NSFR implementation. The NSFR, as proposed by the FRB, would apply to US bank holding companies with more than $250bn in total assets or $10bn or more in on-balance sheet foreign exposures, including BUSL, and consolidated depositary institution subsidiaries of such banking organisations with more than $10bn in assets, including Barclays Bank Delaware. Under the proposed rule, such entities would be required to maintain a minimum level of available stable funding that equals or exceeds the amount of required stable funding over a one-year period. Although the proposal provides for an effective date of 1 January 2018, the FRB has not finalised its NSFR proposal and the schedule for finalisation is uncertain.

Stress testing

The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the annual stress testing programmes of the BoE, the FDIC and the FRB and the biannual stress testing programme of the EBA. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's data provision, stress testing capability and internal management processes and controls. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group or its members subject to these exercises, could result in the Group or certain of its members being required to enhance its capital position or limit capital distributions, to any external holders of its equity or capital or within the Group.

In the US, certain financial institution intermediate holding companies formed in 2016, including BUSL, were not required to participate in the FRB's Comprehensive Capital Analysis and Review (CCAR) process in 2017. These firms, however, were required under the FRB's capital plan rule to submit a capital plan to the FRB that was subject to a confidential review process based on the assessment criteria in the capital plan rule. These capital plans were not subject to the FRB's quantitative assessment - which evaluates a firm's ability to meet its capital requirements under stress - under CCAR or supervisory stress testing in 2017.

(b) Recovery and Resolution

Stabilisation and resolution framework

An important component of the EU legislative framework is the 2014 Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The UK implemented the BRRD through the Bank Recovery and Resolution Order 2014, which amended the Banking Act 2009 (the Banking Act) and the Financial Services and Markets Act 2000 (FSMA), and the Banks and Building Societies (Depositor Preference and Priorities) Order 2014, which amended the Insolvency Act 1986 (among other insolvency legislation).

Under the Banking Act, UK resolution authorities are empowered to intervene in and resolve a UK financial institution that is no longer viable. Pursuant to these laws, the BoE (in consultation with the PRA and HM Treasury as appropriate) has several stabilisation options where a banking institution is failing or likely to fail: (i) transfer some or all of the securities or business of the bank to a commercial purchaser; (ii) transfer some or all of the property, rights and liabilities of the bank to a 'bridge bank' wholly owned by the BoE or to a commercial purchaser; (iii) transfer the impaired or problem assets to an asset management vehicle to allow them to be managed over time; (iv) cancel or reduce certain liabilities of the institution or convert liabilities to equity to absorb losses and recapitalise the institution and (v) transfer the banking institution into temporary public ownership. In addition, the BoE may apply for a court insolvency order in order to wind up or liquidate the institution or to put the institution into special administration. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims under normal insolvency proceedings.

In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, and in some cases to override events of default or termination rights that might otherwise be invoked as a result of a resolution action. In addition, the Banking Act gives the BoE the power to override, vary, or impose conditions or contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use its powers under this regime effectively, potentially with retrospective effect. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable.

In July 2016, the PRA issued final rules on ensuring operational continuity in resolution. The rules will apply from 1 January 2019 and will require banks to ensure that their operational structures facilitate effective recovery and resolution planning and the continued provision of functions critical to the economy in a resolution scenario.

Supervision and regulation

In November 2016, the European Commission proposed a package of amendments to the BRRD, including the introduction of two new moratorium tools. On 28 December 2017, an EU directive came into force harmonising the priority ranking of unsecured debt instruments under national insolvency laws. EU member states are required to transpose the directive into national law by 29 December 2018.

The BoE's preferred approach for the resolution of the Group is a bail-in strategy with a single point of entry at Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries would remain operational while Barclays PLC's eligible liabilities would be written down or converted to equity in order to recapitalise the Group and allow for the continued provision of services and operations throughout the resolution.

While regulators in many jurisdictions have indicated a preference for single point of entry resolution, additional resolution or bankruptcy provisions may apply to certain of Barclays Bank PLC's subsidiaries or branches. In the US, Title II of the DFA established the Orderly Liquidation Authority, a regime for orderly liquidation of systemically important financial institutions, which could apply to BUSL. Specifically, when a systemically important financial institution is in default or danger of default, the FDIC may be appointed receiver under the Orderly Liquidation Authority instead of the institution being resolved through a voluntary or involuntary proceeding under the US Bankruptcy Code. In certain circumstances, including insolvency, violations of law and unsafe business practices, the licensing authorities of each US branch of Barclays Bank PLC and of Barclays Bank Delaware have the authority to take possession of the business and property of the applicable Barclays entity they license or to revoke or suspend such licence. Specific resolution regimes may apply to certain Barclays entities or branches in other jurisdictions in which Barclays does business.

TLAC and MREL

The BRRD requires competent authorities to impose a 'Minimum Requirement for own funds and Eligible Liabilities' ('MREL') on financial institutions to facilitate their orderly resolution without broader financial disruption or recourse to public funds. Following the finalisation of the BRRD, in November 2015, the FSB finalised its proposals to enhance the loss absorbing capacity of G-SIBs to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. To this end, the FSB has set a new minimum requirement for 'total loss absorbing capacity' (TLAC). As the TLAC standard requires a certain amount of those loss absorbing resources to be committed to subsidiaries or sub-groups that are located in host jurisdictions and deemed material for the resolution of the G-SIB as a whole, the FSB published guiding principles on internal TLAC on 6 July 2017. These provide guidance on the size and composition of the internal TLAC requirement, cooperation and co-ordination between home and host authorities and the trigger mechanism for internal TLAC.

The EU has proposed to implement the TLAC standard (including internal TLAC) via the MREL requirement and the European Commission has proposed amendments in its CRD V proposal to achieve this. As the proposals remain in draft, it is uncertain what the final requirements and timing will be. Under the BoE's statement of policy on MREL, the BoE will set MREL for UK G-SIBs as necessary to implement the TLAC standard and institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group. The MREL requirements will be phased in from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays, will be required to meet an MREL equivalent to the higher of (i) two times the sum of its Pillar 1 and Pillar 2A requirements or (ii) the higher of two times its leverage ratio or 6.75% of leverage exposures. However, the PRA will review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed. In addition, it is proposed that CET1 capital cannot be counted towards both MREL and the combined buffer requirement (CBR), meaning that the CBR will effectively be applied above both the Pillar 1 and Pillar 2A requirements relating to own funds and MREL.

In October 2016, the BCBS published its final standard on the prudential treatment of banks' investments in TLAC instruments issued by other institutions, confirming that internationally active banks (both G-SIBs and non-G-SIBs) must deduct their holdings of TLAC instruments that do not otherwise qualify as regulatory capital from their own Tier 2 capital. Where the investing bank owns less than 10% of the issuing bank's common shares, TLAC holdings are to be deducted from Tier 2 capital only to the extent that they exceed 10% of the investing bank's common equity (or 5% for non-regulatory capital TLAC holdings); below this threshold, holdings would instead be subjected to risk-weighting. G-SIBs may only apply risk-weighting to non-regulatory capital TLAC holdings by the 5% threshold where those holdings are in the trading book and are sold within 30 business days.

In December 2016, the FRB issued final regulations for TLAC, which apply to BUSL. The FRB's final TLAC rule, while generally following the FSB termsheet, contains a number of provisions that are more restrictive. For example, the FRB's TLAC rule includes provisions that require BUSL (the Barclays IHC) to have (i) a specified outstanding amount of eligible long-term debt, (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus eligible long-term debt), and (iii) a specified common equity buffer. In addition, the FRB's TLAC rule would prohibit BUSL, for so long as the Group's overall resolution plan treats BUSL as a non-resolution entity, from issuing TLAC to entities other than the Group and its non-US subsidiaries.

Bank Levy

The BRRD requires EU member states to establish a pre-funded resolution financing arrangement with funding equal to 1% of covered deposits by 31 December 2024 to cover the costs of bank resolutions. Where the amount of such pre-funding is insufficient, the BRRD requires that EU member states raise subsequent contributions. The UK government raises both pre-funded and subsequent contributions that would be required were the pre-funded contributions not to cover costs or other expenses incurred by use of the resolution funds by way of a tax on the balance sheets of banks known as the “Bank Levy”.

Recovery and Resolution Planning

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the 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 the UK, recovery and resolution planning (RRP) work is considered part of continuing supervision. Removal of potential impediments to an orderly resolution of the Group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays currently provides the PRA with a recovery plan annually and with a resolution pack every other year.

In the US, Title I of the DFA and the implementing regulations issued by the FRB and the FDIC require each bank holding company with assets of US $50 billion or more, including Barclays, to prepare and submit annually a plan for the orderly resolution of subsidiaries and operations in the event of future material financial distress or failure. Barclays' next submission will be due on 1 July 2018.

Similar requirements (which include powers for competent authorities to adopt resolution measures) are in force or expected to come into force imminently in various other jurisdictions, which will affect the Group to the extent it has operations in a relevant jurisdiction.

(c) Structural reform and the Volcker rule

Recent developments in banking law and regulation in the UK have included legislation designed to ring-fence the retail and smaller business deposit-taking businesses of large banks. The Financial Services (Banking Reform) Act 2013 put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing will require, among other things, the separation of the retail and smaller business 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 from 1 January 2019. Ring-fencing rules have been published by the PRA, further determining how ring-fenced banks will be permitted to operate. Further rules published by the FCA set out the disclosures that non-ring-fenced banks are required to make to prospective account holders of non-ring-fenced banks who are individuals.

US regulation places further substantive limits on the activities that may be conducted by banks and holding companies, including foreign banking organisations such as Barclays. The "Volcker Rule", which was part of the DFA and which came into effect in the US in 2015, prohibits banking entities from undertaking certain proprietary trading activities and limits such entities' ability to sponsor or invest in certain private equity funds and hedge funds (in each case broadly defined). As required by the rule, Barclays has developed and implemented an extensive compliance and monitoring programme addressing proprietary trading and covered fund activities (both inside and outside of the US).

(d) Market infrastructure regulation

In recent years, regulators have focused on improving transparency and reducing risk in markets, particularly risks related to over-the-counter (OTC) transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of information related to many derivatives transactions. Some of the most significant developments are described below.

The European Market Infrastructure Regulation (EMIR) has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be fully implemented. EMIR requires that certain entities that enter into derivative contracts: report such transactions; clear certain over the counter (OTC) transactions where mandated to do so; and implement risk mitigation standards in respect of uncleared OTC trades. The obligation to clear derivatives only applies to certain counterparties and specified types of derivatives. In October 2016, the European Commission adopted a delegated regulation relating to the exchange of collateral, one of the risk mitigation techniques under EMIR. Provisions relating to initial margin have entered into force, subject to a phase-in until 1 September 2020. Provisions relating to variation margin have already entered into force. EMIR has potential operational and financial impacts on the Group, including by imposing collateral requirements.

The European Commission has recently proposed various technical changes to EMIR, some of which could result in certain central counterparties (CCPs) used by the Group being forced to relocate to a Eurozone jurisdiction. The changes proposed may have additional operational and financial impacts on the Group's derivatives business.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared OTC derivative trades. Lower capital requirements for cleared derivative trades are only available if the CCP through which the trade is cleared is recognised as a 'qualifying central counterparty' (QCCP) which has been authorised or recognised under EMIR. Higher capital requirements may apply to the Group following the UK's departure from the EU if UK CCPs are then no longer regarded as QCCPs and vice versa.

The new Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) have applied in large part since 3 January 2018. MiFID II affects many of the investment markets in which the Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. Changes introduced by MiFID II include, among others: the introduction of a new type of trading venue (the organised trading facility), capturing non-equity trading that fell outside the MiFID I regime; the strengthening of conduct of business requirements, including in relation to conflicts of interest; the expansion of the concept of, and requirements applicable to, firms which systematically trade against proprietary capital (systematic internalisers); and increased obligations on firms to secure best execution for their client. In addition, MiFID II mandates a trading obligation for certain types of cleared derivatives.

MiFID II strengthens investor protections, imposes new curbs on high frequency and commodity trading, increases pre-and post-trade transparency and introduces a new regime for third country (non-EU) firms. MiFID II also includes new requirements relating to non-discriminatory access to trading venues, central counterparties and benchmarks, research unbundling and harmonised supervisory powers and sanctions across the EU.

Some final rules and guidance on the application of MiFID II are yet to be published, and so we anticipate continuing development of application of the rules within the market into 2018.

US regulators have imposed similar rules as the EU with respect to the mandatory on-venue trading and clearing of certain derivatives, and post-trade transparency, as well as in relation to the margining of OTC derivatives. US regulators have addressed the applicability of certain of their regulations to cross-border transactions, and are continuing to review and consider their rules with respect to their application on a cross-border basis, including with respect to their registration requirements in relation to non-US swap dealers and security-based swap dealers. The regulators may adopt further rules, or provide further guidance, regarding the cross-border applicability of such rules. In December 2017, the CFTC and the European Commission recognised the trading venues of each other's jurisdiction to allow market participants to comply with mandatory on-venue trading requirements while trading on certain venues recognised by the other jurisdiction.

The EU Benchmarks Regulation came into force in June 2016. Although some provisions have applied since 2016, the majority of provisions have applied since 3 January 2018 (subject to transitional provisions). This Regulation applies to the administration, contribution of data to and use of benchmarks within the EU. Financial institutions within the EU will be prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU. This may impact the ability of Barclays to use certain benchmarks in the future.

In 2015, the European Commission launched work on establishing a Capital Markets Union (CMU) within the EU. The CMU aims to increase the availability of non-bank financing in the EU, deepen the EU single market for financial services and promote growth and financial stability. The CMU work programme is now being considered in light of Brexit. Recent proposals have therefore included considerably broadened central supervisory powers for the European Supervisory Authorities (ESAs) (including in relation to outsourcing, and delegation and risk transfer by entities authorised in the EU to entities or branches in third countries) and an increased focus by the ESAs on ongoing equivalence assessments in the context of third country regimes in various EU regulations and directives.

Certain participants in US swap markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or, following the compliance date for relevant SEC rules, with the SEC as 'security-based swap dealers' or 'major security-based swap participants'. Such registrants are subject to CFTC, and would be subject to SEC regulation and oversight. The SEC finalised the rules governing security based swap dealer registration in 2015 but clarified that registration timing is contingent upon the finalisation of certain additional rules under Title VII of DFA, several of which are still pending. Additional SEC rules governing security-based swap transactions, including security-based swap reporting, will become effective after the security-based swap dealer registration date. Entities required to register are subject to business conduct, record-keeping and reporting requirements and will be subject to capital and margin requirements in connection with transactions with certain US and non-US counterparties. Barclays Bank PLC has provisionally registered with the CFTC as a swap dealer and is subject to CFTC rules on business conduct, record-keeping and reporting. With respect to margin and capital, Barclays is subject to the rules of the FRB in connection with its swap dealer business.

The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations related to business conduct and other requirements, while other determinations remain pending. Most recently, in October 2017, the CFTC issued an order permitting substituted compliance with EU margin rules for certain uncleared derivatives. However, as Barclays is subject to the margin rules of the FRB, it will not benefit from the CFTC's action unless the FRB takes a similar approach. The CFTC has stated that its transaction-level rules (such as margin and documentation requirements) would apply to certain transactions entered into between a non-US swap dealer and a non-US counterparty, if the transactions are arranged, negotiated or executed by personnel in the US, but has delayed the compliance date for this requirement until the effective date of future CFTC action addressing the way in which each transaction-level requirement must be applied.

It is unclear whether further changes will be made to the CFTC's proposed rules or when they will become effective. In addition, it is uncertain whether and to what degree other US regulators, such as the FRB, will take an approach similar to the CFTC's regarding substituted compliance.

(e) Conduct, culture and other regulation

Conduct and culture

On 7 March 2016, the PRA and FCA introduced measures to increase the individual accountability of senior managers and other covered individuals in the banking sector. The new regime comprises the 'Senior Managers Regime', which applies to a limited number of individuals with senior management responsibilities within a firm, the 'Certification Regime', which is intended to assess and monitor the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or its customers, and conduct rules that individuals subject to either regime must comply with. From March 2017, the conduct rules have applied more widely to other staff of firms within the scope of the regime. The Financial Services Act 2010, among other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management.

The Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements that may have created consumer detriment.

Our regulators have also enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry.

Data protection and PSD2

Barclays has to comply with national data protection laws, governing the collection, use and disclosure of personal data, in a majority of the countries in which it operates. From 25 May 2018, data protection laws throughout the EU will be replaced by a single General Data Protection Regulation (GDPR) which enhances the rights and protections available to data subjects. The UK government has confirmed the UK will adopt and apply the GDPR from May 2018 and a bill has been published to implement GDPR. The impact across Barclays will be significant, affecting not only Group entities operating and processing personal data within the EU but also those outside the EU offering goods or services to, or monitoring, individuals within the EU. The GDPR contains significant financial penalties for data protection breaches and non-compliance, of up to 4% of Group global turnover.

A number of recent developments have indicated a clear political and regulatory desire to make customer transactional account information more easily accessible to customers and parties providing services to them, such as the revised Payment Services Directive (PSD2) (which, in accordance with the requirements under that Directive, must have been implemented by 13 January 2018). In addition to attempting to harmonise conduct rules for all providers of electronic payment services in the EU, PSD2 also creates a new prudential authorisation regime for non-bank payment services providers. PSD2 replaces the previous Payment Services Directive, and has a wider scope, applying transparency and information requirements to payment transactions in all currencies where the provider of at least one leg of the payment service is located in the EU.

Cybersecurity

Regulators in the EU and US have been increasingly focused on cybersecurity risk management for banking organisations and have proposed laws and regulations and other requirements that necessitate implementation of a variety of increased controls for regulated Barclays entities. These include, among others, the adoption of cybersecurity policies and procedures meeting specified criteria, minimum required security measures, enhanced reporting, compliance certification requirements and other cyber and information risk governance measures. When implemented, the proposals may increase technology and compliance costs for Barclays.

Sanctions and financial crime

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. The legislation has broad application and in certain circumstances may have extraterritorial impact as to entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. In practice, the legislation requires Barclays to have adequate procedures to prevent bribery which, due to the extraterritorial nature of the status, makes this both complex and costly.

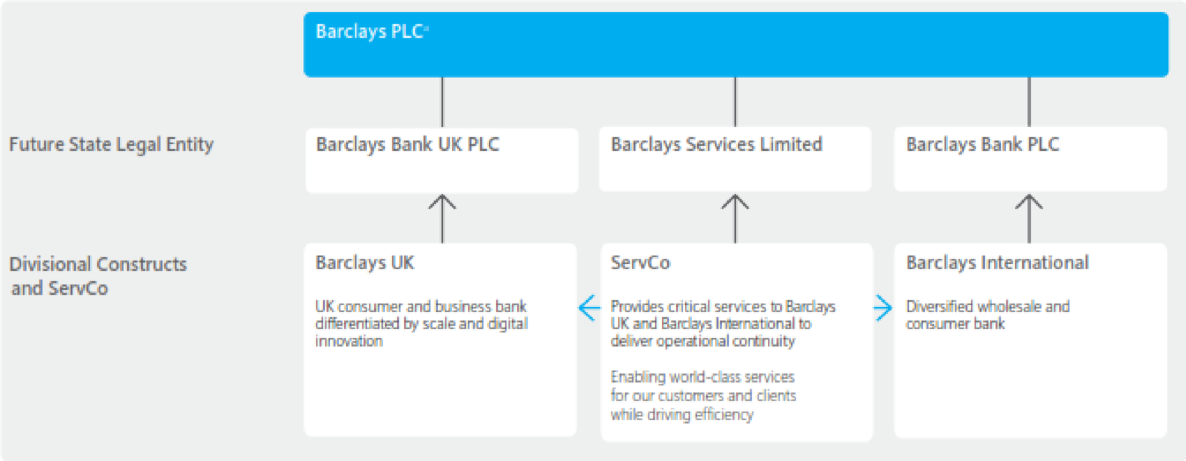
On 30 September 2017, the Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. The legislation has very broad extra-territorial application and may impact entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. It also requires Barclays to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, Barclays.

In the US, the Bank Secrecy Act, the USA PATRIOT Act 2001 and regulations thereunder contain numerous anti-money laundering and anti-terrorist financing requirements for financial institutions. In addition, Barclays is subject to the US Foreign Corrupt Practices Act, which prohibits certain payments to foreign officials, as well as rules and regulations relating to economic sanctions and embargo programs administered by the US Office of Foreign Assets Control which restrict certain business activities with certain individuals, entities, groups, countries and territories.

Two significant new regulatory rules will be coming into force in the US in 2018: the New York Department of Financial Services (DFS) Rule 504 and the US Department of Treasury's Financial Crime Enforcement Network (FinCEN) Customer Due Diligence (CDD) Rule. Rule 504 enumerates detailed transaction filtering and screening requirements for potential Bank Secrecy Act and anti-money laundering violations and transactions with sanctioned entities, applicable to institutions regulated by the DFS (including Barclays Bank PLC, New York branch) and requires a senior bank official to certify compliance. The CDD Rule requires Barclays to identify natural beneficial owners above a certain threshold of clients that are legal entities within the US market.

In some cases, US state and federal regulations addressing sanctions, money laundering and other financial crimes may impact entities, persons or activities located outside the US, including Barclays PLC and its subsidiaries. The enforcement of these regulations has been a major focus of US state and federal government policy relating to financial institutions in recent years, and failure of a financial institution to ensure compliance could have serious legal, financial and reputational consequences for the institution.

Supervision and regulation



Structural Reform

Overview

Barclays intends to achieve ring-fencing separation by transferring the Barclays UK division of Barclays Bank PLC to Barclays Bank UK PLC, the ring-fenced bank of the Group. Immediately following the transfer, Barclays Bank PLC's shares in Barclays Bank UK PLC will be distributed to the Parent company, Barclays PLC, establishing Barclays Bank UK PLC as a direct subsidiary of Barclays PLC. Barclays Bank PLC will continue to house the Barclays International division. The two banking entities will operate alongside one another, together with Barclays Services Limited (ServCo), as subsidiaries of Barclays PLC within the Barclays Group.

In order to achieve this target-state structure, Barclays will need to undertake a number of legal transfers, including the transfer of customer and non-customer assets, liabilities and contractual arrangements.

Barclays is using a court approved statutory ring-fencing transfer scheme (RFTS) process as set out in the Financial Services and Markets Act 2000 to conduct the majority of these transfers. In addition to the transfers conducted through the RFTS, certain items will be transferred via separate arrangements.

Barclays is on track to be compliant with ring-fencing requirements well in advance of the 1 January 2019 statutory deadline.

Timeline

Barclays' Structural Reform timeline, including progress to date and indicative future milestones is as follows:

- 2015:
  - Barclays Bank UK PLC, the legal entity which will become the ring-fenced bank, was incorporated.

- 2016:
  - Barclays UK and Barclays International business divisions were established
  - Barclays' US intermediate holding company was established as an umbrella holding company for Barclays' US subsidiaries, including Barclays Capital Inc. (US broker-dealer) that operates key investment banking businesses and Barclays Bank Delaware that operates Barclaycard US
  - Barclays Bank UK PLC banking authorisation application was submitted to the regulators
  - ServCo became a direct subsidiary of Barclays PLC.

- 2017:
  - Banking licence (with restrictions) granted to Barclays Bank UK PLC in April 2017
  - The majority of assets, liabilities, and other items connected with service provision were transferred from Barclays Bank PLC to ServCo, resulting in the execution of the ServCo build being substantially complete
  - Transfers of employees to the target structure employing entities took place in September 2017 under the Transfer of Undertakings (Protection of Employment) Regulations 2006
  - Sort codes have been split between Barclays Bank UK PLC and Barclays Bank PLC, with the last tranche completed in January 2018, so that each of the Group's sort codes is aligned to a single bank
  - RFTS court process has been initiated with the Directions Hearing held at the High Court of England and Wales on 10 November 2017, where the Barclays Group's communications programme for notifying customers and other stakeholders of the RFTS was approved.

- 2018:
  - Sanction Hearing will be held on 26 and 27 February 2018 at which the Court will be asked to sanction Barclays' RFTS
  - Subject to the Court sanctioning the RFTS, Barclays UK businesses and related items will be transferred to Barclays Bank UK PLC at the RFTS effective date, currently expected to be 1 April 2018

Immediately following the RFTS transfers, the shares in Barclays Bank UK PLC will be transferred from Barclays Bank PLC to Barclays PLC, establishing Barclays Bank UK PLC as a direct subsidiary of Barclays PLC.

Illustrative unaudited pro-forma financials for Barclays Bank UK PLC and Barclays Bank PLC are available at home.barclays/results.

Note
a Illustration of Barclays business divisions in preparation for regulatory ring-fencing. Plans are subject to internal and regulatory approvals and may change.

Financial review
Contents

A review of the performance of Barclays Bank Group, including the key performance indicators, and the contribution of each of our businesses to the overall performance of the Group.

Performance measures

In assessing the financial performance of the Barclays Bank Group, management uses a range of performance measures which focus on the Group's financial strength and cost management.

Non-IFRS performance measures

Barclays Bank's management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays Bank's management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to page 149 for further information on the non-IFRS performance measures included throughout this section, and the most directly comparable IFRS measures.

Definition	Why is it important and how the Group performed	
Total income Defined as total income.	Total income is a key indicator of financial performance to many of the Group's stakeholders and income growth is a key execution priority for the Group's management. Total income decreased 7% to £20,937m, reflecting a £1,432m reduction in Head Office and a £609m decrease in Barclays International, partially offset by a reduction in losses related to Non-Core.	**£20,937m** **Total income** 2016: £22,469m
Operating expenses Defined as operating expenses.	The Group views operating expenses as a key strategic area for banks; those who actively manage costs and control them effectively will gain a strong competitive advantage. Operating expenses reduced 4% to £15,689m driven primarily by lower Non-Core related operating expenses.	**£15,689m** **Operating expenses** 2016: £16,348m
Profit before tax Profit before tax is the primary profitability measure used by management to assess performance. Profit before tax is stated in accordance with International Financial Reporting Standards and represents total income less impairment charges and operating expenses, and other net income or expenses.	Profit before tax is a key indicator of financial performance to many of our stakeholders. Profit before tax decreased to £3,166m (2016: £4,383m), driven by a 7% reduction in income and lower other net income, partially offset by a 4% reduction in operating expenses.	**£3,166m** **Profit before tax** 2016: £4,383m
Cost: income ratio Cost: income ratio is calculated as operating expenses divided by total income.	This is a measure management uses to assess the productivity of the business operations. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income. The cost: income ratio increased to 75% (2016: 73%) driven by a 7% reduction income, partially offset by a 4% reduction in operating expenses.	**75%** **Cost: income ratio** 2016: 73%

Financial review
Consolidated summary income statement

For the year ended 31 December	2017 £m	2016 £m
Continuing operations		
Net interest income	**9,748**	11,457
Net fee, commission and other income	**11,189**	11,012
Total income	**20,937**	22,469
Credit impairment charges and other provisions	**(2,336)**	(2,373)
Operating expenses excluding UK bank levy and litigation and conduct	**(14,117)**	(14,575)
UK bank levy	**(365)**	(410)
Litigation and conduct	**(1,207)**	(1,363)
Operating expenses	**(15,689)**	(16,348)
Other net income	**254**	635
Profit before tax	**3,166**	4,383
Tax charge	**(2,125)**	(1,245)
Profit after tax in respect of continuing operations	**1,041**	3,138
(Loss)/profit after tax in respect of discontinued operation	**(2,195)**	591
Non-controlling interests in respect of continuing operations	**(4)**	(3)
Non-controlling interests in respect of discontinued operation	**(140)**	(402)
Other equity instrument holders	**(639)**	(457)
Attributable (loss)/profit	**(1,937)**	2,867

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements.

Financial review
Income statement commentary

2017 compared to 2016

Profit before tax decreased 28% to £3,166m, driven by a 7% reduction in income and lower other net income, partially offset by a 4% reduction in operating expenses. Results were impacted by the appreciation of average USD and EUR against GBP of 5% and 7% respectively, compared to 2016, which positively impacted income and adversely affected impairment and operating expenses.

Following the closure of Barclays Non-Core on 1 July 2017, Group results for 2017 included a Barclays Non-Core loss before tax for the six months ended 30 June 2017 of £639m, compared to a loss before tax of £2,809m for the full year in 2016. From 1 July 2017, residual Barclays Non-Core assets and liabilities were reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office.

Total income decreased to £20,937m (2016: £22,469m) reflecting a £1,432m reduction in Head Office and a £609m decrease in Barclays International, partially offset by a reduction in losses related to Non-Core.

Credit impairment charges were broadly stable at £2,336m (2016: £2,373m) and reflected a charge of £168m in 2017 relating to deferred consideration from an asset sale in US Cards and the non-recurrence of a £320m charge in 2016 following the management review of the UK and US cards portfolio impairment modelling. Impairment increased in Barclays International driven by an increase in underlying delinquency trends and business growth in US Cards. The Group loan loss rate increased 4bps to 57bps.

Operating expenses reduced 4% to £15,689m driven primarily by lower Non-Core related operating expenses.

The cost: income ratio increased to 75% (2016: 73%).

Other net income of £254m (2016: £635m) primarily reflected a gain of £109m on the sale of Barclays' share in VocaLink to MasterCard and a gain of £76m on the sale of a joint venture in Japan.

The effective tax rate on profit before tax increased to 67.1% (2016: 28.4%) principally due to a one-off tax charge of £1,177m due to the re-measurement of US DTAs as a result of the US Tax Cuts and Jobs Act, partially offset by an unrelated £276m increase in US DTAs due to a re-measurement of Barclays Bank PLC's US branch DTAs.

Loss after tax in respect of the Africa Banking discontinued operation of £2,195m included a £1,090m impairment of Barclays' holding in BAGL and a £1,435m loss on the sale of 33.7% of BAGL's issued share capital, primarily due to recycling of currency translation reserve losses to the income statement on accounting deconsolidation.

Financial review
Consolidated summary balance sheet

As at 31 December	2017 £m	2016 £m
Assets		
Cash and balances at central banks	**171,036**	102,328
Items in the course of collection from other banks	**2,153**	1,467
Trading portfolio assets	**113,755**	80,255
Financial assets designated at fair value	**116,282**	78,608
Derivative financial instruments	**237,987**	346,820
Financial investments	**58,963**	63,365
Loans and advances to banks	**36,209**	43,634
Loans and advances to customers	**365,553**	392,783
Reverse repurchase agreements and other similar secured lending	**12,546**	13,454
Non-current assets classified as held for sale	**1,193**	71,454
Other assets	**13,666**	19,787
Total assets	**1,129,343**	1,213,955
Liabilities		
Deposits from banks	**37,906**	48,214
Items in the course of collection due to other banks	**446**	636
Customer accounts	**429,426**	424,703
Trading portfolio liabilities	**37,352**	34,687
Financial liabilities designated at fair value	**173,718**	96,032
Derivative financial instruments	**238,345**	340,487
Debt securities in issue	**69,386**	75,369
Subordinated liabilities	**24,193**	23,871
Repurchase agreements and other similar secured borrowings	**40,338**	19,760
Liabilities included in disposal groups classified as held for sale	**-**	65,292
Other liabilities	**12,499**	13,949
Total liabilities	**1,063,609**	1,143,000
Equity		
Called up share capital and share premium	**14,453**	14,462
Other equity instruments	**8,982**	6,486
Other reserves	**3,808**	4,295
Retained earnings	**38,490**	42,190
Total equity excluding non-controlling interests	**65,733**	67,433
Non-controlling interests	**1**	3,522
Total equity	**65,734**	70,955
Total liabilities and equity	**1,129,343**	1,213,955

Financial review
Balance sheet commentary

Total assets
Total assets decreased £85bn to £1,129bn.

Cash and balances at central banks and items in course of collection from other banks increased £69bn to £173bn as the cash contribution to the Group liquidity pool was increased.

Trading portfolio assets increased £34bn to £114bn due to increased activity.

Financial assets designated at fair value increased £38bn to £116bn primarily due to increased reverse repurchase agreements to fund trading activity.

Derivative financial instrument assets decreased £109bn to £238bn which is consistent with the movement in derivative financial instrument liabilities. The decrease reflects the portfolio rundown of Barclays Non-Core, the adoption of daily settlements under the Chicago Mercantile Exchange (CME), an increase in major interest forward curves and the depreciation of period end USD against GBP.

Financial investments decreased £4bn to £59bn due to a decrease in government bonds in the liquidity pool.

Total loans and advances decreased £34bn to £402bn which comprised of lending reduction of £21bn and a net decrease of £13bn in settlement and cash collateral balances.

Assets included in disposal groups classified as held for sale decreased £70bn to £1bn driven by the disposal of BAGL and the French retail business.

Total liabilities
Total liabilities decreased £79bn to £1,064bn.

Deposits from banks decreased £10bn to £38bn. The movement is driven by a £7bn decrease due to lower cash collateral and a decrease in central bank funding.

Customer accounts increased £5bn to £429bn driven by a £5bn increase due to increased funding requirements to fund the liquidity pool assets and a £14bn increase in deposits. These were partially offset by a £5bn reduction in cash collateral balances and a £7bn reduction in prime brokerage balances.

Repurchase agreements and other similar secured borrowing increased £20bn to £40bn. This was primarily due to an increase in central bank repurchase agreements and trading desk funding requirements.

Derivative financial instruments decreased £102bn to £238bn in line with the decrease in derivative financial instrument assets.

Liabilities included in disposal groups classified as held for sale decreased £65bn to £nil driven by the disposal of BAGL and the French retail business.

Financial liabilities designated at fair value increased £78bn to £174bn. During the period, repurchase agreements designated at fair value have increased £71bn and debt securities by £7bn.

Total shareholders' equity
Total shareholders' equity decreased £5.2bn to £65.7bn.

Share capital and share premium remained in line at £14.4bn (December 2016: £14.4bn).

Other equity instruments increased £2.5bn to £9.0bn primarily due to the issuance of equity accounted AT1 securities.

The available for sale reserve increased £0.4bn to £0.4bn. The reserve movement driven by fair value movements on available for sale investments.

Cash flow hedging reserve has decreased £0.8bn to £0.2bn driven by £0.6bn decrease in the fair value of interest rate swaps held for hedging purposes as forward interest rates increased and £0.6bn due to gains recycled to the income statement, offset by a £0.3bn tax charge.

The currency translation reserve remained flat at £3.1bn which principally reflected the depreciation of period end USD against GBP, offset by a £1.6bn net loss from recycling of the currency translation reserve to the income statement. This included a £1.4bn recycling of the currency translation reserve associated with the disposal of BAGL.

Non-controlling interests decreased £3.5bn to £1m, driven by a £3.4bn reduction due to the disposal of BAGL.

Analysis of results by business

Barclays UK

	2017 £m	2016 £m
Income statement information		
Net interest income	**6,090**	6,048
Net fee, commission and other income	**1,297**	1,469
Total income	**7,387**	7,517
Credit impairment charges and other provisions	**(783)**	(896)
Net operating income	**6,604**	6,621
Operating expenses excluding UK bank levy and litigation and conduct	**(4,115)**	(3,790)
UK bank levy	**(59)**	(48)
Litigation and conduct	**(759)**	(1,042)
Operating expenses	**(4,933)**	(4,880)
Other net expenses	**(5)**	(1)
Profit before tax	**1,666**	1,740
Balance sheet information		
Loans and advances to customers at amortised cost	**£183.8bn**	£166.4bn
Total assets	**£237.4bn**	£209.6bn
Customer deposits	**£193.4bn**	£189.0bn
Loan: deposit ratio	**95%**	88%
Risk weighted assets	**£70.9bn**	£67.5bn
Key facts		
Average LTV of mortgage portfolio[a]	**48%**	48%
Average LTV of new mortgage lending[a]	**64%**	63%
Number of branches	**1,208**	1,305
Mobile banking active customers	**6.4m**	5.4m
30 day arrears rate - Barclaycard Consumer UK	**1.8%**	1.9%
Number of employees (full time equivalent)[b]	**22,800**	36,000
Performance measures		
Cost: income ratio	**67%**	65%
Loan loss rate (bps)	**42**	52
Net interest margin	**3.49%**	3.62%

Notes
a Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.
b As a result of the establishment of the Group Service Company in September 2017 as a subsidiary of Barclays PLC, employees who are now employed by the Group Service Company and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Barclays PLC.

Analysis of results by business

Analysis of Barclays UK

	2017 £m	2016 £m
Analysis of total income		
Personal Banking	**3,827**	3,891
Barclaycard Consumer UK	**1,977**	2,022
Wealth, Entrepreneurs & Business Banking	**1,583**	1,604
Total income	**7,387**	7,517
Analysis of credit impairment charges and other provisions		
Personal Banking	**(222)**	(183)
Barclaycard Consumer UK	**(541)**	(683)
Wealth, Entrepreneurs & Business Banking	**(20)**	(30)
Total credit impairment charges and other provisions	**(783)**	(896)
Analysis of loans and advances to customers at amortised cost		
Personal Banking	**£139.8bn**	£135.0bn
Barclaycard Consumer UK	**£16.4bn**	£16.5bn
Wealth, Entrepreneurs & Business Banking[a]	**£27.6bn**	£14.9bn
Total loans and advances to customers at amortised cost	**£183.8bn**	£166.4bn
Analysis of customer deposits		
Personal Banking	**£141.1bn**	£139.3bn
Barclaycard Consumer UK	**-**	-
Wealth, Entrepreneurs & Business Banking	**£52.3bn**	£49.7bn
Total customer deposits	**£193.4bn**	£189.0bn

Note
a Includes the integration of the ESHLA portfolio at amortised cost from Barclays Non-Core.

2017 compared to 2016

Profit before tax decreased 4% to £1,666m as lower PPI charges of £700m (2016: £1,000m) and a reduction in credit impairment charges were partially offset by the non-recurrence of the gain on disposal of Barclays' share of Visa Europe Limited in 2016, higher costs of setting up the ring-fenced bank and increased investment, primarily in cyber resilience, digital and technology.

Total income decreased 2% to £7,387m, of which £151m reflected the non-recurrence of the gain on disposal of Barclays' share of Visa Europe Limited in 2016.

Personal Banking income decreased 2% to £3,827m driven by the non-recurrence of the Visa gain and the impact of the UK base rate reduction in 2016, partially offset by deposit pricing initiatives, growth in balances and an update to EIR modelling. Barclaycard Consumer UK income decreased 2% to £1,977m reflecting a provision for remediation in H217. Wealth, Entrepreneurs & Business Banking (WEBB) income decreased 1% to £1,583m driven by the non-recurrence of the Visa gain, partially offset by growth in balances.

Net interest income increased 1% to £6,090m due to deposit pricing initiatives and growth in loans and advances to customers and deposits, partially offset by the impact of the UK base rate reduction in 2016. Net interest margin decreased 13bps to 3.49% reflecting the integration of the Education, Social Housing and Local Authority (ESHLA) portfolio from Non-Core on 1 July 2017. Net fee, commission and other income decreased 12% to £1,297m driven by the non-recurrence of the Visa gain.

Credit impairment charges decreased 13% to £783m principally reflecting the non-recurrence of a £200m charge in 2016 following the management review of the cards portfolio impairment modelling, partially offset by higher charges in Barclaycard Consumer UK and Personal Banking.

Operating expenses increased 1% to £4,933m due to costs of setting up the ring-fenced bank and increased investment, primarily in cyber resilience, digital and technology, partially offset by lower charges for PPI of £700m (2016: £1,000m). The cost: income ratio was 67% (2016: 65%).

Loans and advances to customers increased 10% to £183.8bn and total assets increased 13% to £237.4bn, reflecting the integration of the ESHLA portfolio from Non-Core into WEBB on 1 July 2017 and mortgage growth in Personal Banking in H217.

Customer deposits increased 2% to £193.4bn due to deposit growth, partially offset by the realignment of certain clients between Barclays UK and Barclays International in preparation for structural reform.

RWAs increased to £70.9bn (December 2016: £67.5bn) reflecting the integration of the ESHLA portfolio.

Barclays International

	2017 £m	2016 £m
Income statement information		
Net interest income	**4,315**	4,514
Net trading income	**3,986**	4,586
Net fee, commission and other income	**6,104**	5,914
Total income	**14,405**	15,014
Credit impairment charges and other provisions	**(1,506)**	(1,355)
Net operating income	**12,899**	13,659
Operating expenses excluding UK bank levy and litigation and conduct	**(9,512)**	(9,132)
UK bank levy	**(265)**	(284)
Litigation and conduct	**(269)**	(48)
Operating expenses	**(10,046)**	(9,464)
Other net income	**254**	32
Profit before tax	**3,107**	4,227
Balance sheet information		
Loans and advances to banks and customers at amortised cost[a]	**£198.7bn**	£211.4bn
Trading portfolio assets	**£113.0bn**	£73.2bn
Derivative financial instrument assets	**£236.2bn**	£156.2bn
Derivative financial instrument liabilities	**£237.8bn**	£160.6bn
Reverse repurchase agreements and other similar secured lending	**£12.4bn**	£13.4bn
Financial assets designated at fair value	**£104.1bn**	£62.3bn
Total assets	**£856.1bn**	£647.8bn
Customer deposits[b]	**£225.3bn**	£216.2bn
Loan: deposit ratio[c]	**62%**	78%
Risk weighted assets	**£210.3bn**	£212.7bn
Key facts		
Number of employees (full time equivalent)[d]	**11,500**	36,900
Performance measures		
Cost: income ratio	**70%**	63%
Loan loss rate (bps)	**75**	63
Net interest margin	**4.16%**	3.98%

Notes

a As at 31 December 2017 loans and advances included £170.4bn (December 2016: £186.0bn) of loans and advances to customers (including settlement balances of £15.7bn (December 2016: £19.5bn) and cash collateral of £35.9bn (December 2016: £30.1bn)), and £28.3bn (December 2016: £25.4bn) of loans and advances to banks (including settlement balances of £2.3bn (December 2016: £1.7bn) and cash collateral of £18.0bn (December 2016: £6.3bn)). Loans and advances to banks and customers in respect of Consumer, Cards and Payments were £38.6bn (December 2016: £39.7bn).

b As at 31 December 2017 customer deposits included settlement balances of £15.2bn (December 2016: £16.6bn) and cash collateral of £27.3bn (December 2016: £20.8bn).

c Loan: deposit ratio excludes investment banking balances other than interest earning lending. Comparative has been restated to include interest earning lending balances within the investment banking business.

d As a result of the establishment of the Group Service Company in September 2017 as a subsidiary of Barclays PLC, employees who are now employed by the Group Service Company and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Barclays PLC.

Analysis of results by business

Analysis of Barclays International

Corporate and Investment Bank

	2017 £m	2016 £m
Income statement information		
Macro	**1,634**	2,304
Credit	**1,241**	1,185
Equities	**1,629**	1,790
Markets	**4,504**	5,279
Banking fees	**2,612**	2,397
Corporate lending	**1,093**	1,195
Transaction banking	**1,629**	1,657
Banking	**5,334**	5,249
Other	**63**	24
Total income	**9,901**	10,552
Credit impairment charges and other provisions	**(213)**	(260)
Operating expenses	**(7,877)**	(7,633)
Other net income	**133**	1
Profit before tax	**1,944**	2,660
Balance sheet information		
Loans and advances to banks and customers at amortised cost	**£160.1bn**	£171.7bn
Customer deposits	**£166.1bn**	£166.2bn
Risk weighted assets	**£176.2bn**	£178.6bn

Consumer, Cards and Payments

	2017 £m	2016 £m
Income statement information		
Total income	**4,504**	4,462
Credit impairment charges and other provisions	**(1,293)**	(1,095)
Operating expenses	**(2,169)**	(1,831)
Other net income	**121**	31
Profit before tax	**1,163**	1,567
Balance sheet information		
Loans and advances to banks and customers at amortised cost	**£38.6bn**	£39.7bn
Customer deposits	**£59.2bn**	£50.0bn
Risk weighted assets	**£34.1bn**	£34.1bn
Key facts		
30 day arrears rate - Barclaycard US	**2.6%**	2.6%
Total number of Barclaycard business clients	**366,000**	355,000
Value of payments processed	**£322bn**	£296bn

2017 compared to 2016

Profit before tax decreased 26% to £3,107m driven by a 4% decrease in total income, an 11% increase in credit impairment charges and a 6% increase in operating expenses.

Total income decreased 4% to £14,405m, including the 5% appreciation of average USD and the 7% appreciation of average EUR against GBP, as CIB income decreased 6% to £9,901m, partially offset by a 1% increase in Consumer, Cards and Payments income to £4,504m.

Markets income decreased 15% to £4,504m. Macro income decreased 29% to £1,634m driven by lower market volatility in rates, the exit of the energy-related commodities business and the integration of Non-Core assets on 1 July 2017. Credit income increased 5% to £1,241m due to improved performance in municipals. Equities income decreased 9% to £1,629m driven by US equity derivatives as a result of lower market volatility, partially offset by improved performance in equity financing.

Banking income increased 2% to £5,334m. Banking fee income increased 9% to £2,612m due to higher debt and equity underwriting fees, with fee share gains in banking overall and debt underwriting. Corporate lending declined 9% to £1,093m driven by lower lending balances due to the realignment of certain clients between Barclays UK and Barclays International in preparation for structural reform and the reallocation of RWAs within CIB, as well as the non-recurrence of prior year treasury gains and lower work-out gains. Transaction banking declined 2% to £1,629m driven by lower trade balances and the non-recurrence of prior year treasury gains, partially offset by higher average deposit balances.

Consumer, Cards and Payments income increased 1% to £4,504m driven by continued business growth, a gain of £192m relating to the Q117 asset sale in US Cards and a valuation gain on Barclays' preference shares in Visa Inc. of £74m, partially offset by the non-recurrence of the £464m gain on the disposal of Barclays' share of Visa Europe Limited in 2016.

Credit impairment charges increased 11% to £1,506m, including the appreciation of average USD and EUR against GBP. CIB credit impairment charges decreased 18% to £213m primarily due to the non-recurrence of oil and gas single name charges in 2016, offset by a single name charge in 2017. Consumer, Cards and Payments credit impairment charges increased 18% to £1,293m primarily due to a £168m charge in Q317 relating to deferred consideration from the Q117 asset sale in US Cards, an increase in underlying delinquency trends and business growth in US Cards. This was partially offset by the non-recurrence of a £120m charge in 2016 following the management review of the cards portfolio impairment modelling. The 30 and 90 day arrears rates within US Cards were stable at 2.6% (December 2016: 2.6%) and 1.3% (December 2016: 1.3%) respectively, including a benefit from the Q117 asset sale in US Cards.

Operating expenses increased 6% to £10,046m, including the appreciation of average USD and EUR against GBP. CIB operating expenses increased 3% to £7,877m reflecting a provision of £240m in respect of Foreign Exchange matters recognised in Q417, continued investment in technology, partially offset by lower restructuring charges and the reduced impact of the change in compensation awards introduced in Q416. Consumer, Cards and Payments increased 18% to £2,169m including continued growth and investment, primarily within the US Cards and merchant acquiring businesses.

Other net income increased to £254m (2016: £32m) due to a gain of £109m on the sale of Barclays' share in VocaLink to MasterCard and a gain of £76m on the sale of a joint venture in Japan.

Loans and advances to banks and customers at amortised cost decreased £12.7bn to £198.7bn with CIB decreasing £11.6bn to £160.1bn due to a reduction in lending. Consumer, Cards and Payments decreased £1.1bn to £38.6bn due to the depreciation of period end USD against GBP, partially offset by the realignment of certain clients from Barclays UK to Barclays International in preparation for structural reform.

Trading portfolio assets increased £39.8bn to £113.0bn due to increased activity.

Derivative financial instrument assets and liabilities increased £80.0bn to £236.2bn and £77.2bn to £237.8bn respectively, reflecting the integration of balances from Non-Core on 1 July 2017, partially offset by adoption of daily settlements under the CME, an increase in major interest rate forward curves and the depreciation of period end USD against GBP.

Financial assets designated at fair value increased £41.8bn to £104.1bn primarily due to increased reverse repurchase agreements activity.

Customer deposits increased £9.1bn to £225.3bn, with Consumer, Cards and Payments increasing £9.2bn to £59.2bn driven by the realignment of certain clients from Barclays UK to Barclays International in preparation for structural reform.

RWAs decreased £2.4bn to £210.3bn due to the net impact of the re-measurement of US DTAs and the depreciation of period end USD against GBP, partially offset by increased trading portfolio and securities financing transaction volumes.

Head Office

	2017 £m	2016 £m
Income statement information		
Net interest income	**(545)**	735
Net fee, commission and other income[a]	**217**	369
Total income	**(328)**	1,104
Credit impairment charges and other provisions	**(17)**	-
Net operating (expenses)/income	**(345)**	1,104
Operating expenses excluding UK bank levy and litigation and conduct	**(239)**	(123)
UK bank levy	**(41)**	(2)
Litigation and conduct	**(151)**	(27)
Operating expenses	**(431)**	(152)
Other net (expenses)/income	**(192)**	273
(Loss)/profit before tax	**(968)**	1,225
Balance sheet information		
Total assets	**£35.8bn**	£76.8bn
Risk weighted assets[b]	**£31.8bn**	£53.3bn
Key facts		
Number of employees (full time equivalent)[c]	**10,300**	100

Notes
a Following the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit which was previously reported in net fee, commission and other income, is now recognised in other comprehensive income. The comparative figure for net fee, commission and other income includes own credit.
b Includes Africa Banking RWAs of £6.4bn (December 2016: £42.3bn).
c As a result of the establishment of the Group Service Company in September 2017 as a subsidiary of Barclays PLC, employees who are now employed by the Group Service Company and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Barclays PLC.

2017 compared to 2016

Loss before tax was £968m (2016: profit of £1,225m).

Total income reduced to an expense of £328m (2016: income of £1,104m) primarily due to lower net income from treasury operations.

Operating expenses increased to £431m (2016: £152m) due to costs associated with Non-Core assets and businesses, which were integrated on 1 July 2017, and increased litigation and conduct costs, including a settlement to resolve the civil action brought by the US Federal Energy Regulatory Commission's Office of Enforcement and provisions for other legacy redress.

Other net expenses were £192m (2016: income of £273m) driven by an expense of £180m on the recycling of the currency translation reserve to the income statement on the sale of Barclays Bank Egypt. 2016 included a gain due to recycling of the currency translation reserve on disposal of the Southern European cards business.

Total assets decreased to £35.8bn (December 2016: £76.8bn) primarily due to the accounting deconsolidation of BAGL, which accounted for £65bn of total assets on deconsolidation from the Barclays Group. This was partially offset by the integration of Non-Core assets on 1 July 2017, of which c.£9bn related to Italian mortgages.

RWAs decreased to £31.8bn (December 2016: £53.3bn) reflecting a £31.1bn reduction as a result of the proportional consolidation of BAGL, partially offset by the integration of Non-Core assets.

Barclays Non-Core

The Non-Core segment was closed on 1 July 2017 with the residual assets and liabilities reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office. Financial results up until 30 June 2017 are reflected in the Non-Core segment within the Group's results for the year ended 31 December 2017.

	2017[a] £m	2016 £m
Income statement information		
Net interest income	**(112)**	160
Net trading income	**(485)**	(1,707)
Net fee, commission and other income	**70**	381
Total income	**(527)**	(1,166)
Credit impairment charges and other provisions	**(30)**	(122)
Net operating expenses	**(557)**	(1,288)
Operating expenses excluding UK bank levy and litigation and conduct	**(251)**	(1,530)
UK bank levy	-	(76)
Litigation and conduct	**(28)**	(246)
Operating expenses	**(279)**	(1,852)
Other net income	**197**	331
Loss before tax	**(639)**	(2,809)
Balance sheet information		
Loans and advances to banks and customers at amortised cost	-	£51.1bn
Derivative financial instrument assets	-	£188.7bn
Derivative financial instrument liabilities	-	£178.6bn
Reverse repurchase agreements and other similar secured lending	-	£0.1bn
Financial assets designated at fair value	-	£14.5bn
Total assets	-	£279.7bn
Customer deposits	-	£12.5bn
Risk weighted assets	-	£32.1bn
Key facts		
Number of employees (full time equivalent)	-	5,500

Note
a Represents financial results for the six months ended 30 June 2017.

Discontinued Operation: Africa Banking

On 1 March 2016, Barclays announced its intention to reduce the Group's 62.3% interest in BAGL to a level which would permit Barclays to deconsolidate BAGL from a regulatory perspective and, prior to that, from an accounting perspective. From this date, BAGL was treated as a discontinued operation. On 5 May 2016, Barclays sold 12.2% of the Group's interest in BAGL and on 1 June 2017 Barclays sold a further 33.7% of BAGL's issued share capital, resulting in the accounting deconsolidation of BAGL from the Barclays Group. At this time, Barclays' holding in BAGL technically met the requirements to be treated as an Associate. However, following a revision of its governance rights in July 2017 and the difference being immaterial, the holding was treated as an AFS asset from the transaction date.

In Q317 Barclays contributed 1.5% of BAGL's ordinary shares to a Black Economic Empowerment scheme, resulting in Barclays accounting for 126 million ordinary shares in BAGL, representing 14.9% of BAGL's issued share capital. The retained investment is reported as an AFS asset in the Head Office segment, with Barclays' share of BAGL's dividend recognised in the Head Office income statement.

For regulatory reporting purposes, BAGL is treated on a proportional consolidated basis based on a holding of 14.9% as at Q417. Subject to regulatory approval, Barclays expects to fully deconsolidate BAGL from a regulatory perspective by the end of 2018.

	2017[a] £m	2016 £m
Income statement information		
Net interest income	**1,024**	2,169
Net fee, commission and other income	**762**	1,577
Total income	**1,786**	3,746
Credit impairment charges and other provisions	**(177)**	(445)
Net operating income	**1,609**	3,301
Operating expenses excluding UK bank levy and impairment of Barclays' holding in BAGL	**(1,130)**	(2,345)
UK bank levy	**-**	(65)
Other net income excluding loss on sale of BAGL	**5**	6
Profit before tax excluding impairment of Barclays' holding in BAGL and loss on sale of BAGL	**484**	897
Impairment of Barclays' holding in BAGL	**(1,090)**	-
Loss on sale of BAGL	**(1,435)**	-
(Loss)/profit before tax	**(2,041)**	897
Tax charge	**(154)**	(306)
(Loss)/profit after tax	**(2,195)**	591
Balance sheet information		
Total assets	**-**	£65.1bn
Risk weighted assets	**-**	£42.3bn
Key facts		
Number of employees (full time equivalents)	**-**	40,800

Note
a The Africa Banking income statement represents five months of results as a discontinued operation to 31 May 2017.

Non-IFRS performance measures

Barclays Bank's management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays Bank's management.

Any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Non-IFRS performance measures glossary

Measure	Definition
Loan: deposit ratio	Loans and advances divided by customer accounts calculated for Barclays UK and Barclays International, excluding investment banking balances other than interest earning lending. This excludes particular liabilities issued by the retail businesses that have characteristics comparable to retail deposits (for example structured Certificates of Deposit and retail bonds), which are included within debt securities in issue.
Cost: income ratio	Operating expenses divided by total income.
Loan loss rate	Quoted in basis points and represents total loan impairment divided by gross loans and advances to banks and customers held at amortised cost at the balance sheet date.
Net interest margin	Net interest income divided by the sum of average customer assets.

Presentation of information

Barclays Bank PLC is a public limited company, registered in England under company number 1026167. The bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on the 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985 the Bank was registered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

Barclays approach to disclosures

Barclays aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays' disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continues to support the recommendations and guidance made by the Financial Stability Board and its various taskforces which continue to promote a broadening of disclosures by global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has adopted the recommendations across the Annual Report and Pillar 3 Report.

In line with the Financial Reporting Council's guidance on Clear and Concise reporting, Barclays has focused reporting on material items and sought to present information in order to aid users' understanding such as including detail on relevant accounting policies within each note.

British Bankers' Association (BBA) Code for Financial Reporting Disclosure as adopted by UK Finance in 2017

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2017 Annual Report and Accounts in compliance with the Code.

It is Barclays' view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement within the banking sector. Barclays is committed to continuously reflect the objectives of reporting set out in the BBA Code for Financial Reporting Disclosure. This code sets out five disclosure principles together with supporting guidance which states that UK banks will:

- provide high quality, meaningful and decision-useful disclosures
- review and enhance their financial instrument disclosures for key areas of interest
- assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance
- seek to enhance the comparability of financial statement disclosures across the UK banking sector and
- clearly differentiate in their annual reports between information that is audited and information that is unaudited.

Statutory Accounts

The consolidated accounts of Barclays Bank PLC and its subsidiaries (set out on pages 163 to 169) have been prepared in accordance with the IFRSs as adopted by the European Union. The accounting policies on pages 170 to 176 and the notes commencing on page 177 apply equally to both sets of accounts unless otherwise stated.

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC, which is the Group's ultimate parent company. The business activities of Barclays Bank PLC Group and Barclays PLC Group are fundamentally the same except for the following differences: the holding company, Barclays PLC, certain hedging activity and following a restructure in November 2016, the Group Service Company transferring from Barclays Bank PLC to Barclays PLC.

Differences between Barclays PLC and Barclays Bank PLC results can be summarised as follows:
- Balance Sheet Asset size – Barclays PLC £1,133,248m, Barclays Bank PLC £1,129,343m
- Income Statement Profit before tax – Barclays PLC £3,541m, Barclays Bank PLC £3,166m

The differences occur primarily due to the following reasons:
- Funding structures
- Cash flow hedging
- Group Service Company

More detail regarding the main differences is described below.

Funding structures

	Barclays PLC £m	Barclays Bank PLC £m
Preference shares	-	5,827
Other shareholders' equity	-	272
Non-controlling interests (NCI)	2,111	1

Preference shares and capital notes issued by Barclays Bank PLC are included within share capital in Barclays Bank PLC, and where still outstanding are presented as non-controlling interests in the financial statements of Barclays PLC Group.

	Barclays PLC £m	Barclays Bank PLC £m
Treasury shares	(28)	-

Barclays PLC shares held for the purposes of employee share schemes and for trading are recognised as available for sale investments and trading portfolio assets respectively within Barclays Bank PLC. Barclays PLC deducts these treasury shares from shareholders' equity.

	Barclays PLC £m	Barclays Bank PLC £m
Capital Redemption Reserve (CRR)	394	51

Arising from the redemption or exchange of Barclays PLC or Barclays Bank PLC shares respectively.

	Barclays PLC £m	Barclays Bank PLC £m
Loans and advances to banks	35,663	36,209
Subordinated liabilities	(23,826)	(24,193)

Barclays Bank PLC has in issue two series of contingent capital notes (CCNs). These both pay interest and principal to the holder unless the consolidated CRD IV CET1 ratio (FSA October 2012 transitional statement) of Barclays PLC falls below 7%, in which case they are cancelled from the consolidated perspective. The coupon payable on the CCNs is higher than a market rate of interest for a similar note without this risk.

The accounting for these instruments differs between the consolidated financial statements of Barclays PLC and Barclays Bank PLC as follows:
- In the case of the 7.625% CCN issuance, the cancellation is effected by an automatic legal transfer of title from the holder to Barclays PLC. In these circumstances, Barclays Bank PLC remains liable to Barclays PLC. Barclays Bank PLC does not benefit from the cancellation feature although it pays a higher than market rate for a similar note, and therefore the initial fair value of the note recognised was higher than par. The difference between fair value and par is amortised to the income statement over time.
- In the case of the 7.75% CCN issuance, the cancellation is directly effected in Barclays Bank PLC. For Barclays Bank PLC, the cancellation feature is separately valued from the host liability as an embedded derivative with changes in fair value reported in the income statement. The initial fair value of the host liability recognised was higher than par by the amount of the initial fair value of the derivative and the difference is amortised to the income statement over time.

Presentation of information

Cash flow hedging

	Barclays PLC £m	Barclays Bank PLC £m
Income Statement		
Net interest income	9,845	9,748
Tax	(2,240)	(2,125)
Equity		
Cash flow hedging reserve	1,161	184

Barclays PLC cash flow hedging reserve is larger than Barclays Bank PLC, as Barclays Bank PLC is no longer exposed to the same variable rate cash flows. This is as a direct result of anticipated bank ring fencing and transfer of assets to an entity which is not expected to be consolidated by Barclays Bank PLC (although is expected to be consolidated by Barclays PLC). There is also a difference in the income statement due to variance in income and tax due to cash flow hedging not included in Barclays Bank PLC.

Group Service Company

The ownership of Barclays Services Limited the Group Service Company was transferred in November 2016 contributing to the following key differences between Barclays PLC and Barclays Bank PLC.

	Barclays PLC £m	Barclays Bank PLC £m
Staff costs	(8,560)	(6,445)
Infrastructure costs	(2,949)	(2,068)
Administration and general expenses	(3,247)	(6,476)

Employees within the Group Service Company were reallocated from Barclays Bank PLC as part of the restructure. Therefore these staff costs are only shown in Barclays PLC. The Group Service Company recharges costs to Barclays Bank PLC leading to higher expenses. These are eliminated on consolidation in Barclays PLC.

	Barclays PLC £m	Barclays Bank PLC £m
Goodwill and intangibles	7,849	4,885
Property, plant and equipment	2,572	1,519
Customer accounts	(429,121)	(429,426)
Debt securities in issue	(73,314)	(69,386)
Provisions	(3,543)	(3,302)

The difference is driven by Group Service Company balances reflected in Barclays PLC only, or in the case of customer accounts, intercompany balances between the Group Service Company and Barclays Bank PLC, which eliminate on consolidation in Barclays PLC.

Financial statements
Contents

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Independent Auditor's report to the members of Barclays Bank PLC

Our opinion is unmodified

We have audited the financial statements of Barclays Bank PLC ("the Company") for the year ended 31 December 2017 which comprise the consolidated and Parent Company balance sheets as at 31 December 2017, the consolidated income statement and statement of comprehensive income, the consolidated and Parent Company cash flow statements and statements of changes in equity for the year then ended, and the related notes, including the significant accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our reports to the Board Audit Committee.

We were appointed as auditor by the directors on 31 March 2017. The financial year ended 31 December 2017 is our first year as auditor. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter		How our audit addressed the key audit matter
Impairment of loans and advances to customers	**Subjective estimate** The calculation of certain credit provisions for the Group and Parent is inherently judgemental. Individual and collective impairment provisions (identified and unidentified) may not reflect recent developments in credit quality, arrears experience, or emerging macro-economic risks. The most significant areas are: ▪ Complex impairment models - Models used in the UK and US Barclaycard and UK mortgages portfolios to estimate the existence of incurred loss events and the resultant expected write-offs. Judgement is required to determine the inputs, methodologies and assumptions and these can significantly impact the provisions held. The most significant judgements include the segmentation level at which historical loss rates are calculated, and the length of the recovery period and the loss emergence period applied to historical loss provisions. ▪ Forborne accounts - Forbearance requires special consideration in impairment provisioning, as latent losses may not be appropriately recognised where payment or other concessions have been granted to the customer to provide temporary relief from debt obligations. Forbearance has the greatest potential financial significance on the UK and US Barclaycard and UK mortgages portfolios. ▪ Identification of impairment - Corporate exposures on the Group's and Parent's early watchlist are individually assessed for impairment based on a borrower's financial performance, solvency and liquidity. The bespoke nature of this assessment means there is an inherent risk that loss impairment triggers may not be identified on a timely basis. Alongside the above, another area of focus is post modelling adjustments and management overlays in the UK and US Barclaycard and UK mortgages portfolios as they have the potential to be significant, judgemental and may be difficult to corroborate.	Our procedures included: ▪ **Controls testing:** For UK and US Barclaycard and UK mortgages portfolios we tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the impairment models, the identification of impaired and forborne accounts and key systems reconciliations. We evaluated controls over the modelling process, including model monitoring, validation and approval. We tested controls over model outputs and recognition and approval of post model adjustments and management overlays. For corporate exposures, we tested design and operating effectiveness of the key controls over the determination of whether loans displayed indicators of impairment; ▪ **Our financial risk modelling expertise:** In the UK and US Barclaycard and UK mortgage portfolios we assessed the appropriateness of the Group's and Parent's impairment methodologies using our experience to independently assess segmentation, emergence periods and recovery period assumptions. For a sample of customer accounts we re-evaluated when an emergence period should start by using underlying customer data and comparing this to the emergence period in the models used by the Group and Parent; ▪ **Test of details:** We tested a selection of post model adjustments and management overlays in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample back to source data; ▪ **Test of details:** in the UK and US Barclaycard and UK mortgages portfolios we analysed account source data to identify accounts that were paying less than their contractual amount. These accounts were then checked to the forborne accounts identified by the Group and Parent; ▪ **Our credit experience:** We examined a risk based sample of corporate exposures on the early watchlist not identified as impaired and formed our own judgement, based on the individual facts and circumstances, as to whether impairment was required. **Our results:** The results of our testing were satisfactory and we considered the credit impairment charge and provision recognised to be acceptable.

Independent Auditor's report to the members of Barclays Bank PLC

<table>
<tr><th>Key audit matter</th><th></th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Litigation and regulatory matters

For the Group, contained within the provision for Legal, competition and regulatory matters of £435 million and Note 28 Legal, competition and regulatory matters (2016: £455 million)

For the Parent, contained within the provision for Legal, competition and regulatory matters of £338 million and Note 28 Legal, competition and regulatory matters (2016: £364 million)

Refer to page 221 (accounting policy on accounting for provisions), page 223 (accounting policy on accounting for contingent liabilities), and page 221 (financial disclosures note 26 Provisions) and page 223 (financial disclosures note 28 Legal, competition and regulatory matters)</td><td>Determining obligation
The Group and Parent operates in a highly litigious and regulated environment and faces legal, competition and regulatory challenges which can lead to potential claims and exposures (together "litigation and regulatory matters"). In certain litigation and regulatory matters significant judgement is required by the Directors to determine if there is a present obligation under relevant accounting standards.

Subjective estimate
If there is a present obligation the amounts involved can be potentially significant, and the application of accounting standards to estimate the expected outflow, if any, of any liability to be recognised is inherently subjective.

Disclosure quality
When a liability is not recognised for possible significant outflows but there is more than a remote likelihood of an adverse outcome, the related disclosure is key to understanding the risks and potential effect on the Group and Parent.</td><td>Our procedures included:

▪ Enquiry of Directors: We enquired of the Directors to obtain their view on the status of all significant litigation and regulatory matters;

▪ Enquiry of lawyers: For all significant litigation and regulatory matters we enquired of the Group's and Parent's internal legal counsel and inspected internal notes and reports. We also received formal confirmations from external counsel. For the most significant litigation and regulatory matters we also had discussions with external counsel. Based on these procedures we challenged the timing of the recognition of provisions where there is potential exposure but it is not clear whether an obligation exists or where the Directors have determined a reliable estimate is not possible. For the significant provisions we independently assessed the estimated value of the provision, based on our enquiries of lawyers;

▪ Assessing transparency: Assessed whether the disclosures detailing significant litigation and regulatory matters adequately disclose the potential liabilities and the significant uncertainties that exist.

Our results:
The results of our testing were satisfactory and we considered the liabilities recognised, and the disclosures made, to be acceptable.</td></tr>
</table>

Key audit matter		How our audit addressed the key audit matter
Payment Protection Insurance ('PPI') Redress For the Group, contained within the provision for Conduct redress PPI of £1,606 million (2016: £1,979 million) For the Parent, contained within the provision for Conduct redress PPI of £1,540 million (2016: £1,924 million) Refer to page 221 (accounting policy on accounting for provisions) and page 221 (financial disclosure note 26 Provisions).	**Subjective estimate** The calculation of the provision of PPI redress costs for the Group and Parent requires the Directors to determine a number of key inputs. The determination of these is judgemental and requires the Directors to consider a range of information. The most significant input into the PPI provision calculation is the future complaint flow and that is where we have focussed our procedures. The Directors have developed a model which calculates the expected future complaint flow and associated redress cost. In 2017 a key factor impacting the period over which the model forecasts complaint flows was the introduction of a Financial Conduct Authority ("FCA") timebar for processing new complaints. The effective date of the timebar is August 2019, and prior to that the FCA is running a consumer communications campaign to give potential complainants notice of the timebar. The Directors have assessed the appropriateness of the provision with reference to the expected impact of this timebar and also in the context of the historical observation across the industry in recent years that the compliant flow has always been greater than expected. **Disclosure quality** The related PPI disclosures provide the key assumptions underpinning the calculation of the future complaint flow and sensitivity of the provision to the flow and are therefore key to understanding the judgement which has been applied.	Our procedures included: ▪ **Enquiry of Directors:** We enquired of the Directors as to how they have determined the future complaint flow with particular focus on the way in which the impact of the FCA consumer communications campaign was determined. We also enquired to the reason for adjustments in the provision estimates in 2017, and determined whether these adjustments were indicative of bias in the estimation process; ▪ **Enquiry of regulators:** We inspected the regulatory correspondence with the FCA and PRA to identify any regulatory observations on the future complaint flow. We also made enquiries of the FCA discussing in more detail the nature of the matters contained in regulatory correspondence that could materially affect the level of provisions held; ▪ **Controls testing:** We tested the design and operating effectiveness of the key controls over capturing of historic complaints volumes and estimating the future complaint flow; ▪ **Sensitivity analysis:** We tested the operation of the model used to determine the future complaint flow and related redress estimates and considered the sensitivity of the model to variations in the future complaint flow. We also considered the appropriateness of the scenarios used to model the potential range of future complaint flows, with particular focus on the way the impact of the timebar and FCA communication campaign have been determined, and considered the sensitivity of the model to variations in the future complaint flow by inspecting the calculation methodology and challenging the key assumptions using our industry knowledge; ▪ **Independent reperformance:** We built our own model to allow us to determine a range of potential future complaint flows and compared these to the Group's and Parent's own range. Where there were differences in the inputs and ranges we challenged the rationale for these and assessed whether they were reasonable. We also used our model to understand the effect of these ranges on the potential future redress cost; ▪ **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the future complaint flow. As a part of this, we re-performed the sensitivity analysis that is disclosed. **Our results:** The results of our testing were satisfactory and we considered the liability recognised, and the disclosures made, to be acceptable.

Independent Auditor's report to the members of Barclays Bank PLC

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr>
<td>Valuation of financial instruments (trading, held at fair value and derivatives)

For the Group, contained within the level 3 assets and liabilities valued at £15,598 million and £5,681 million respectively (2016: £27,020 million and £14,219 million)

For the Parent, contained within the level 3 assets and liabilities valued at £14,335 million and £5,558 million respectively (2016: £23,398 million and £9,917 million)

Refer to page 193 (accounting policy on accounting for financial assets and liabilities – fair values) and page 193 (financial disclosures note 17 Fair value of financial instruments).</td>
<td>Subjective valuation
The fair value of the Group's and Parent's financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by the Directors and the use of assumptions, estimates and valuation models.

Estimation uncertainty can be high for those instruments where significant valuation inputs are unobservable (i.e. Level 3 instruments). At 31 December 2017, Level 3 instruments represented 2.9% of the Group's financial instrument assets carried at fair value (£15.6 billion) and 1.2% of the Group's financial instrument liabilities carried at fair value (£5.7 billion).

Within this Level 3 population the fair value instrument portfolios in the Group and Parent with the most significant judgements include:

▪ Education, Social Housing and Local Authority (ESHLA) loan portfolio – as at 31 December 2017 the Group and Parent has outstanding ESHLA loans which require significant judgement in the valuation due to the long dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads.

▪ Longer-dated portfolios – we identified three portfolios (two derivative portfolios and a bond package) each with a significant risk attached to the valuation methodology due to the lack of observable pricing inputs. The bond package also includes a long standing valuation disparity with the counterparty.</td>
<td>Our procedures included:

▪ Control testing: We tested the design and operating effectiveness of key controls relating specifically to the ESHLA and the three longer dated portfolios. These included:
– Controls over independent price verification (IPV) key inputs, including completeness of positions and risk factors subject to IPV. For ESHLA we tested the gilt asset swap curve and credit spreads. For the long dated portfolios we tested material risk parameters;
– Management review controls over fair value adjustments (FVA). For ESHLA these related to pre-payments. For the longer-dated portfolios these related to exit adjustments and model shortcoming reserves. In addition we tested funding and credit adjustments for all significant risk portfolios.
– Controls over the validation, completeness, implementation and usage of valuation models. This included controls over adjustments to mitigate model limitations and assumptions.

▪ Independent reperformance: Our own valuation specialists independently re-priced a selection of trades from the three longer-dated portfolios and challenged management on the valuations where they were outside our expected range.

▪ Methodology choice: In the context of observed industry practice, our own valuation specialists assisted us in challenging the appropriateness of significant models and methodologies used in calculating fair values, risk exposures, completeness of risk factors, and in calculating FVAs;

▪ Comparing valuations: For a selection of material collateral disputes within the longer-dated portfolios our own valuation specialists challenged the valuation methodology where significant fair value differences were observable with the counterparty;

▪ Historical comparison: For the longer-dated bond package portfolio we inspected significant gains and losses on historical trade exits both in the current year and prior years and challenged whether these data points indicate elements of fair value not incorporated in the current valuation methodologies;

▪ Benchmarking: For the ESHLA portfolio we independently sourced comparable credit spreads and proxy bond spreads and investigated significant variances.

Our results:
The results of our testing were satisfactory and we considered the fair value of level 3 financial instrument assets and liabilities recognised to be acceptable.</td>
</tr>
</table>

Key audit matter		How our audit addressed the key audit matter
User Access Management ('UAM')	**Control Performance** User Access Management key controls are an important component of the General IT Control environment assuring only authorised access to the infrastructure, financial systems and data throughout the Group and Parent. In 2016, controls to detect instances of direct developer access to the production environment, were not consistently implemented and operated throughout the Group and Parent. Also, where inappropriate direct developer access had been identified by compensating controls, there were no follow up activities performed to determine if and how these access rights were used, potentially resulting in unauthorised changes to the infrastructure and financial systems. During 2017 a remediation programme and further compensating controls were implemented to address inappropriate direct developer access to infrastructure and financial systems, including an assessment of potential access by developers that were not covered by the further compensating controls. If the above controls for User Access Management are deficient and are not remediated or adequately mitigated the pervasive nature of these key controls may undermine our ability to place some reliance on fully automated and IT dependent controls in our audit.	Our procedures included: ▪ **Assessment of remediation:** We inspected selected activities of the remediation programme to determine the appropriateness of the remediation and a new mitigating and compensating detective control implemented in the year. ▪ **Control testing:** We tested the design and operating effectiveness of the key controls over User Access Management. This included the new mitigating and compensating control implemented in the year that identifies inappropriate developer access to production, the procedures to assess potential use, and the removal of these access rights. ▪ **Control reperformance:** for a selection of key automated and technology dependent controls, that were tested before the remediation programme concluded, we independently reperformed procedures to determine that these controls remained unchanged or were changed following the standard change management process throughout the year. ▪ **Extended scope:** To determine that a further detective compensating control and retrospective scan of developer activities on key IT applications was complete and accurate, we reperformed on a sample basis management's assessment of potential access by developers that were not covered by the further compensating control. **Our results:** Our testing did not identify developers who had access and used the access without authorisation that would have required us to expand the extent of our planned detailed testing.

Our application of materiality and an overview of the scope of our audit

Materiality

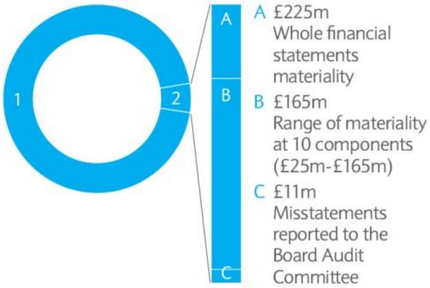
Materiality for the Group financial statements as a whole was set at £225 million, determined with reference to a benchmark of group profit before tax from continuing operations, normalised to exclude charges related to litigation and conduct as disclosed in note 2, of £4,372 million, of which it represents 5.1%.

Materiality for the Parent Company financial statements as a whole was set at £225 million, determined with reference to a benchmark of net assets, of which it represents 0.4%.

We agreed to report to the Board Audit Committee any corrected or uncorrected identified misstatements exceeding £11 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent Auditor’s report to the members of Barclays Bank PLC

Group materiality



1 Profit before tax from continuing operations*	£4,372m
2 Group materiality	£225m

*normalised to exclude charges related to litigation and conduct

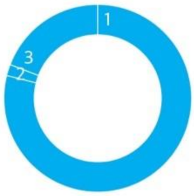
Scope – general

We subjected 6 of the group’s reporting components to full scope audits for group purposes and 4 to an audit of one or more account balances, of which 3 focused on loans and advances and related impairment and interest, and 1 focused on Financial assets designated at fair value. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The work on 5 of the 6 components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. For those items excluded from normalised group profit before tax, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items.

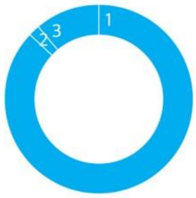
The components within the scope of our work accounted for the percentages illustrated below.

Group total income



1 Full scope for group audit purposes	79%
2 Audit of one or more account balance	2%
3 Residual components – other procedures	19%

Group total assets



1 Full scope for group audit purposes	87%
2 Audit of one or more account balance	2%
3 Residual components – other procedures	11%

Scope – disclosure of IFRS 9 effect

The Group is adopting IFRS 9 Financial Instruments from 1 January 2018 and has included an estimate of the financial impact of the change in accounting standard in accordance with IAS 8 Changes in Accounting Estimates and Errors as set out in note 1. This disclosure notes that the estimate has been prepared under an interim control environment with models that continue to undergo validation. While further testing of the financial impact will be performed as part of our 2018 year end audit, we have performed sufficient audit procedures for the purposes of assessing the disclosures made in accordance with IAS 8. Specifically we have:

- considered the appropriateness of key technical decisions, judgements, assumptions and elections made in determining the estimate;
- considered key classification and measurement decisions, including business model assessments and solely payment of principal and interest outcomes;
- involved credit risk modelling and economic specialists in the consideration of credit risk modelling decisions and macroeconomic variables, including forward economic guidance and generation of multiple economic scenarios, for a sample of models used in determining the estimate;
- considered interim controls and governance processes related to the calculation and approval of the estimated transitional impact.

Team structure

The Group team instructed component auditors as to the significant areas to be covered, including the relevant key audit matters detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £25 million to £165 million, having regard to the mix of size and risk profile of the Group across the components.

The Group team visited all of the components in scope for group reporting purposes to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors. At these visits and meetings, we reviewed the components' key workpapers, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The Group operates a shared service centre in India, the outputs of which are included in the financial information of the reporting components it services and therefore it is not a separate reporting component. The shared service centre is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing, reconciliations and review controls. Additional procedures are performed at certain reporting components to address the audit risks not covered by the work performed over the shared service centres. The Group team and certain component teams visited the shared service centre and performed consistent risk assessment procedures as described above for component site visits.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 43, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified relevant areas of laws and regulations that could have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related annual accounts items.

Independent Auditor's report to the members of Barclays Bank PLC

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital and liquidity, conduct including PPI mis-selling, money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory correspondence. We considered the effect of any known or possible non-compliance with these as part of our procedures on the related annual accounts items, including known or possible non-compliance as set out in certain key audit matters disclosures in the "Key audit matters: our assessment of risks of material misstatement" section of this report.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Guy Bainbridge (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

21 February 2018

Consolidated financial statements
Consolidated income statement

For the year ended 31 December	Notes	2017 £m	2016 £m
Continuing operations			
Interest income	3	**13,631**	14,423
Interest expense	3	**(3,883)**	(2,966)
Net interest income		**9,748**	11,457
Fee and commission income	4	**8,775**	8,625
Fee and commission expense	4	**(1,901)**	(1,789)
Net fee and commission income		**6,874**	6,836
Net trading income	5	**3,387**	2,795
Net investment income	6	**859**	1,324
Other income		**69**	57
Total income		**20,937**	22,469
Credit impairment charges and other provisions	7	**(2,336)**	(2,373)
Net operating income		**18,601**	20,096
Staff costs	33	**(6,445)**	(9,211)
Infrastructure costs	8	**(2,068)**	(2,937)
Administration and general expenses	8	**(6,476)**	(3,200)
Provision for UK customer redress	26	**(700)**	(1,000)
Operating expenses		**(15,689)**	(16,348)
Share of post-tax results of associates and joint ventures		**70**	70
Profit on disposal of subsidiaries, associates and joint ventures	9	**184**	565
Profit before tax		**3,166**	4,383
Taxation	10	**(2,125)**	(1,245)
Profit after tax in respect of continuing operations		**1,041**	3,138
(Loss)/profit after tax in respect of discontinued operation		**(2,195)**	591
(Loss)/profit after tax		**(1,154)**	3,729
Attributable to:			
Equity holders of the parent		**(1,937)**	2,867
Other equity instrument holders		**639**	457
Total equity holders of the parent		**(1,298)**	3,324
Non-controlling interests in respect of continuing operations	32	**4**	3
Non-controlling interests in respect of discontinued operation	32	**140**	402
(Loss)/profit after tax		**(1,154)**	3,729

Note
As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented.

Consolidated financial statements
Consolidated statement of comprehensive income

For the year ended 31 December	2017 £m	2016 £m
(Loss)/profit after tax	**(1,154)**	3,729
Profit after tax in respect of continuing operations	**1,041**	3,138
(Loss)/profit after tax in respect of discontinuing operation	**(2,195)**	591
Other comprehensive (loss)/income that may be recycled to profit or loss from continuing operations:		
Currency translation reserve		
Currency translation differences[a]	**(1,310)**	3,027
Available for sale reserve		
Net gains from changes in fair value	**404**	2,178
Net (gains) transferred to net profit on disposal	**(294)**	(912)
Net losses transferred to net profit due to impairment	**3**	20
Net losses/(gains) transferred to net profit due to fair value hedging	**283**	(1,677)
Changes in insurance liabilities and other liabilities	**60**	53
Tax	**(27)**	(18)
Cash flow hedging reserve		
Net (losses)/gains from changes in fair value	**(428)**	689
Net (gains) transferred to net profit	**(602)**	(431)
Tax	**256**	(59)
Other	**(7)**	47
Other comprehensive (loss)/income that may be recycled to profit or loss from continuing operations	**(1,662)**	2,917
Other comprehensive income/(loss) not recycled to profit or loss from continuing operations:		
Retirement benefit remeasurements	**115**	(1,309)
Own credit	**(7)**	-
Tax	**(66)**	329
Other comprehensive income/(loss) not recycled to profit or loss from continuing operations	**42**	(980)
Other comprehensive (loss)/income for the year from continuing operations	**(1,620)**	1,937
Other comprehensive income for the year from discontinued operation	**1,301**	1,520
Total comprehensive (loss)/income for the year		
Total comprehensive (loss)/income for the year, net of tax from continuing operations	**(579)**	5,075
Total comprehensive (loss)/income for the year, net of tax from discontinued operation	**(894)**	2,111
Total comprehensive (loss)/income for the year	**(1,473)**	7,186
Attributable to:		
Equity holders of the parent	**(1,585)**	5,947
Non-controlling interests	**112**	1,239
Total comprehensive (loss)/income for the year	**(1,473)**	7,186

Note
a Includes £189m loss (2016: £94m gain) on recycling of currency translation differences.

Consolidated financial statements
Consolidated balance sheet

		The Group		The Bank	
		2017	2016	2017	2016[b]
As at 31 December	Notes	£m	£m	£m	£m
Assets					
Cash and balances at central banks		**171,036**	102,328	**165,713**	97,466
Items in the course of collection from other banks		**2,153**	1,467	**1,011**	1,010
Trading portfolio assets	12	**113,755**	80,255	**79,836**	36,527
Financial assets designated at fair value	13	**116,282**	78,608	**117,182**	80,865
Derivative financial instruments	14	**237,987**	346,820	**232,288**	327,202
Financial investments	15	**58,963**	63,365	**54,583**	61,599
Loans and advances to banks	19	**36,209**	43,634	**37,255**	36,391
Loans and advances to customers	19	**365,553**	392,783	**388,960**	423,124
Reverse repurchase agreements and other similar secured lending	21	**12,546**	13,454	**22,964**	22,941
Prepayments, accrued income and other assets		**1,850**	4,011	**3,429**	4,730
Investments in associates and joint ventures	38	**718**	684	**165**	164
Investment in subsidiaries		**-**	-	**14,614**	14,399
Property, plant and equipment	22	**1,519**	2,466	**565**	1,454
Goodwill and intangible assets	23	**4,885**	7,348	**3,498**	5,651
Current tax assets	10	**376**	501	**115**	506
Deferred tax assets	10	**3,352**	4,763	**1,863**	2,258
Retirement benefit assets	35	**966**	14	**959**	7
Assets included in disposal groups classified as held for sale	43	**1,193**	71,454	**-**	3,453
Total assets		**1,129,343**	1,213,955	**1,125,000**	1,119,747
Liabilities					
Deposits from banks		**37,906**	48,214	**38,364**	50,464
Items in the course of collection due to other banks		**446**	636	**446**	636
Customer accounts		**429,426**	424,703	**448,079**	431,001
Repurchase agreements and other similar secured borrowing	21	**40,338**	19,760	**49,883**	29,226
Trading portfolio liabilities	12	**37,352**	34,687	**41,542**	31,999
Financial liabilities designated at fair value	16	**173,718**	96,032	**169,044**	101,330
Derivative financial instruments	14	**238,345**	340,487	**229,227**	317,874
Debt securities in issue		**69,386**	75,369	**55,874**	60,864
Subordinated liabilities	29	**24,193**	23,871	**24,203**	23,878
Accruals, deferred income and other liabilities	25	**8,416**	8,951	**6,885**	7,853
Provisions	26	**3,302**	3,909	**3,028**	3,515
Current tax liabilities	10	**494**	708	**242**	751
Deferred tax liabilities	10	**-**	4	**-**	16
Retirement benefit liabilities	35	**287**	377	**149**	207
Liabilities included in disposal groups classified as held for sale	43	**-**	65,292	**-**	2,135
Total liabilities		**1,063,609**	1,143,000	**1,066,966**	1,061,749
Equity					
Called up share capital and share premium	30	**14,453**	14,462	**14,453**	14,462
Other equity instruments	30	**8,982**	6,486	**8,982**	6,486
Other reserves	31	**3,808**	4,295	**1,093**	2,100
Retained earnings		**38,490**	42,190	**33,506**	34,950
Total equity excluding non-controlling interests[a]		**65,733**	67,433	**58,034**	57,998
Non-controlling interests	32	**1**	3,522	**-**	-
Total equity		**65,734**	70,955	**58,034**	57,998
Total liabilities and equity		**1,129,343**	1,213,955	**1,125,000**	1,119,747

The Board of Directors approved the financial statements on pages 163 to 268 on 21 February 2018.

John McFarlane
Group Chairman

James E Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Note
a As permitted by section 408 of the Companies Act 2006 an income statement for the parent company has not been presented. Included in shareholders' equity excluding non-controlling interests for The Bank is a profit after tax for the year ended 31 December 2017 of £608m (2016: £2,078m).
b Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

Consolidated financial statements
Consolidated statement of changes in equity

The Group	Called up share capital and share premium[a]	Other equity instruments[a]	Available for sale reserve[b]	Cash flow hedging reserve[b]	Currency translation reserve[b]	Other reserves and other shareholders' equity[b]	Own credit reserve	Retained earnings	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 December 2016	14,462	6,486	(22)	954	3,054	309	-	42,190	67,433	3,522	70,955
Effects of changes in accounting policies[c]	-	-	-	-	-	-	(175)	175	-	-	-
Balance as at 1 January 2017	14,462	6,486	(22)	954	3,054	309	(175)	42,365	67,433	3,522	70,955
Profit after tax	-	639	-	-	-	-	-	398	1,037	4	1,041
Currency translation movements	-	-	-	-	(1,309)	-	-	-	(1,309)	(1)	(1,310)
Available for sale investments	-	-	429	-	-	-	-	-	429	-	429
Cash flow hedges	-	-	-	(774)	-	-	-	-	(774)	-	(774)
Pension remeasurement	-	-	-	-	-	-	-	53	53	-	53
Own credit reserve	-	-	-	-	-	-	(11)	-	(11)	-	(11)
Other	-	-	-	-	-	-	-	(7)	(7)	-	(7)
Total comprehensive income net of tax from continuing operations	-	639	429	(774)	(1,309)	-	(11)	444	(582)	3	(579)
Total comprehensive income net of tax from discontinued operation	-	-	(11)	4	1,339	-	-	(2,335)	(1,003)	109	(894)
Total comprehensive income for the year	-	639	418	(770)	30	-	(11)	(1,891)	(1,585)	112	(1,473)
Issue and exchange of other equity instruments	-	2,496	-	-	-	-	-	-	2,496	-	2,496
Other equity instruments coupons paid	-	(639)	-	-	-	-	-	174	(465)	-	(465)
Redemption of preference shares	(9)	-	-	-	-	14	-	(1,343)	(1,338)	-	(1,338)
Equity settled share schemes	-	-	-	-	-	-	-	550	550	-	550
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	-	(78)	(78)	-	(78)
Dividends on ordinary shares	-	-	-	-	-	-	-	(674)	(674)	(173)	(847)
Dividends on preference shares and other shareholders equity	-	-	-	-	-	-	-	(242)	(242)	-	(242)
Net equity impact of partial BAGL disposal	-	-	-	-	-	-	-	(359)	(359)	(3,462)	(3,821)
Other reserve movements	-	-	-	-	-	-	7	(12)	(5)	2	(3)
Balance as at 31 December 2017	14,453	8,982	396	184	3,084	323	(179)	38,490	65,733	1	65,734
Balance as at 1 January 2016	14,472	5,350	338	709	(623)	509	-	43,350	64,105	1,914	66,019
Profit after tax	-	457	-	-	-	-	-	2,678	3,135	3	3,138
Currency translation movements	-	-	-	-	3,025	-	-	-	3,025	2	3,027
Available for sale investments	-	-	(356)	-	-	-	-	-	(356)	-	(356)
Cash flow hedges	-	-	-	199	-	-	-	-	199	-	199
Pension remeasurement	-	-	-	-	-	-	-	(980)	(980)	-	(980)
Other	(17)	-	-	-	-	-	-	64	47	-	47
Total comprehensive income net of tax for continuing operations	(17)	457	(356)	199	3,025	-	-	1,762	5,070	5	5,075
Total comprehensive income net of tax for discontinued operation	-	-	(4)	46	652		-	183	877	1,234	2,111
Total comprehensive income for the year	(17)	457	(360)	245	3,677	-	-	1,945	5,947	1,239	7,186
Issue and exchange of other equity instruments	-	1,136	-	-	-	-	-	-	1,136	-	1,136
Other equity instruments coupons paid	-	(457)	-	-	-	-	-	128	(329)	-	(329)
Redemption of preference shares	-	-	-	-	-	(199)	-	(1,378)	(1,577)		(1,577)
Equity settled share schemes	-	-	-	-	-	-	-	577	577	-	577
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	-	(414)	(414)	-	(414)
Dividends on ordinary shares	-	-	-	-	-	-	-	(638)	(638)	(235)	(873)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	-	(340)	(340)	-	(340)
Capital contribution from Barclays PLC	-	-	-	-	-	-	-	114	114	-	114
Net equity impact of partial BAGL disposal	-	-	-	-	-	-	-	(349)	(349)	601	252
Net equity impact of Group Service Company disposal	-	-	-	-	-	-	-	(806)	(806)	-	(806)
Other reserve movements	7		-		-	(1)	-	1	7	3	10
Balance as at 31 December 2016	14,462	6,486	(22)	954	3,054	309	-	42,190	67,433	3,522	70,955

Notes
a For further details refer to Note 30.
b For further details refer to Note 31.
c As a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit which was previously recorded in the income statement is now recognised within other comprehensive income. The cumulative unrealised own credit net loss of £175m has therefore been reclassified from retained earnings to a separate own credit reserve, within other reserves. During 2017 a £4m loss (net of tax) on own credit has been booked in the reserve.

Consolidated statement of changes in equity

The Bank	Called up share capital and share premium[a]	Other equity instruments[a]	Available for sale reserve[b]	Cash flow hedging reserve[b]	Currency translation reserve[b]	Other reserves and other shareholders' equity[b]	Own credit reserve[b]	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 December 2016	**14,462**	**6,486**	**(131)**	**962**	**896**	**373**	**-**	**34,950**	**57,998**
Effects of changes in accounting policies[c]	-	-	-	-	-	-	(175)	175	-
Balance as at 1 January 2017	**14,462**	**6,486**	**(131)**	**962**	**896**	**373**	**(175)**	**35,125**	**57,998**
Profit after tax	-	639	-	-	-	-	-	(31)	608
Currency translation movements	-	-	-	-	(177)	-	-	-	(177)
Available for sale investments	-	-	112	-	-	-	-	-	112
Cash flow hedges	-	-	-	(777)	-	-	-	-	(777)
Pension remeasurement	-	-	-	-	-	-	-	44	44
Own credit reserve	-	-	-	-	-	-	(10)	-	(10)
Other	-	-	-	-	-	-	-	(3)	(3)
Total comprehensive income/(loss) for the year	-	639	112	(777)	(177)	-	(10)	10	(203)
Issue and exchange of other equity instruments	-	2,496	-	-	-	-	-	-	2,496
Other equity instruments coupons paid	-	(639)	-	-	-	-	-	174	(465)
Redemption of preference shares	(9)	-	-	-	-	13	-	(1,343)	(1,339)
Equity settled share schemes	-	-	-	-	-	-	-	556	556
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	-	(78)	(78)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	(242)	(242)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	-	(675)	(675)
Other reserve movements	-	-	-	-	-	-	7	(21)	(14)
Balance as at 31 December 2017	**14,453**	**8,982**	**(19)**	**185**	**719**	**386**	**(178)**	**33,506**	**58,034**
Balance as at 1 January 2016	14,472	5,350	159	760	6	573	-	36,204	57,524
Profit after tax	-	457	-	-	-	-	-	1,621	2,078
Currency translation movements	-	-	-	-	890	-	-	-	890
Available for sale investments	-	-	(290)	-	-	-	-	-	(290)
Cash flow hedges	-	-	-	202	-	-	-	-	202
Pension remeasurement	-	-	-	-	-	-	-	(970)	(970)
Other	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	457	(290)	202	890	-	-	651	1,910
Issue and exchange of other equity instruments	-	1,136	-	-	-	-	-	-	1,136
Other equity instruments coupons paid	-	(457)	-	-	-	-	-	128	(329)
Redemption of preference shares	(10)	-	-	-	-	(201)	-	(1,378)	(1,589)
Equity settled share schemes	-	-	-	-	-	-	-	223	223
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	-	(80)	(80)
Dividends paid on ordinary shares	-	-	-	-	-	-	-	(343)	(343)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	-	(639)	(639)
Capital contribution from Barclays PLC	-	-	-	-	-	-	-	114	114
Other reserve movements	-	-	-	-	-	1	-	70	71
Balance as at 31 December 2016	**14,462**	**6,486**	**(131)**	**962**	**896**	**373**	**-**	**34,950**	**57,998**

Notes
a For further details refer to Note 30.
b For further details refer to Note 31.
c As a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit which was previously recorded in the income statement is now recognised within other comprehensive income. The cumulative unrealised own credit net loss of £175m has therefore been reclassified from retained earnings to a separate own credit reserve, within other reserves. During 2017 a £3m loss (net of tax) on own credit has been booked in the reserve.

Consolidated cash flow statement

		The Group		The Bank	
		2017	2016	2017	2016[a]
For the year ended 31 December	Notes	£m	£m	£m	£m
Continuing operations					
Reconciliation of profit before tax to net cash flows from operating activities:					
Profit before tax		**3,166**	4,383	**1,587**	2,415
Adjustment for non-cash items:					
Allowance for impairment		**2,336**	2,357	**1,041**	1,372
Depreciation, amortisation and impairment of property, plant, equipment and intangibles		**821**	1,232	**447**	589
Other provisions, including pensions		**1,716**	1,726	**1,722**	1,856
Net profit on disposal of investments and property, plant and equipment		**(307)**	(912)	**(248)**	-
Other non-cash movements including exchange rate movements		**1,235**	(20,780)	**683**	(20,509)
Changes in operating assets and liabilities					
Net decrease/(increase) in loans and advances to banks and customers		**27,235**	(25,439)	**35,412**	(1,802)
Net decrease/(increase) in reverse repurchase agreements and other similar lending		**908**	14,733	**(23)**	5,862
Net (decrease)/increase in deposits and debt securities in issue		**(11,567)**	49,961	**58**	13,871
Net increase/(decrease) in repurchase agreements and other similar borrowing		**20,578**	(4,852)	**20,657**	3,062
Net decrease/(increase) in derivative financial instruments		**6,691**	(2,351)	**6,267**	(3,101)
Net (increase) in trading assets		**(33,472)**	(5,542)	**(43,281)**	(3,623)
Net increase in trading liabilities		**2,665**	880	**9,543**	8,432
Net decrease in financial assets and liabilities designated at fair value		**40,012**	807	**31,397**	2,254
Net (increase)/decrease in other assets		**(2,119)**	(3,731)	**1,305**	5,688
Net (decrease) in other liabilities		**(2,260)**	(452)	**(4,371)**	(7,143)
Corporate income tax paid	10	**(672)**	(742)	**(265)**	(219)
Net cash from operating activities		**56,966**	11,278	**61,931**	9,004
Purchase of available for sale investments		**(83,707)**	(65,086)	**(78,998)**	(64,086)
Proceeds from sale or redemption of available for sale investments		**88,298**	102,515	**84,927**	100,569
Purchase of property, plant and equipment and intangibles		**(954)**	(2,054)	**(646)**	(1,050)
Proceeds from sale of property, plant and equipment and intangibles		**3,334**	234	**3,258**	88
Disposal of discontinued operation, net of cash disposed		**(1,060)**	-	**-**	-
Disposal of subsidiaries, net of cash disposed		**358**	595	**1,880**	595
Net (increase)/decrease in investment in subsidiaries		**-**	-	**(183)**	3,344
Other cash flows associated with investing activities		**693**	32	**605**	(13)
Net cash from investing activities		**6,962**	36,236	**10,843**	39,447
Dividends paid		**(1,555)**	(1,186)	**(1,556)**	(982)
Issuance of subordinated debt	29	**3,041**	1,457	**3,041**	1,457
Redemption of subordinated debt	29	**(1,378)**	(1,143)	**(1,371)**	(1,105)
Net issue of shares and other equity instruments		**2,495**	1,125	**2,495**	1,255
Capital contribution from Barclays PLC		**-**	114	**-**	114
Repurchase of shares and other equity instruments		**(1,339)**	(1,378)	**(1,339)**	(1,378)
Net cash from financing activities		**1,264**	(1,011)	**1,270**	(639)
Effect of exchange rates on cash and cash equivalents		**(4,773)**	10,468	**(2,501)**	7,400
Net increase in cash and cash equivalents from continuing operations		**60,419**	56,971	**71,543**	55,212
Net cash from discontinued operation	43	**101**	405	**-**	-
Net increase in cash and cash equivalents		**60,520**	57,376	**71,543**	55,212
Cash and cash equivalents at beginning of year		**143,932**	86,556	**122,150**	66,938
Cash and cash equivalents at end of year		**204,452**	143,932	**193,693**	122,150
Cash and cash equivalents comprise:					
Cash and balances at central banks		**171,036**	102,328	**165,713**	97,466
Loans and advances to banks with original maturity less than three months		**32,706**	38,099	**27,309**	24,328
Available for sale treasury and other eligible bills with original maturity less than three months		**682**	356	**643**	356
Trading portfolio assets with original maturity less than three months		**28**	-	**28**	-
Cash and cash equivalents held for sale		**-**	3,149	**-**	-
		204,452	143,932	**193,693**	122,150

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

Consolidated cash flow statement

Interest received by the Group was £21,783m (2016: £21,981m) and interest paid by the Group was £10,388m (2016: £7,812m). Interest received by the Bank was £13,536m (2016: £16,649m) and interest paid by the Bank was £5,651m (2016: £5,627m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £3,360m (2016: £4,254m). The Bank was required to maintain balances with central banks and other regulatory authorities of £1,207m (2016: £215m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Notes to the financial statements
For the year ended 31 December 2017

This section describes Barclays' significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained with the relevant note.

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for Barclays Bank PLC and its subsidiaries (the Barclays Bank PLC Group or the Group) under Section 399 of the Companies Act 2006. The Group is a major global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. In addition, individual financial statements have been presented for the holding company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group, and the individual financial statements of Barclays Bank PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property, and particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays Bank PLC.

The financial statements have been prepared on a going concern basis, in accordance with The Companies Act 2006 as applicable to companies using IFRS.

4. Comparatives

Certain comparatives for The Bank have been changed to more accurately reflect the classification of certain intra-group funding transactions with subsidiary companies. Details of these changes are as follows:

- Loans and advances to banks (£44bn) has been restated by £7.6bn to £36.4bn
- Loans and advances to customers (£431bn) has been restated by £8bn to £423bn
- Deposits from banks (£58bn) has been restated by £7.6bn to £50.4bn
- Customer accounts (£447.4bn) has been restated by £16.4bn to £431bn
- Debt securities in issue (£45.2bn) has been restated by £15.7bn to £60.9bn
- Other liabilities (£15.1bn) has been restated by £7.3bn to £7.8bn

These changes have also been reflected in the following notes to the financial statements:

- Note 17 Fair value of financial instruments
- Note 19 Loans and advances to banks and customers
- Note 25 Accruals, deferred income and other liabilities
- Credit risk
- Liquidity risk

5. Accounting policies

Barclays prepares financial statements in accordance with IFRS. The Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays applies IFRS 10 Consolidated Financial Statements.

The consolidated financial statements combine the financial statements of Barclays Bank PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank PLC has control. The Group has control over another entity when the Group has all of the following:

1) power over the relevant activities of the investee, for example through voting or other rights;
2) exposure to, or rights to, variable returns from its involvement with the investee; and
3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used throughout the Group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

As the consolidated financial statements include partnerships where the Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

Details of the principal subsidiaries are given in Note 36, and a complete list of all subsidiaries is presented in Note 44.

(ii) Foreign currency translation

The Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions and balances in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement.

The Group's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside the UK may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Sterling operations are translated at the closing rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in currency translation reserves within equity. These are transferred to the income statement when the Group disposes of the entire interest in a foreign operation, when partial disposal results in the loss of control of an interest in a subsidiary, when an investment previously accounted for using the equity method is accounted for as a financial asset, or on the disposal of an autonomous foreign operation within a branch.

(iii) Financial assets and liabilities

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting.

Recognition

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at fair value or amortised cost depending on the Group's intention toward the assets and the nature of the assets and liabilities, mainly determined by their contractual terms.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Group's policies for determining the fair values of the assets and liabilities are set out in Note 17.

Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

(iv) Issued debt and equity instruments

The Group applies IAS 32, *Financial Instruments: Presentation*, to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

1 Significant accounting policies continued

6. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the accounting treatment of own credit on financial liabilities designated at fair value though profit or loss under the fair value option. Barclays has elected to early adopt the presentation of Barclays own credit gains and losses in other comprehensive income as allowed by IFRS 9 *Financial Instruments*, from 1 January 2017. This will have no effect on net assets, and any changes due to own credit in prior periods have not been restated. The cumulative own credit amount has been reclassified from retained earnings to a separate reserve. Any realised and unrealised amounts recognised in other comprehensive income will not be reclassified to the income statement in future periods; refer to Note 31 for further details.

There were no other material or amended standards or interpretations that resulted in a change in accounting policy.

Future accounting developments

There have been and are expected to be a number of significant changes to the Group's financial reporting after 2017 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 9 – Financial instruments

IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* is effective for periods beginning on or after 1 January 2018 and was endorsed by the EU in November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

i) Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts, which were covered by IAS 37. In addition, IAS 39 required the impairment of available for sale debt to be based on the fair value loss rather than estimated future cashflows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope under IFRS 9 in the standalone reporting entity accounts.

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts will be higher. Unsecured products with longer expected lives, such as revolving credit cards, are expected to be most impacted.

The expected increase in the accounting impairment provision reduces CET1 capital, but the impact is partially mitigated by releasing the 'excess of expected loss over impairment' deduction from CET1 capital. In addition, the European Union will be adopting transitional arrangements to mitigate or spread the capital impacts of IFRS 9 adoption over a 5-year period from 1 January 2018 which Barclays will apply. Separately, the Basel Committee on Banking Supervision is considering the need for permanent changes to the regulatory capital framework in order to take account of expected credit loss provisioning.

Key concepts and management judgements

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements include:

- *Determining a significant increase in credit risk since initial recognition*

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Barclays will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

\- Quantitative Test

The annualised cumulative weighted average lifetime probability of default (PD) has increased by more than the agreed threshold relative to the equivalent at origination. The relative thresholds are defined as percentage increases and set at an origination score band and segment level.

\- Qualitative Test

Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

\- Backstop Criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

Barclays will not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated.

Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the effective date of IFRS 9. For certain revolving facilities such as credit cards and overdrafts, this is expected to be when the facility was first entered into which could be a long time in the past.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

- *Forward-looking information*

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward looking economic scenarios and their associated credit losses, a range of forward looking economic scenarios, currently expected to be a minimum of five, will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies will be leveraged within forecasting economic scenarios for IFRS 9 purposes.

- *Definition of default, credit impaired assets, write-offs, and interest income recognition*

The definition of default for the purpose of determining expected credit losses has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income is required to be calculated on the carrying value net of the impairment allowance.

Credit impaired is expected to be when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

- *Expected life*

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. The expected life for these revolver facilities is expected to be behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

- *Discounting*

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease as prescribed in IAS 17. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cashflows or for discounting.

- *Modelling techniques*

Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives; and

IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original effective interest rate rather than using the cost of capital to the date of default.

Management adjustments will be made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events.

ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward looking information.

For the IFRS 9 impairment assessment, Barclays Risk Models are used to determine the probability of default (PD), loss given default (LGD) and exposure at default (EAD). For stage 2 and 3, Barclays applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

ii) Forbearance

Both performing and non-performing forbearance assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

iii) Project governance and credit risk management

Barclays has a jointly accountable Risk and Finance implementation and governance programme with representation from all impacted departments. The current impairment Committee structures were initiated and tested from H1 2017, providing oversight for both IAS 39 and IFRS 9 impairment results.

1 Significant accounting policies continued

The impairment reporting process commences with the production of economic scenarios. The Senior Scenario Review Committee (SSRC) reviews and approves the scenario narratives, the core set of macroeconomic variables, probability weightings, and any scenario specific management overlays which are used in all ECL models. The SSRC attests that the scenarios adequately account for the non-linearity and asymmetry of the loss distribution.

The Group Impairment Committee, formed of members from both Finance and Risk and attended by both the Group Finance Director and the CRO, is responsible for overseeing impairment policy and practice across Barclays Group and will approve impairment results.

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

iv) Classification and measurement

IFRS 9 requires financial assets to be classified on the basis of two criteria:
1) the business model within which financial assets are managed, and
2) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. Business models are determined on initial application and this may differ from the model before 1 January 2018 for certain portfolios.

Business models are determined on initial application and this may differ from the model before 1 January 2018 for certain portfolios. Barclays assesses the business model at a portfolio level. Information that is considered in determining the business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales. Financial assets managed on a fair value basis and those that are held for trading are held at fair value through profit and loss.

In assessing whether contractual cash flows are solely payments of principal and interest, terms that could change the contractual cash flows so that it would not meet the condition for solely payments of principal and interest are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2019 with early application permitted, however has yet to be endorsed by the EU. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Such prepayment features are present in some fixed rate corporate and investment bank loans, and are considered to meet the criteria for amortised cost under IFRS 9. Prepayment features are consistent with the solely payments of principal and interest criteria if the prepayment feature substantially represents unpaid amounts of principal and interest and reasonable compensation for early termination of the contract.

While there are some classification changes these are not significant from a Group perspective.

v) Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, adoption of which is optional. In addition certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, continues to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships) until the IASB completes its accounting for dynamic risk management project.

Based on analysis performed, Barclays will continue applying IAS 39 hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements.

vi) Own credit

Barclays has applied the option in IFRS 9 to recognise changes in own credit for financial liabilities designated at fair value through profit and loss under the fair value option in other comprehensive income from 1 January 2017.

vii) Expected impact

IFRS 9 will be applied retrospectively on adoption on 1 January 2018. Opening shareholders' equity is expected to decrease by approximately £2.2bn post-tax for the Group and £1.4bn for the Bank. This impact assessment has been estimated under an interim control environment with models that continue to undergo validation. The implementation of the comprehensive end state control environment will continue as Barclays introduces business as usual controls throughout 2018. Barclays will not restate comparatives on initial application of IFRS 9 on 1 January 2018.

1 Significant accounting policies continued

IFRS 15 – Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which will replace IAS 18 Revenue and IAS 11 Construction Contracts. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied. In April 2016, the IASB issued clarifying amendments to IFRS 15 which provide additional application guidance but did not change the underlying principles of the standard. The standard was endorsed by the EU in September 2016.

Barclays will implement this standard on 1 January 2018. Barclays has elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018 and recognised in retained earnings without restating comparative periods. There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when Barclays recognises revenues or when revenue should be recognised gross as a principal or net as an agent.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 will not result in a significant change to lessor accounting; however for lessee accounting there will no longer be a distinction between operating and finance leases. Instead lessees will be required to recognise both a right of use asset and lease liability on-balance sheet for all leases. As a result Barclays will observe an increase in both assets and liabilities for transactions currently accounted for as operating leases as at 1 January 2019 (the effective date of IFRS 16). A scope exemption will apply to short term and low value leases. Current project implementation efforts are focused on preparing and sourcing information. The standard was endorsed by the EU in November 2017. Barclays will implement this standard on 1 January 2019. Barclays is currently assessing the expected impact of adopting this standard.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard is effective from 1 January 2021 and has not yet been endorsed by the EU. Barclays is currently assessing the expected impact of adopting this standard.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments will not have a significant impact on Barclays.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. Barclays is currently assessing the impact of IFRIC 23.

7. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

- Credit impairment charges on page 179;
- Taxes on page 181;
- Fair value of financial instruments on page 193;
- Pensions and post retirement benefits – obligations on page 243; and
- Provisions including conduct and legal, competition and regulatory matters on page 221.

In order to implement UK ring-fencing, expected to be in April 2018, Barclays Bank PLC will transfer the assets and liabilities of the Barclays UK division to the ring-fenced bank, Barclays Bank UK PLC. Barclays Bank PLC's investment in Barclays Bank UK PLC will then be transferred out of the Barclays Bank PLC group to Barclays PLC. The remaining business within Barclays Bank PLC will consist of the Barclays International division, as well as head office and treasury functions. Barclays Bank PLC and Barclays Bank UK PLC will operate alongside, but independently from one another as part of the Barclays group under Barclays PLC.

1 Significant accounting policies continued

Under IFRS 5, an entity should consider whether non-current assets or a disposal group should be classified as held for sale or held for disposal. A disposal group is classified as held for distribution to owners when the entity is committed to distribute the disposal group to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders approval should be considered as part of the assessment of whether the distribution is highly probable.

Barclays Bank PLC has not classified the assets and liabilities of the Barclays UK division as held for distribution as the assets are not considered ready for distribution until Q1 of 2018, pending completion of critical business segregation steps. In addition, the ring-fencing court hearing is scheduled for 26 and 27 February 2018, and the court's approval of the Barclays RFTS is not considered customary.

8. Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, certain disclosures required under IFRS have been included within the Risk review section as follows:

- Credit risk on page 62 and the tables on pages 76 to 96;
- Market risk on page 64 and the tables on pages 97 to 99;
- Treasury and capital risk – capital on page 67 and the tables on pages 115 to 116; and
- Treasury and capital risk – liquidity on page 67 and the tables on pages 100 to 114.

These disclosures are covered by the Audit opinion (included on pages 154 to 162) where referenced as audited.

The notes included in this section focus on the results and performance of the Group. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here. For further detail on performance, please see income statement commentary within Financial review (unaudited) on page 138.

2 Segmental reporting

Presentation of segmental reporting

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments*. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's-length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

Barclays is a transatlantic consumer and wholesale bank and for segmental reporting purposes defines its divisions as follows:

- **Barclays UK** which offers everyday products and services to retail customers and small to medium sized enterprises based in the UK. The division includes the UK Personal business; the small UK Corporate and UK Wealth businesses; and the Barclaycard UK consumer credit cards business.
- **Barclays International** which delivers products and services designed for our larger corporate, wholesale and international banking clients. The division includes the large UK Corporate business; the international Corporate and Wealth businesses; the Investment Bank; the international Barclaycard business; and Barclaycard Business Solutions.
- **Head Office** which comprises head office and central support functions (including treasury) and businesses in transition.

The Non-Core segment was closed on 1 July 2017 with the residual assets and liabilities reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office. Financial results up until 30 June 2017 are reflected in the Non-Core segment within the Group's results for the year ended 31 December 2017. Comparative results have not been restated.

Analysis of results by business

	Barclays UK	Barclays International	Head Office[a]	Barclays Non-Core[b]	Group results
	£m	£m	£m	£m	£m
For the year ended 31 December 2017					
Total income	7,387	14,405	(328)	(527)	20,937
Credit impairment charges and other provisions	(783)	(1,506)	(17)	(30)	(2,336)
Net operating income/(expenses)	6,604	12,899	(345)	(557)	18,601
Operating expenses excluding UK bank levy and litigation and conduct	(4,115)	(9,512)	(239)	(251)	(14,117)
UK bank levy	(59)	(265)	(41)	-	(365)
Litigation and conduct	(759)	(269)	(151)	(28)	(1,207)
Operating expenses	(4,933)	(10,046)	(431)	(279)	(15,689)
Other net (expenses)/income[c]	(5)	254	(192)	197	254
Profit/(loss) before tax from continuing operations	1,666	3,107	(968)	(639)	3,166
Total assets (£bn)	237.4	856.1	35.8	-	1,129.3
Number of employees (full time equivalent)[d]	22,800	11,500	10,300	-	44,600
For the year ended 31 December 2016					
Total income	7,517	15,014	1,104	(1,166)	22,469
Credit impairment charges and other provisions	(896)	(1,355)	-	(122)	(2,373)
Net operating income/(expenses)	6,621	13,659	1,104	(1,288)	20,096
Operating expenses excluding UK bank levy and litigation and conduct	(3,790)	(9,132)	(123)	(1,530)	(14,575)
UK bank levy	(48)	(284)	(2)	(76)	(410)
Litigation and conduct	(1,042)	(48)	(27)	(246)	(1,363)
Operating expenses	(4,880)	(9,464)	(152)	(1,852)	(16,348)
Other net (expenses)/income[c]	(1)	32	273	331	635
Profit/(loss) before tax from continuing operations	1,740	4,227	1,225	(2,809)	4,383
Total assets (£bn)[e]	209.6	647.8	76.8	279.7	1,214.0
Number of employees (full time equivalent)[f]	36,000	36,900	100	5,500	119,300

Notes

a The reintegration of Non-Core assets on 1 July 2017 resulted in the transfer of c.£9bn of assets into Head Office relating to a portfolio of Italian mortgages. The portfolio generated a loss before tax of £37m in the second half of the year and included assets of £9bn as at 31 December 2017.

b The Non-Core segment was closed on 1 July 2017. Financial results up until 30 June 2017 are reflected in the Non-Core segment for 2017.

c Other net (expenses)/income represents the share of post-tax results of associates and joint ventures, profit (or loss) of disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

d As a result of the establishment of the Group Service Company in September 2017 as a subsidiary of Barclays PLC, employees who are now employed by the Group Service Company and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Barclays PLC.

e Africa Banking assets held for sale are reported in Head Office for 2016.

f Number of employees included 40,800 in relation to Africa Banking for 2016.

Income by geographic region	2017 £m	2016 £m
Continuing operations		
UK	**11,051**	12,114
Europe	**1,663**	2,078
Americas	**7,443**	7,278
Africa and Middle East	**251**	419
Asia	**529**	571
Total	**20,937**	22,469

Income from individual countries which represent more than 5% of total income[a]	2017 £m	2016 £m
Continuing operations		
UK	**11,051**	12,114
United States	**6,871**	6,876

Note
a Total income based on counterparty location. Income from each single external customer does not amount to 10% or greater of the Group's total income.

3 Net interest income

Accounting for interest income and expenses

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement*. Interest income on loans and advances at amortised cost, financial investments debt securities, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

Barclays incurs certain costs to originate credit card balances with the most significant being co-brand partner fees. To the extent these costs are attributed to revolving customer balances they are capitalised and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected repayment of the originated balance. Costs attributed to transacting customer balances are recorded within fee and commission expense when incurred. There are no other individual estimates involved in the calculation of effective interest rates that are material to the results or financial position.

	2017 £m	2016 £m
Cash and balances with central banks	**583**	186
Financial investments	**754**	740
Loans and advances to banks	**286**	483
Loans and advances to customers	**11,783**	12,957
Other	**225**	57
Interest income	**13,631**	14,423
Deposits from banks	**(370)**	(204)
Customer accounts	**(1,123)**	(1,808)
Debt securities in issue	**(898)**	(690)
Subordinated liabilities	**(1,225)**	(988)
Other	**(267)**	724
Interest expense	**(3,883)**	(2,966)
Net interest income	**9,748**	11,457

Costs to originate credit card balances of £497m (2016: £480m) have been amortised to interest income during the period.

Interest income includes £48m (2016: £75m) accrued on impaired loans.

Included in net interest income is hedge ineffectiveness as detailed in Note 14, this amounts to £(63)m in 2017 (2016: £71m).

4 Net fee and commission income

Accounting for net fee and commission income

The Group applies IAS 18 *Revenue*. Fees and commissions charged for services provided or received by the Group are recognised as the services are provided, for example on completion of the underlying transaction.

	2017 £m	2016 £m
Banking, investment management and credit related fees and commissions	**8,646**	8,507
Foreign exchange commission	**129**	118
Fee and commission income	**8,775**	8,625
Fee and commission expense	**(1,901)**	(1,789)
Net fee and commission income	**6,874**	6,836

5 Net trading income

Accounting for net trading income

In accordance with IAS 39, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/(losses)

As a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit on financial liabilities designated at fair value through profit and loss which was previously recorded in the income statement is now recognised within other comprehensive income.

	2017 £m	2016 £m
Trading income	**3,387**	2,830
Own credit (losses)/gains	**-**	(35)
Net trading income	**3,387**	2,795

Included within net trading income were gains of £640m (2016: £31m gain) on financial assets designated at fair value and gains of £472m (2016: £346m gain) on financial liabilities designated at fair value.

6 Net investment income

Accounting for net investment income

Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income **are** set out in Note 13 and Note 15.

	2017 £m	2016 £m
Net gain from disposal of available for sale investments	**298**	912
Dividend income	**48**	8
Net gain from financial instruments designated at fair value	**338**	158
Other investment income	**175**	246
Net investment income	**859**	1,324

7 Credit impairment charges and other provisions

Accounting for the impairment of financial assets

Loans and other assets held at amortised cost

In accordance with IAS 39, the Group assesses at each balance sheet date whether there is objective evidence that loan assets will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- becoming aware of significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

7 Credit impairment charges and other provisions continued

- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Group's internal processes when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

Available for sale financial assets

Impairment of available for sale debt instruments

Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the AFS reserve is removed from reserves and recognised in the income statement. This may be reversed if there is evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the AFS reserve is removed from reserves and recognised in the income statement.

Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Critical accounting estimates and judgements

The calculation of impairment involves the use of judgement, based on the Group's experience of managing credit risk.

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for retail portfolios is £2,095m (2016: £2,053m) and amounts to 90% (2016: 87%) of the total impairment charge on loans and advances.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to wholesale portfolios is £238m (2016: £299m) and amounts to 10% (2016: 13%) of the total impairment charge on loans and advances. Further information on impairment allowances and related credit information is set out within the Risk review.

7 Credit impairment charges and other provisions continued

	2017 £m	2016 £m
New and increased impairment allowances	**3,187**	3,259
Releases	**(533)**	(551)
Recoveries	**(334)**	(365)
Impairment charges on loans and advances	**2,320**	2,343
Provision charges/(releases) for undrawn contractually committed facilities and guarantees provided	**13**	9
Loan impairment	**2,333**	2,352
Available for sale investment	**3**	21
Reverse repurchase agreements	**-**	-
Credit impairment charges and other provisions	**2,336**	2,373

8 Operating expenses

	2017 £m	2016 £m
Infrastructure costs		
Property and equipment	**954**	1,147
Depreciation of property, plant and equipment	**303**	482
Operating lease rentals	**290**	550
Amortisation of intangible assets	**478**	661
Impairment of property, equipment and intangible assets	**40**	97
(Gain)/loss on property disposals	**3**	-
Total infrastructure costs	**2,068**	2,937
Administration and general costs		
Consultancy, legal and professional fees	**756**	1,079
Subscriptions, publications, stationery and communications	**455**	638
Marketing, advertising and sponsorship	**400**	430
Travel and accommodation	**118**	132
UK bank levy	**365**	410
Other administration and general expenses	**4,382**	511
Total administration and general costs	**6,476**	3,200
Staff costs	**6,445**	9,211
Provision for UK customer redress	**700**	1,000
Operating expenses	**15,689**	16,348

For further details on staff costs including accounting policies, refer to Note 33.

9 Profit/(loss) on disposal of subsidiaries, associates and joint ventures

During the year, the profit on disposal of subsidiaries, associates and joint ventures was £184m (2016: profit of £565m), principally relating to the sale of VocaLink and Barclays Wealth Services Japan. Please refer to Note 43 for further detail.

10 Tax

Accounting for income taxes

Barclays applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (Current tax) is recognised as an expense in the periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in certain circumstances where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

10 Tax continued

The Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Group's tax returns. The Group accounts for provisions in respect of uncertain tax positions in two different ways.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Group ultimately expects to pay the tax authority to resolve the position.

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. Barclays' measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, Barclays will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

Critical accounting estimates and judgements

There are two key areas of judgement that impact the reported tax position. Firstly, the level of provisioning for uncertain tax positions; and secondly, the recognition and measurement of deferred tax assets.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

Deferred tax assets have been recognised based on business profit forecasts. Detail on the recognition of deferred tax assets is provided in this note.

	2017 £m	2016 £m
Current tax charge/(credit)		
Current year	**659**	1,147
Adjustment in respect of prior years	**44**	(359)
	703	788
Deferred tax charge/(credit)		
Current year	**1,487**	392
Adjustment in respect of prior years	**(65)**	65
	1,422	457
Tax charge	**2,125**	1,245

10 Tax continued

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard UK corporation tax rate to the Group's profit before tax.

	2017 £m	2017 %	2016 £m	2016 %
Profit before tax from continuing operations	**3,166**		4,383	
Tax charge based on the standard UK corporation tax rate of 19.25% (2016: 20.0%)	**610**	**19.3%**	877	20.0%
Impact of profits/losses earned in territories with different statutory rates to the UK (weighted average tax rate is 29.8% (2016: 29.5%))	**333**	**10.5%**	415	9.5%
Recurring items:				
Non-creditable taxes including withholding taxes	**191**	**6.0%**	277	6.3%
Non-deductible expenses	**82**	**2.6%**	114	2.6%
Impact of UK bank levy being non-deductible	**70**	**2.2%**	82	1.9%
Banking surcharge on UK profits	**6**	**0.2%**	75	1.7%
Tax adjustments in respect of share-based payments	**4**	**0.1%**	34	0.8%
Non-taxable gains and income	**(191)**	**(6.0%)**	(208)	(4.7%)
Changes in recognition of deferred tax and effect of unrecognised tax losses	**(72)**	**(2.3%)**	(178)	(4.1%)
Impact of Barclays Bank PLC's overseas branches being taxed both locally and in the UK	**(61)**	**(1.9%)**	(128)	(2.9%)
Adjustments in respect of prior years	**(21)**	**(0.7%)**	(294)	(6.7%)
Other items	**111**	**3.5%**	81	1.8%
Non-recurring items:				
One off re-measurement of US deferred tax assets	**1,177**	**37.2%**	-	-
Impact of the UK branch exemption on deferred tax assets	**(276)**	**(8.7%)**	-	-
Non-deductible provisions for UK customer redress	**129**	**4.1%**	203	4.6%
Non-deductible provisions for investigations and litigation	**72**	**2.3%**	48	1.1%
Non-taxable gains and income on divestments	**(39)**	**(1.2%)**	(180)	(4.1%)
Non-deductible impairments and losses on divestments	**-**	**-**	27	0.6%
Total tax charge	**2,125**	**67.1%**	1,245	28.4%

Factors driving the effective tax rate

The effective tax rate of 67.1% is higher than the UK corporation tax rate of 19.25% primarily due to the impact of the Tax Cuts and Jobs Act ("US Tax Reform"), enacted on 22 December 2017, which reduced the US federal corporate income tax rate from 35% to 21%. As the rate reduction was enacted before the balance sheet date, this has resulted in a one-off tax charge as a result of the re-measurement of the Group's US deferred tax assets in the 2017 period. This downward re-measurement of the Group's US deferred tax assets as a result of the rate reduction is partially offset by the increase in the value of the US branch deferred tax assets as a result of Barclays Bank PLC making a tax election in the period to exclude the future profits and losses of its overseas branches from UK taxation.

In addition the effective tax rate is also affected by profits earned outside the UK being taxed at local statutory tax rates that are higher than the UK tax rate, provisions for UK customer redress, investigations and litigation being non-deductible for tax purposes, non-creditable taxes and non-deductible expenses including UK bank levy. These factors, which have each increased the effective tax rate, are partially offset by the impact of non-taxable gains and income in the period.

The Group's future tax charge will be sensitive to the geographic mix of profits earned and the tax rates in force in the jurisdictions that we operate in. In the UK, legislation to reduce the corporation tax rate to 17% from 1 April 2020 has been enacted.

The reduction of the US federal corporate income tax rate to 21% from 1 January 2018 is expected to have a positive impact on the returns generated by the Group's US business. The ultimate impact however, is subject to any effect of the Base Erosion Anti-abuse Tax ("BEAT"), which was introduced by US Tax Reform and presented as an anti-avoidance provision, but is capable of having broad application to companies making payments to foreign affiliates. The provisions introducing the BEAT are complex and there are currently uncertainties surrounding their practical and technical application. The Group is currently considering any future impact of the BEAT which may reduce the benefit of the reduction in the US federal corporate income tax rate.

Tax in the consolidated statement of comprehensive income

The tax relating to each component of other comprehensive income can be found in the consolidated statement of comprehensive income which additionally includes within Other a tax charge of £7m (2016: £49m credit) relating to share-based payments.

Tax in respect of discontinued operation

Tax relating to the discontinued operation can be found in the BAGL disposal group income statement (refer to Note 43). The tax charge of £154m (2016: £306m charge) relates to the profit from the ordinary activities of the discontinued operation.

10 Tax continued

Current tax assets and liabilities

Movements on current assets and liabilities were as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Assets	**501**	385	**506**	27
Liabilities	**(708)**	(930)	**(751)**	(695)
As at 1 January	**(207)**	(545)	**(245)**	(668)
Income statement from continuing operations	**(703)**	(788)	**(247)**	(36)
Other comprehensive income	**26**	295	**17**	260
Corporate income tax paid	**672**	742	**265**	219
Other movements	**94**	89	**83**	(20)
	(118)	(207)	**(127)**	(245)
Assets	**376**	501	**115**	506
Liabilities	**(494)**	(708)	**(242)**	(751)
As at 31 December	**(118)**	(207)	**(127)**	(245)

Deferred tax assets and liabilities

The deferred tax amounts on the balance sheet were as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Intermediate Holding Company ("IHC Tax Group")	**1,413**	2,207	**-**	-
Barclays Bank PLC ("US Branch Tax Group")	**1,234**	1,766	**1,234**	1,766
Barclays Bank PLC - UK tax group	**413**	469	**445**	272
Other	**292**	321	**184**	220
Deferred tax asset	**3,352**	4,763	**1,863**	2,258
Deferred tax liability	**-**	(4)	**-**	(16)
Net deferred tax	**3,352**	4,759	**1,863**	2,242

US deferred tax assets in the IHC and the US Branch Tax Groups

The deferred tax asset in the IHC Tax Group of £1,413m (2016: £2,207m) includes £286m (2016: £321m) relating to tax losses and the deferred tax asset in the US Branch Tax Group of £1,234m (2016: £1,766m) includes £283m (2016: £142m) relating to tax losses. The deferred tax assets of the Group's US business have been re-measured due to the reduction in the US federal corporate income tax rate enacted in the year. No account has been taken of the impact of any potential future BEAT liabilities in measuring the US deferred tax assets and liabilities and any future BEAT liabilities would be accounted for in the period they arise. Under US tax rules, losses occurring prior to 1 January 2018 can be carried forward and offset against profits for a period of 20 years. The losses first arose in 2011 in the IHC Tax Group and 2008 in the US Branch Tax Group and therefore any unused amounts may begin to expire in 2031 and 2028 respectively. The remaining US deferred tax assets relate to temporary differences for which there is no time limit on recovery. The deferred tax assets for the IHC and the US Branch Tax Group's tax losses are currently projected to be fully utilised by 2019.

In prior periods the US Branch deferred tax assets have been measured as the difference between the UK and US tax rates to take into account UK taxation expected to arise on the profits of the US Branch. During the period, Barclays Bank PLC made a UK tax election that causes the future profits or losses of the Company's overseas branches to be excluded from the charge to UK tax and therefore subject to tax only in the applicable overseas jurisdiction. The deferred tax assets held by the US Branch of Barclays Bank PLC have been re-measured to the US tax rate as a result of this election.

UK tax group deferred tax asset

The deferred tax asset in the UK tax group of £413m (2016: £469m) relates entirely to temporary differences.

Other deferred tax assets

The deferred tax asset of £292m (2016: £321m) in other entities within the Group includes £27m (2016: £40m) relating to tax losses carried forward. These deferred tax assets relate to a number of different territories and their recognition is based on profit forecasts or local country law which indicate that it is probable that the losses and temporary differences will be utilised.

Of the deferred tax asset of £292m (2016: £321m), an amount of £218m (2016: £267m) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

10 Tax continued

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet and in the preceding table as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

The Group

	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	1,772	183	-	91	151	251	503	664	2,004	5,619
Liabilities	(92)	(141)	(326)	-	-	-	-	-	(301)	(860)
At 1 January 2017	1,680	42	(326)	91	151	251	503	664	1,703	4,759
Income statement	(358)	-	-	(322)	(38)	(69)	131	(307)	(459)	(1,422)
Other comprehensive income	-	(3)	261	49	-	-	-	(21)	22	308
Other movements	(118)	6	(3)	13	(5)	(25)	(38)	5	(128)	(293)
	1,204	45	(68)	(169)	108	157	596	341	1,138	3,352
Assets	1,232	188	1	49	108	157	596	341	1,346	4,018
Liabilities	(28)	(143)	(69)	(218)	-	-	-	-	(208)	(666)
At 31 December 2017	1,204	45	(68)	(169)	108	157	596	341	1,138	3,352
Assets	2,008	28	5	95	157	261	902	623	1,511	5,590
Liabilities	(194)	(70)	(239)	(144)	-	-	-	-	(548)	(1,195)
At 1 January 2016	1,814	(42)	(234)	(49)	157	261	902	623	963	4,395
Income statement	(358)	9	-	(8)	52	17	(522)	15	338	(457)
Other comprehensive income	-	49	(61)	132	-	-	-	18	(8)	130
Other movements	224	26	(31)	16	(58)	(27)	123	8	410	691
	1,680	42	(326)	91	151	251	503	664	1,703	4,759
Assets	1,772	183	-	91	151	251	503	664	2,004	5,619
Liabilities	(92)	(141)	(326)	-	-	-	-	-	(301)	(860)
At 31 December 2016	1,680	42	(326)	91	151	251	503	664	1,703	4,759

The Bank

	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	1,543	156	4	38	127	70	140	150	666	2,894
Liabilities	-	(132)	(326)	-	-	-	-	-	(194)	(652)
At 1 January 2017	1,543	24	(322)	38	127	70	140	150	472	2,242
Income statement	(290)	-	-	(305)	(32)	(6)	134	(70)	(164)	(733)
Other comprehensive income		6	258	65	-	-	-	(5)	21	345
Other movements	(108)	-	(3)	5	(7)	(13)	11	23	101	9
	1,145	30	(67)	(197)	88	51	285	98	430	1,863
Assets	1,145	172	1	21	88	51	285	98	604	2,465
Liabilities		(142)	(68)	(218)	-	-	-		(174)	(602)
At 31 December 2017	1,145	30	(67)	(197)	88	51	285	98	430	1,863
Assets	1,757	-	4	30	118	54	344	112	441	2,860
Liabilities	(26)	(42)	(270)	(144)	-	-	-	-	(315)	(797)
At 1 January 2016	1,731	(42)	(266)	(114)	118	54	344	112	126	2,063
Income statement	(397)	3	-	4	-	6	(242)	33	298	(295)
Other comprehensive income	-	64	(56)	144	-	-	-	3	(20)	135
Other movements	209	(1)	-	4	9	10	38	2	68	339
	1,543	24	(322)	38	127	70	140	150	472	2,242
Assets	1,543	156	4	38	127	70	140	150	666	2,894
Liabilities	-	(132)	(326)	-	-	-	-	-	(194)	(652)
At 31 December 2016	1,543	24	(322)	38	127	70	140	150	472	2,242

10 Tax continued

Other movements include the impact of changes in foreign exchange rates as well as deferred tax amounts relating to acquisitions, disposals and transfers to held for sale.

The amount of deferred tax liability expected to be settled after more than 12 months for the Group is £486m (2016: £248m) and for The Bank is £441m (2016: £220m). The amount of deferred tax asset expected to be recovered after more than 12 months for the Group is £3,363m (2016: £4,988m) and for The Bank is £2,106m (2016: £2,719m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £157m (2016: £64m) and gross tax losses of £17,919m (2016: £16,820m). The tax losses include capital losses of £3,126m (2016: £3,138m) and unused tax credits of £546m (2016: £514m). Of these tax losses, £409m (2016: £394m) expire within five years, £193m (2016: £57m) expire within six to ten years, £2,016m (2016: £357m) expire within 11 to 20 years and £15,301m (2016: £16,012m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised.

For The Bank, deferred tax assets have not been recognised in respect of gross deductible temporary differences of £127m (2016: £57m), gross tax losses of £6,563m (2016: £6,162m) which includes capital losses of £2,598m (2016: £2,543m), and unused tax credits of £542m (2016: £508m). Of these tax losses, £262m (2016: £225m) expire within 5 years, £193m (2016: £28m) expire within 6 to10 years, £241m (2016: £313m) expire within 11 to 20 years and £5,867m (2016: £5,597m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which The Bank can utilise benefits.

Group investments in subsidiaries, branches and associates

Deferred tax is not recognised in respect of the value of Group's investments in subsidiaries, branches and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences for which deferred tax liabilities have not been recognised decreased in the period to £0.1bn (2016: £2bn) following the reduction of the Group's holding in BAGL during 2017.

11 Dividends on ordinary shares

Ordinary dividends were paid to enable Barclays PLC to fund its dividend to shareholders.

The 2017 financial statements include £674m (2016: £638m) of dividend paid. This includes the final dividend declared in relation to the prior year of £165m (2016: £502m), interim dividends of £208m (2016: £119m) and an additional £301m dividend paid to Barclays PLC which was then contributed to Group Service Company. These result in a total dividend for the year of 29p (2016: 27p) per ordinary share.

Dividends paid on the 4.75% €100 preference shares amounted to £415.65 per share (2016: £370.20). Dividends paid on the 6.278% US$100 preference shares amounted to £483.37 per share (2016: £467.05). Dividends paid on the 8.125% US$0.25 preference shares amounted to £1.58 per share (2016: £1.49). Dividends paid on the 6.0% £100 preference shares amounted to £600.00 per share (2016: £600.00) which was redeemed during the year. Dividends paid on the 7.1% US$0.25 preference shares amounted to £0.36 per share (2016: £1.30) which was redeemed during the year.

Dividends paid on preference shares amounted to £242m (2016: £339m). Dividends paid on other equity instruments amounted to £639m (2016: £462m). For further detail on other equity instruments, please refer to Note 30.

Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's-length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimate based on available market data. Detail regarding the Group's approach to managing market risk can be found on pages 64 to 65.

12 Trading portfolio

Accounting for trading portfolio assets and liabilities

In accordance with IAS 39, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Debt securities and other eligible bills	51,195	38,804	35,753	24,695
Equity securities	59,338	38,329	40,932	8,781
Traded loans	3,140	2,975	3,137	2,971
Commodities	82	147	14	80
Trading portfolio assets	**113,755**	80,255	**79,836**	36,527
Debt securities and other eligible bills	(29,046)	(26,842)	(25,629)	(20,292)
Equity securities	(8,306)	(7,831)	(15,913)	(11,693)
Commodities	-	(14)	-	(14)
Trading portfolio liabilities	**(37,352)**	(34,687)	**(41,542)**	(31,999)

13 Financial assets designated at fair value

Accounting for financial assets designated at fair value

In accordance with IAS 39, financial assets may be designated at fair value, with gains and losses taken to the income statement within net trading income (Note 5) and net investment income (Note 6). The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics described in Note 14.

The details on how the fair value amounts are derived for financial assets designated at fair value are described in Note 17.

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Loans and advances	11,037	10,519	22,395	12,901
Debt securities	15	70	3,307	4,196
Equity securities	4,671	4,558	8	6
Reverse repurchase agreements	100,040	63,162	91,443	63,743
Customers' assets held under investment contracts	-	37	-	-
Other financial assets	519	262	29	19
Financial assets designated at fair value	**116,282**	78,608	**117,182**	80,865

Credit risk of loans and advances designated at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value attributable to changes in credit risk, and the cumulative changes in fair value since initial recognition together with the amount by which related credit derivatives mitigate this risk:

	The Group						The Bank					
	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception		Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk	11,037	10,519	10	(42)	2	(42)	22,395	12,901	10	(42)	2	(42)
Value mitigated by related credit derivatives	256	339	1	(2)	(12)	(13)	256	339	1	(2)	(12)	(13)

14 Derivative financial instruments

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group applies IAS 39. All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow or net investment hedge accounting relationship. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a standalone contract, would have had met the definition of a derivative. If these are separated from the host i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value though profit or loss, then they are accounted for in the same way as derivatives.

Hedge accounting

The Group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

The Group's net investments in foreign operations, including monetary items accounted for as part of the net investment, are hedged for foreign currency risks using both derivatives and foreign currency borrowings. Hedges of net investments are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is being recognised directly in other comprehensive income and the ineffective portion being recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation, or other reductions in the Group's investment in the operation.

	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2017						
Total derivative assets/(liabilities) held for trading	**35,747,945**	**237,741**	**(237,242)**	**28,273,039**	**232,042**	**(228,124)**
Total derivative assets/(liabilities) held for risk management	**175,785**	**246**	**(1,103)**	**175,785**	**246**	**(1,103)**
Derivative assets/(liabilities)	**35,923,730**	**237,987**	**(238,345)**	**28,448,824**	**232,288**	**(229,227)**
As at 31 December 2016						
Total derivative assets/(liabilities) held for trading	36,261,030	345,834	(339,647)	25,923,851	326,809	(316,945)
Total derivative assets/(liabilities) held for risk management	261,314	986	(840)	246,817	393	(929)
Derivative assets/(liabilities)	36,522,344	346,820	(340,487)	26,170,668	327,202	(317,874)

14 Derivative financial instruments continued

Further information on netting arrangements of derivative financial instruments can be found within Note 18.

Trading derivatives are managed within the Group's market risk management policies, which are outlined on pages 64 to 65.

The fair values and notional amounts of derivatives held for trading are set out in the following table:

Derivatives held for trading	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2017						
Foreign exchange derivatives						
Forward foreign exchange	3,131,184	26,534	(26,177)	3,130,277	26,509	(26,128)
Currency swaps	1,103,555	23,799	(22,003)	1,097,824	23,293	(21,741)
OTC options bought and sold	506,156	4,056	(4,665)	505,928	4,044	(4,663)
OTC derivatives	4,740,895	54,389	(52,845)	4,734,029	53,846	(52,532)
Foreign exchange derivatives cleared by central counterparty	59,618	607	(585)	59,618	607	(585)
Exchange traded futures and options – bought and sold	24,266	30	(30)	7,504	1	-
Foreign exchange derivatives	4,824,779	55,026	(53,460)	4,801,151	54,454	(53,117)
Interest rate derivatives						
Interest rate swaps	5,680,651	121,479	(112,193)	4,182,693	118,491	(108,644)
Forward rate agreements	268,277	87	(88)	153,765	22	(19)
OTC options bought and sold	2,384,453	27,235	(29,635)	2,384,453	27,235	(29,635)
OTC derivatives	8,333,381	148,801	(141,916)	6,720,911	145,748	(138,298)
Interest rate derivatives cleared by central counterparty[a]	13,271,435	3,675	(3,390)	10,771,543	128	(216)
Exchange traded futures and options – bought and sold	7,644,560	362	(358)	1,991,384	7	(15)
Interest rate derivatives	29,249,376	152,838	(145,664)	19,483,838	145,883	(138,529)
Credit derivatives						
OTC swaps	411,900	7,789	(6,233)	374,568	6,742	(5,553)
Credit derivatives cleared by central counterparty	303,841	4,954	(5,319)	255,689	4,066	(4,267)
Credit derivatives	715,741	12,743	(11,552)	630,257	10,808	(9,820)
Equity and stock index derivatives						
OTC options bought and sold	58,456	5,262	(9,591)	57,783	5,247	(9,689)
Equity swaps and forwards	103,283	2,235	(5,478)	102,344	2,208	(5,434)
OTC derivatives	161,739	7,497	(15,069)	160,127	7,455	(15,123)
Exchange traded futures and options – bought and sold	632,662	7,201	(9,050)	124,258	1,478	(1,833)
Equity and stock index derivatives	794,401	14,698	(24,119)	284,385	8,933	(16,956)
Commodity derivatives						
OTC options bought and sold	4,465	32	(103)	4,447	31	(103)
Commodity swaps and forwards	12,755	662	(753)	12,755	662	(753)
OTC derivatives	17,220	694	(856)	17,202	693	(856)
Exchange traded futures and options – bought and sold	146,428	1,742	(1,591)	22,270	868	(678)
Commodity derivatives	163,648	2,436	(2,447)	39,472	1,561	(1,534)
Derivatives with subsidiaries	-	-	-	3,033,936	10,403	(8,168)
Derivative assets/(liabilities) held for trading	35,747,945	237,741	(237,242)	28,273,039	232,042	(228,124)
Total OTC derivatives held for trading	13,665,135	219,170	(216,919)	12,006,837	214,484	(212,362)
Total derivatives cleared by central counterparty held for trading	13,634,894	9,236	(9,294)	11,086,850	4,801	(5,068)
Total exchange traded derivatives held for trading	8,447,916	9,335	(11,029)	2,145,416	2,354	(2,526)
Derivatives with subsidiaries held for trading	-	-	-	3,033,936	10,403	(8,168)
Derivative assets/(liabilities) held for trading	35,747,945	237,741	(237,242)	28,273,039	232,042	(228,124)

14 Derivative financial instruments continued

Derivatives held for trading	The Group			The Bank		
	Notional contract amount	Fair value Assets	Fair value Liabilities	Notional contract amount	Fair value Assets	Fair value Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
Foreign exchange derivatives						
Forward foreign exchange	2,308,922	32,442	(30,907)	2,307,703	32,383	(30,852)
Currency swaps	1,086,552	40,083	(40,164)	1,085,482	39,867	(40,034)
OTC options bought and sold	772,031	6,338	(6,762)	771,901	6,324	(6,762)
OTC derivatives	4,167,505	78,863	(77,833)	4,165,086	78,574	(77,648)
Foreign exchange derivatives cleared by central counterparty	43,478	366	(388)	43,478	366	(388)
Exchange traded futures and options – bought and sold	18,813	31	(27)	9,888	1	
Foreign exchange derivatives	4,229,796	79,260	(78,248)	4,218,452	78,941	(78,036)
Interest rate derivatives						
Interest rate swaps	4,799,994	153,838	(143,060)	2,559,724	143,635	(133,045)
Forward rate agreements	296,559	999	(968)	57,700	109	(61)
OTC options bought and sold	2,522,430	42,412	(43,373)	2,522,430	42,412	(43,373)
OTC derivatives	7,618,983	197,249	(187,401)	5,139,854	186,156	(176,479)
Interest rate derivatives cleared by central counterparty	14,514,520	30,503	(31,528)	11,187,061	1,592	(2,048)
Exchange traded futures and options – bought and sold	7,952,733	397	(370)	1,355,743	14	(8)
Interest rate derivatives	30,086,236	228,149	(219,299)	17,682,658	187,762	(178,535)
Credit derivatives						
OTC swaps	615,057	12,005	(10,513)	566,555	11,035	(9,945)
Credit derivatives cleared by central counterparty	332,743	4,462	(4,572)	271,935	3,728	(3,617)
Credit derivatives	947,800	16,467	(15,085)	838,490	14,763	(13,562)
Equity and stock index derivatives						
OTC options bought and sold	102,545	6,766	(8,837)	102,255	6,751	(8,914)
Equity swaps and forwards	105,120	2,253	(4,435)	104,575	2,226	(4,278)
OTC derivatives	207,665	9,019	(13,272)	206,830	8,977	(13,192)
Exchange traded futures and options– bought and sold	585,620	8,070	(8,600)	133,465	2,409	(2,658)
Equity and stock index derivatives	793,285	17,089	(21,872)	340,295	11,386	(15,850)
Commodity derivatives						
OTC options bought and sold	14,053	395	(461)	14,012	394	(461)
Commodity swaps and forwards	16,086	1,528	(1,821)	16,086	1,528	(1,821)
OTC derivatives	30,139	1,923	(2,282)	30,098	1,922	(2,282)
Exchange traded futures and options – bought and sold	173,774	2,946	(2,861)	32,453	950	(896)
Commodity derivatives	203,913	4,869	(5,143)	62,551	2,872	(3,178)
Derivatives with subsidiaries	-	-	-	2,781,405	31,085	(27,784)
Derivative assets/(liabilities) held for trading	36,261,030	345,834	(339,647)	25,923,851	326,809	(316,945)
Total OTC derivatives held for trading	12,639,349	299,059	(291,301)	10,108,423	286,664	(279,546)
Total derivatives cleared by central counterparty held for trading	14,890,741	35,331	(36,488)	11,502,474	5,686	(6,053)
Total exchange traded derivatives held for trading	8,730,940	11,444	(11,858)	1,531,549	3,374	(3,562)
Derivatives with subsidiaries held for trading	-	-	-	2,781,405	31,085	(27,784)
Derivative assets/(liabilities) held for trading	36,261,030	345,834	(339,647)	25,923,851	326,809	(316,945)

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Derivatives held for risk management	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2017						
Derivatives designated as cash flow hedges						
Interest rate swaps	**1,808**	**88**	**(3)**	**1,808**	**88**	**(3)**
Interest rate derivatives cleared by central counterparty	**66,214**	**-**	**-**	**66,214**	**-**	**-**
Derivatives designated as cash flow hedges	**68,022**	**88**	**(3)**	**68,022**	**88**	**(3)**
Derivatives designated as fair value hedges						
Interest rate swaps	**7,345**	**117**	**(1,090)**	**7,345**	**117**	**(1,090)**
Interest rate derivatives cleared by central counterparty	**97,436**	**-**	**-**	**97,436**	**-**	**-**
Derivatives designated as fair value hedges	**104,781**	**117**	**(1,090)**	**104,781**	**117**	**(1,090)**
Derivatives designated as hedges of net investments						
Forward foreign exchange	**2,982**	**41**	**(10)**	**2,982**	**41**	**(10)**
Derivatives designated as hedges of net investment	**2,982**	**41**	**(10)**	**2,982**	**41**	**(10)**
Derivative assets/(liabilities) held for risk management	**175,785**	**246**	**(1,103)**	**175,785**	**246**	**(1,103)**
Total OTC derivatives held for risk management	**12,135**	**246**	**(1,103)**	**12,135**	**246**	**(1,103)**
Total derivatives cleared by central counterparty held for risk management	**163,650**	**-**	**-**	**163,650**	**-**	**-**
Derivative assets/(liabilities) held for risk management	**175,785**	**246**	**(1,103)**	**175,785**	**246**	**(1,103)**
As at 31 December 2016						
Derivatives designated as cash flow hedges						
Currency swaps	1,357	453	-	-	-	-
Interest rate swaps	5,877	138	(6)	2,377	41	(6)
Interest rate derivatives cleared by central counterparty	107,524	62	(27)	96,480	-	-
Derivatives designated as cash flow hedges	114,758	653	(33)	98,857	41	(6)
Derivatives designated as fair value hedges						
Interest rate swaps	10,724	301	(742)	10,724	301	(742)
Forward foreign exchange	63	-	(1)	63	-	(1)
Interest rate derivatives cleared by central counterparty	129,683	-	-	129,683	-	-
Derivatives designated as fair value hedges	140,470	301	(743)	140,470	301	(743)
Derivatives designated as hedges of net investments						
Forward foreign exchange	6,086	32	(64)	6,086	32	(64)
Derivatives designated as hedges of net investment	6,086	32	(64)	6,086	32	(64)
Derivatives with subsidiaries	-	-	-	1,404	19	(116)
Derivative assets/(liabilities) held for risk management	261,314	986	(840)	246,817	393	(929)
Total OTC derivatives held for risk management	24,107	924	(813)	19,250	374	(813)
Total derivatives cleared by central counterparty held for risk management	237,207	62	(27)	226,163	-	-
Derivatives with subsidiaries held for risk management	-	-	-	1,404	19	(116)
Derivative assets/(liabilities) held for risk management	261,314	986	(840)	246,817	393	(929)

14 Derivative financial instruments continued

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total £m	Up to one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m
2017							
The Group							
Forecast receivable cash flows	**2,272**	**370**	**470**	**497**	**424**	**293**	**218**
Forecast payable cash flows	-	-	-	-	-	-	-
The Bank							
Forecast receivable cash flows	**2,272**	**370**	**470**	**497**	**424**	**293**	**218**
Forecast payable cash flows	-	-	-	-	-	-	-
2016							
The Group							
Forecast receivable cash flows	2,081	316	376	408	363	327	291
Forecast payable cash flows	52	15	16	7	6	5	3
The Bank							
Forecast receivable cash flows	2,041	294	364	402	362	328	291
Forecast payable cash flows	8	-	8	-	-	-	-

The maximum length of time over which the Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 10 years (2016: 10 years).

Amounts recognised in net interest income	The Group 2017 £m	The Group 2016 £m	The Bank 2017 £m	The Bank 2016 £m
Gains on the hedged items attributable to the hedged risk	**519**	1,787	**519**	1,787
Losses on the hedging instruments	**(383)**	(1,741)	**(383)**	(1,741)
Fair value ineffectiveness	**136**	46	**136**	46
Cash flow hedging ineffectiveness	**(201)**	28	**(201)**	28
Net investment hedging ineffectiveness	**2**	(3)	**2**	(3)

Gains and losses transferred from the cash flow hedging reserve for The Group to the income statement included a £nil (2016: £17m gain) transferred to interest income; a £586m gain (2016: £557m gain) to interest expense; a £nil (2016: £17m gain) to administration and general expenses; and a £nil (2016: £75m loss) to taxation; and for The Bank to the income statement included £586m gain (2016: £557m gain) to interest expense; and £nil (2016: £17m gain) to administration and general expenses.

15 Financial investments

Accounting for financial investments

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The Group uses this classification for assets that are not derivatives and are not held for trading purposes or otherwise designated at fair value through profit or loss, or at amortised cost. Dividends and interest (calculated using the effective interest method) are recognised in the income statement in net interest income (Note 3) or, net investment income (Note 6). On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

Held to maturity assets are held at amortised cost. The Group uses this classification when there is an intent and ability to hold the asset to maturity. Interest on the investments are recognised in the income statement within net interest income (Note 3).

	The Group 2017 £m	The Group 2016 £m	The Bank 2017 £m	The Bank 2016 £m
Available for sale debt securities and other eligible bills	**52,020**	57,704	**49,197**	56,144
Available for sale equity securities	**1,834**	485	**277**	279
Held to maturity debt securities	**5,109**	5,176	**5,109**	5,176
Financial investments	**58,963**	63,365	**54,583**	61,599

16 Financial liabilities designated at fair value

Accounting for liabilities designated at fair value through profit and loss

In accordance with IAS 39, financial liabilities may be designated at fair value, with gains and losses taken to the income statement within net trading income (Note 5) and net investment income (Note 6). Movements in own credit are reported through other comprehensive income from January 2017 upon early adoption of IFRS 9. The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (Note 14).

The details on how the fair value amounts are arrived for financial liabilities designated at fair value are described in Note 17.

	The Group				The Bank			
	2017		2016		2017		2016	
	Fair value £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £m
Debt securities	**42,563**	**46,920**	34,985	37,034	**41,692**	**46,060**	36,347	38,501
Deposits	**4,448**	**4,414**	5,269	5,303	**4,774**	**4,739**	5,228	5,261
Liabilities to customers under investment contracts	**-**	**-**	37	-	**-**	**-**	-	-
Repurchase agreements at fair value	**126,691**	**126,822**	55,710	55,760	**122,578**	**122,707**	59,755	59,803
Other financial liabilities	**16**	**16**	31	31	**-**	**-**	-	-
Financial liabilities designated at fair value	**173,718**	**178,172**	96,032	98,128	**169,044**	**173,506**	101,330	103,565

The cumulative own credit net loss recognised is £179m (2016: £239m loss).

17 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

The Group applies IAS 39. All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Group's financial assets and liabilities, especially derivatives, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market inputs including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data such as in primary issuance and redemption activity for structured notes.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 205.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

17 Fair value of financial instruments continued

Valuation

IFRS 13 *Fair Value Measurement* requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs – Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

The following table shows The Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

Assets and liabilities held at fair value

	2017				2016			
	Valuation technique using				Valuation technique using			
The Group	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	**63,925**	**47,853**	**1,977**	**113,755**	41,550	36,640	2,065	80,255
Financial assets designated at fair value	**4,347**	**104,188**	**7,747**	**116,282**	4,031	64,630	9,947	78,608
Derivative financial assets	**3,786**	**228,867**	**5,334**	**237,987**	5,261	333,013	8,546	346,820
Available for sale investments	**22,841**	**30,618**	**395**	**53,854**	21,218	36,599	372	58,189
Investment property	**-**	**-**	**116**	**116**	-	-	81	81
Assets included in disposal groups classified as held for sale[a]	**-**	**-**	**29**	**29**	6,754	8,511	6,009	21,274
Total assets	**94,899**	**411,526**	**15,598**	**522,023**	78,814	479,393	27,020	585,227
Trading portfolio liabilities	**(20,905)**	**(16,443)**	**(4)**	**(37,352)**	(20,205)	(14,475)	(7)	(34,687)
Financial liabilities designated at fair value	**-**	**(173,238)**	**(480)**	**(173,718)**	(70)	(95,122)	(840)	(96,032)
Derivative financial liabilities	**(3,631)**	**(229,517)**	**(5,197)**	**(238,345)**	(5,051)	(328,265)	(7,171)	(340,487)
Liabilities included in disposal groups classified as held for sale[a]	**-**	**-**	**-**	**-**	(397)	(5,224)	(6,201)	(11,822)
Total liabilities	**(24,536)**	**(419,198)**	**(5,681)**	**(449,415)**	(25,723)	(443,086)	(14,219)	(483,028)

Note

a Disposal groups held for sale and measured at fair value less cost to sell are included in the fair value table.

17 Fair value of financial instruments continued

The following table shows The Bank's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

Assets and liabilities held at fair value

	2017				2016			
	Valuation technique using				Valuation technique using			
The Bank	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	41,795	36,113	1,928	79,836	13,029	21,495	2,003	36,527
Financial assets designated at fair value	3	110,381	6,798	117,182	22	71,708	9,135	80,865
Derivative financial assets	-	226,956	5,332	232,288	868	317,793	8,541	327,202
Available for sale investments	16,302	32,895	277	49,474	21,110	35,063	250	56,423
Investment property	-	-	-	-	-	-	16	16
Assets included in disposal groups classified as held for sale	-	-	-	-	-	-	3,453	3,453
Total assets	58,100	406,345	14,335	478,780	35,029	446,059	23,398	504,486
Trading portfolio liabilities	(26,068)	(15,474)	-	(41,542)	(21,024)	(10,975)	-	(31,999)
Financial liabilities designated at fair value	-	(168,834)	(210)	(169,044)	-	(100,863)	(467)	(101,330)
Derivative financial liabilities	-	(223,878)	(5,349)	(229,227)	(822)	(309,737)	(7,315)	(317,874)
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	(2,135)	(2,135)
Total liabilities	(26,068)	(408,186)	(5,559)	(439,813)	(21,846)	(421,575)	(9,917)	(453,338)

17 Fair value of financial instruments continued

The following table shows The Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and product type:

Assets and liabilities held at fair value by product type

	Assets			Liabilities		
	Valuation technique using			Valuation technique using		
The Group	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
As at 31 December 2017	£m	£m	£m	£m	£m	£m
Interest rate derivatives	-	150,325	2,718	-	(143,890)	(2,867)
Foreign exchange derivatives	-	54,907	160	-	(53,346)	(124)
Credit derivatives	-	11,357	1,386	-	(11,312)	(240)
Equity derivatives	3,786	9,848	1,064	(3,631)	(18,527)	(1,961)
Commodity derivatives	-	2,430	6	-	(2,442)	(5)
Government and government sponsored debt	34,782	49,853	49	(13,079)	(13,116)	-
Corporate debt	-	15,098	871	-	(3,580)	(4)
Certificates of deposit, commercial paper and other money market instruments	-	1,491	-	-	(7,377)	(250)
Reverse repurchase and repurchase agreements	-	100,038	-	-	(126,691)	-
Non-asset backed loans	-	5,710	6,657	-	-	-
Asset backed securities	-	1,837	626	-	(221)	-
Issued debt	-	-	-	-	(38,177)	(214)
Equity cash products	56,323	7,733	112	(7,826)	(388)	-
Private equity investments	8	1	817	-	-	(16)
Assets and liabilities held for sale	-	-	29	-	-	-
Other[a]	-	898	1,103	-	(131)	-
Total	94,899	411,526	15,598	(24,536)	(419,198)	(5,681)
As at 31 December 2016						
Interest rate derivatives	-	222,892	5,759	-	(215,213)	(4,860)
Foreign exchange derivatives	-	79,612	132	-	(78,263)	(51)
Credit derivatives	-	14,856	1,611	-	(14,844)	(241)
Equity derivatives	4,210	11,842	1,037	(4,058)	(15,808)	(2,007)
Commodity derivatives	1,052	3,809	8	(991)	(4,138)	(13)
Government and government sponsored debt	31,203	49,913	3	(12,761)	(11,455)	-
Corporate debt	46	11,921	969	(27)	(1,907)	(5)
Certificates of deposit, commercial paper and other money market instruments	-	978	-	-	(6,936)	(319)
Reverse repurchase and repurchase agreements	-	63,162	-	-	(55,710)	-
Non-asset backed loans	-	2,888	8,767	-	-	-
Asset backed securities	-	1,956	515	-	(256)	-
Issued debt	-	-	-	-	(31,973)	(298)
Equity cash products	35,399	6,478	150	(7,416)	(934)	(2)
Private equity investments	23	110	856	-	(18)	(12)
Assets and liabilities held for sale	6,754	8,511	6,009	(397)	(5,224)	(6,201)
Other[a]	127	465	1,204	(73)	(407)	(210)
Total	78,814	479,393	27,020	(25,723)	(443,086)	(14,219)

Note
a Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

17 Fair value of financial instruments continued

Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of the valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

Sensitivities are dynamically calculated on a monthly basis. The calculation is based on range or spread data of a reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

The valuation techniques used for the material products within Levels 2 and 3, and observability and sensitivity analysis for products within Level 3, are described below.

Interest rate derivatives

Description: Derivatives linked to interest rates or inflation indices. The category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives.

Valuation: Interest rate and inflation derivatives are generally valued using curves of forward rates constructed from market data to project and discount the expected future cash flows of trades. Instruments with optionality are valued using volatilities implied from market inputs, and use industry standard or bespoke models depending on the product type.

Observability: In general, inputs are considered observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are generally set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity to unobservable valuation inputs is based on the dispersion of consensus data services where available, or alternatively it is based on stress scenarios or historic data.

Foreign exchange derivatives

Description: Derivatives linked to the foreign exchange (FX) market. The category includes FX forward contracts, FX swaps and FX options. The majority are traded as over the counter (OTC) derivatives.

Valuation: FX derivatives are valued using industry standard and bespoke models depending on the product type. Valuation inputs include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate.

Observability: FX correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is primarily based on the dispersion of consensus data services.

Credit derivatives

Description: Derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets (e.g. a securitised product). The category includes single name and index credit default swaps (CDS), asset backed CDS and synthetic collaterised debt obligations (CDOs).

Valuation: CDS are valued on industry standard models using curves of credit spreads as the principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies. Synthetic CDOs are valued using a model that incorporates credit spreads, recovery rates, correlations and interest rates, and is calibrated to the index tranche market.

Observability: CDS contracts referencing entities that are actively traded are generally considered observable. Other valuation inputs are considered observable if products with significant sensitivity to the inputs are actively traded in a liquid market. Unobservable valuation inputs are generally determined with reference to recent transactions or inferred from observable trades of the same issuer or similar entities.

Level 3 sensitivity: Sensitivity to unobservable CDS contracts is determined by applying a shift to credit spread curves based on the average range of pricing observed in the market for similar CDS. Sensitivity to unobservable synthetic CDOs is calculated using correlation levels derived from the range of contributors to a consensus bespoke service.

Equity derivatives

Description: Exchange traded or OTC derivatives linked to equity indices and single names. The category includes vanilla and exotic equity products.

Valuation: Equity derivatives are valued using industry standard models. Valuation inputs include stock prices, dividends, volatilities, interest rates, equity repurchase curves and, for multi-asset products, correlations.

Observability: In general, valuation inputs are observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity is generally estimated using the dispersion of consensus data services.

17 Fair value of financial instruments continued

Commodity derivatives

Description: Exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil and refined products, agricultural, power and natural gas.

Valuation: Commodity swaps and options are valued using models incorporating discounting of cash flows and other industry standard modelling techniques. Valuation inputs include forward curves, volatilities implied from market observable inputs and correlations.

Observability: Commodity correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set with reference to similar observable products, or by applying extrapolation techniques to observable inputs.

Level 3 sensitivity: Sensitivity is determined primarily by measuring historical variability over a period of years. Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels.

Complex derivative instruments

Valuation estimates made by counterparties with respect to complex derivative instruments, for the purpose of determining the amount of collateral to be posted, often differ, sometimes significantly, from Barclays' own estimates. In almost all cases, Barclays has been able to successfully resolve such differences or otherwise reach an accommodation with respect to collateral posting levels, including in certain cases by entering into compromise collateral arrangements. Due to the ongoing nature of collateral calls, Barclays will often be engaged in discussion with one or more counterparties in respect of such differences at any given time. Valuation estimates made by counterparties for collateral purposes are considered, like any other third party valuation, when determining Barclays' fair value estimates.

Government and government sponsored debt

Description: Government bonds, supra sovereign bonds and agency bonds.

Valuation: Liquid bonds that are actively traded through an exchange or clearing house are marked to the levels observed in these markets. Other actively traded bonds are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing sources.

Observability: prices for actively traded bonds are considered observable. Unobservable bonds prices are generally determined by reference to bond yields for actively traded bonds from the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally determined by using a range of observable alternative prices.

Corporate debt

Description: Primarily corporate bonds.

Valuation: Corporate bonds are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing sources.

Observability: Prices for actively traded bonds are considered observable. Unobservable bonds prices are generally determined by reference to bond yields or CDS spreads for actively traded instruments issued by or referencing the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally determined by applying a shift to bond yields using the average ranges of external levels observed in the market for similar bonds.

Certificates of Deposit, Commercial Paper and other money market instruments

Description: Certificates of deposit, commercial paper and other money market instruments.

Valuation: Instruments are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing services.

Observability: Prices for actively traded instruments are considered observable. Unobservable instrument prices are generally determined by reference to bond yields or CDS spreads for actively traded instruments issued by or referencing the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally calculated by using a range of observable alternative prices.

Reverse repurchase and repurchase agreements

Description: Includes securities purchased under resale agreements, securities sold under repurchase agreements, and other similar secured lending agreements. The agreements are primarily short-term in nature.

Valuation: Repurchase and reverse repurchase agreements are generally valued by discounting the expected future cash flows using industry standard models that incorporate market interest rates and repurchase rates, based on the specific details of the transaction.

Observability: Inputs are deemed observable up to liquid maturities, and are determined based on the specific features of the transaction. Unobservable inputs are generally set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

17 Fair value of financial instruments continued

Level 3 sensitivity: Sensitivity is generally estimated using the dispersion of consensus data services, stress scenarios or historic data. In general, the sensitivity of unobservable inputs is not significant to the overall valuation given the predominantly short-term nature of the agreements.

Non-asset backed loans

Description: Largely made up of fixed rate loans.

Valuation: Fixed rate loans are valued using models that discount expected future cash flows based on interest rates and loan spreads.

Observability: Within this loan population, the loan spread is generally unobservable. Unobservable loan spreads are determined by incorporating funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

Level 3 sensitivity: The sensitivity of fixed rate loans is calculated by applying a shift to loan spreads.

Asset backed securities

Description: Securities that are linked to the cash flows of a pool of referenced assets via securitisation. The category includes residential mortgage backed securities, commercial mortgage backed securities, CDOs, collateralised loan obligations (CLOs) and other asset backed securities.

Valuation: Where available, valuations are based on observable market prices sourced from broker quotes and inter-dealer prices. Otherwise, valuations are determined using industry standard discounted cash flow analysis that calculates the fair value based on valuation inputs such as constant default rate, conditional prepayment rate, loss given default and yield. These inputs are determined by reference to a number of sources including proxying to observed transactions, market indices or market research, and by assessing underlying collateral performance.

Proxying to observed transactions, indices or research requires an assessment and comparison of the relevant securities' underlying attributes including collateral, tranche, vintage, underlying asset composition (historical losses, borrower characteristics and loan attributes such as loan to value ratio and geographic concentration) and credit ratings (original and current).

Observability: Where an asset backed product does not have an observable market price and the valuation is determined using a discounted cash flow analysis, the instrument is considered unobservable.

Level 3 sensitivity: The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion or by stressing the inputs of discount cash flow analysis.

Issued debt

Description: Debt notes issued by Barclays.

Valuation: Issued debt is valued using discounted cash flow techniques and industry standard models incorporating various inputs observed for each instrument.

Observability: Barclays issued notes are generally observable. Structured notes are debt instruments containing embedded derivatives. Where either an input to the embedded derivative or the debt instrument is deemed unobservable and significant to the overall valuation of the note, the structured note is classified as Level 3.

Level 3 sensitivity: Sensitivity to the unobservable input in the embedded derivative is calculated in line with the method used for the derivative instrument concerned.

Equity cash products

Description: Includes listed equities, Exchange Traded Funds (ETF) and preference shares.

Valuation: Valuation of equity cash products is primarily determined through market observable prices.

Observability: Prices for actively traded equity cash products are considered observable. Unobservable equity prices are generally determined by reference to actively traded instruments that are similar in nature, or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity is generally calculated based on applying a shift to the valuation of the underlying asset.

Private equity investments

Description: Includes private equity holdings and principal investments.

Valuation: Private equity investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines' which require the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis and comparison with the earnings multiples of listed companies. While the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

Observability: Inputs are considered observable if there is active trading in a liquid market of products with significant sensitivity to the inputs. Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

17 Fair value of financial instruments continued

Level 3 sensitivity: Private equity valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates. Valuation sensitivity is generally estimated by shifting assumptions to reasonable alternative levels.

Assets and liabilities held for sale

Description: Assets and liabilities held for sale consist of disposal groups Barclays intend to sell.

Valuation: Assets and liabilities held for sale are valued at the lower of carrying value and fair value less cost to sell.

Level 3 sensitivity: The disposal groups that are measured at fair value less cost to sell are valued at the agreed price less costs to sell and are not expected to display significant sensitivity. The sensitivity of the assets and liabilities measured at carrying value is explained within the relevant product descriptions.

Other

Description: Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

Assets and liabilities reclassified between Level 1 and Level 2

During the period there were transfers of £3,807m of government bond assets and £1,023m/£(950)m of commodity derivative assets and liabilities during the period from Level 1 to Level 2 (2016: £2,340m of government bond assets transferred from Level 2 to Level 1) to reflect the market observability of these product types. These transfers are reflected as if they had taken place at the beginning of the year.

Level 3 movement analysis

The following table summarises the movements in the Level 3 balances during the period. Transfers have been reflected as if they had taken place at the beginning of the year.

Assets and liabilities included in disposal groups classified as held for sale and measured at fair value less costs to sell are not included as these are measured at fair value on a non-recurring basis.

Asset and liability transfers between Level 2 and Level 3 are primarily due to i) an increase or decrease in observable market activity related to an input or ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

During the year:

- £721m of net interest rate derivatives were transferred from Level 3 to Level 2 to reflect the market observability of the products;
- £2,284m of non-asset backed loans were derecognised due to a substantial modification of terms on the ESHLA loans. The restructured loans are measured on an amortised cost basis.

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2017	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI	Transfers		As at 31 December 2017
						Trading income	Other income		In	Out	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government and government sponsored debt	3	46	-	-	-	-	-	-	-	-	49
Corporate debt	969	73	(47)	-	(98)	21	-	-	6	(53)	871
Non-asset backed loans	151	435	(187)	-	(221)	(8)	-	-	1	(5)	166
Asset backed securities	515	195	(78)	-	(9)	9	-	-	-	(5)	627
Equity cash products	77	24	(11)	-	-	(19)	-	-	-	(3)	68
Other	350	2	(77)	-	(97)	25	(1)	-	3	(9)	196
Trading portfolio assets	**2,065**	**775**	**(400)**	**-**	**(425)**	**28**	**(1)**	**-**	**10**	**(75)**	**1,977**
Non-asset backed loans	8,616	-	-	-	(2,284)	159	-	-	-	-	6,491
Asset backed loans	201	27	(25)	-	(3)	(17)	(3)	-	6	(31)	155
Private equity investments	562	26	(127)	-	(1)	(1)	29	-	21	(11)	498
Equity cash products	-	-	-	-	(1)	(7)	-	-	16	-	8
Other	568	4,675	(4,646)	-	(247)	41	197	-	16	(9)	595
Financial assets designated at fair value	**9,947**	**4,728**	**(4,798)**	**-**	**(2,536)**	**175**	**223**	**-**	**59**	**(51)**	**7,747**
Equity cash products	73	-	-	-	-	-	1	2	5	(45)	36
Private equity investments	294	15	(78)	-	-	-	(5)	37	60	(4)	319
Other	5	36	-	-	(2)	-	-	1	-	-	40
Available for sale investments	**372**	**51**	**(78)**	**-**	**(2)**	**-**	**(4)**	**40**	**65**	**(49)**	**395**
Investment property	**81**	**114**	**(69)**	**-**	**-**	**-**	**(10)**	**-**	**-**	**-**	**116**
Trading portfolio liabilities	**(7)**	**(4)**	**1**	**-**	**-**	**2**	**-**	**-**	**(1)**	**5**	**(4)**
Certificates of deposit, commercial paper and other money market instruments	(319)	-	69	-	-	-	9	-	(104)	95	(250)
Issued debt	(298)	-	84	-	-	-	-	-	-	-	(214)
Other	(223)	-	-	-	204	-	(6)	-	-	9	(16)
Financial liabilities designated at fair value	**(840)**	**-**	**153**	**-**	**204**	**-**	**3**	**-**	**(104)**	**104**	**(480)**
Interest rate derivatives	899	58	(1)	-	(208)	(166)	-	-	(11)	(721)	(150)
Foreign exchange derivatives	81	-	-	-	(12)	27	-	-	(13)	(46)	37
Credit derivatives	1,370	5	(2)	-	(29)	(128)	-	-	(69)	(1)	1,146
Equity derivatives	(970)	(220)	(14)	-	374	(43)	-	-	(16)	(7)	(896)
Commodity derivatives	(5)	-	-	-	-	4	-	-	1	-	-
Net derivative financial instruments[a]	**1,375**	**(157)**	**(17)**	**-**	**125**	**(306)**	**-**	**-**	**(108)**	**(775)**	**137**
Assets and liabilities held for sale	**574**	**-**	**(574)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**13,567**	**5,507**	**(5,782)**	**-**	**(2,634)**	**(101)**	**211**	**40**	**(79)**	**(841)**	**9,888**
Net assets held for sale measured at fair value on non-recurring basis											**29**
Total	**13,567**	**5,507**	**(5,782)**	**-**	**(2,634)**	**(101)**	**211**	**40**	**(79)**	**(841)**	**9,917**

Notes
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,334m (2016: £8,546m) and derivative financial liabilities are £5,197m (2016: £7,171m).

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2016	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement: Trading income	Total gains and losses in the period recognised in the income statement: Other income	Total gains or losses recognised in OCI	Transfers: In	Transfers: Out	As at 31 December 2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government and government sponsored debt	320	-	(317)	-	-	-	-	-	-	-	3
Corporate debt	2,843	38	(48)	-	(5)	206	-	-	32	(2,097)	969
Non-asset backed loans	507	173	(498)	-	(4)	(38)	-	-	18	(7)	151
Asset backed securities	743	129	(295)	-	(171)	111	-	-	1	(3)	515
Equity cash products	121	4	(4)	-	-	(15)	-	-	-	(29)	77
Other	374	55	(89)	-	(1)	30	-	-	1	(20)	350
Trading portfolio assets	4,908	399	(1,251)	-	(181)	294	-	-	52	(2,156)	2,065
Non-asset backed loans	15,963	-	-	-	(8,602)	1,155	100	-	-	-	8,616
Asset backed loans	256	48	(225)	-	(20)	30	-	-	112	-	201
Private equity investments	457	38	(51)	-	(3)	16	120	-	6	(21)	562
Equity cash products	26	-	(26)	-	-	-	-	-	-	-	-
Other	595	2,658	(2,729)	-	(33)	37	85	-	41	(86)	568
Financial assets designated at fair value	17,297	2,744	(3,031)	-	(8,658)	1,238	305	-	159	(107)	9,947
Equity cash products	24	52	(7)	-	-	-	3	2	-	(1)	73
Private equity investments	877	15	(254)	-	(407)	-	-	63	-	-	294
Other	20	1	(7)	-	(16)	-	1	5	1	-	5
Available for sale investments	921	68	(268)	-	(423)	-	4	70	1	(1)	372
Investment property	82	-	(3)	-	-	-	2	-	-	-	81
Trading portfolio liabilities	-	-	(9)	-	-	(1)	-	-	-	3	(7)
Certificates of deposit, commercial paper and other money market instruments	(272)	-	-	(19)	48	2	(7)	-	(301)	230	(319)
Issued debt	(538)	-	-	-	231	-	9	-	-	-	(298)
Other	(244)	-	-	-	83	(48)	(2)	-	(50)	38	(223)
Financial liabilities designated at fair value	(1,054)	-	-	(19)	362	(46)	-	-	(351)	268	(840)
Interest rate derivatives	418	45	3	-	(6)	228	-	-	294	(83)	899
Foreign exchange derivatives	(104)	-	30	2	40	6	-	-	55	52	81
Credit derivatives	1,685	2	(306)	-	(119)	111	-	-	3	(6)	1,370
Equity derivatives	(857)	196	7	(83)	(34)	(98)	-	-	(15)	(86)	(970)
Commodity derivatives	(506)	-	-	-	91	(3)	-	-	-	413	(5)
Net derivative financial instruments[a]	636	243	(266)	(81)	(28)	244	-	-	337	290	1,375
Assets and liabilities held for sale	424	126	(166)	(116)	85	-	172	-	-	49	574
Total	23,214	3,580	(4,994)	(216)	(8,843)	1,729	483	70	198	(1,654)	13,567
Net liabilities held for sale measured at fair value on non-recurring basis											(766)
Total	23,214	3,580	(4,994)	(216)	(8,843)	1,729	483	70	198	(1,654)	12,801

Notes
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,334m (2016: £8,546m) and derivative financial liabilities are £5,197m (2016: £7,171m).

Analysis of movements in Level 3 assets and liabilities

						Total gains and losses in the period recognised in the income statement			Transfers		
	As at 1 January 2017	Purchases	Sales	Issues	Settlements	Trading income	Other income	Total gains or losses recognised in OCI	In	Out	As at 31 December 2017
The Bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	**2,003**	**534**	**(214)**	**-**	**(383)**	**36**	**-**	**-**	**11**	**(59)**	**1,928**
Financial assets designated at fair value	**9,135**	**4,657**	**(4,666)**	**-**	**(2,502)**	**(34)**	**193**	**-**	**15**	**-**	**6,798**
Available for sale investments	**250**	**14**	**(24)**	**-**	**-**	**-**	**(4)**	**28**	**54**	**(41)**	**277**
Investment property	**16**	**-**	**(16)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trading portfolio liabilities	**-**	**(5)**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**7**	**-**
Financial liabilities designated at fair value	**(467)**	**-**	**3**	**-**	**238**	**16**	**-**	**-**	**(7)**	**7**	**(210)**
Net derivative financial instruments[a]	**1,226**	**(159)**	**(12)**	**-**	**124**	**(312)**	**-**	**-**	**(110)**	**(774)**	**(17)**
Total	**12,163**	**5,041**	**(4,929)**	**-**	**(2,523)**	**(295)**	**189**	**28**	**(38)**	**(860)**	**8,776**
Net assets held for sale measured at fair value on non-recurring basis											**-**
Total	**12,163**	**5,041**	**(4,929)**	**-**	**(2,523)**	**(295)**	**189**	**28**	**(38)**	**(860)**	**8,776**

Analysis of movements in Level 3 assets and liabilities

						Total gains and losses in the period recognised in the income statement			Transfers		
	As at 1 January 2016	Purchases	Sales	Issues	Settlements	Trading income	Other income	Total gains or losses recognised in OCI	In	Out	As at 31 December 2016
The Bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	4,942	308	(1,019)	-	(342)	229	-	-	36	(2,151)	2,003
Financial assets designated at fair value	16,781	2,575	(3,003)	-	(8,636)	1,159	195	-	152	(88)	9,135
Available for sale investments	569	14	(14)	-	(350)	-	5	27	-	(1)	250
Investment property	13	-	-	-	-	-	3	-	-	-	16
Trading portfolio liabilities	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	(708)	-	-	-	209	(32)	(2)	-	(1)	67	(467)
Net derivative financial instruments[a]	235	243	25	(79)	(15)	188	-	-	338	291	1,226
Total	21,832	3,140	(4,011)	(79)	(9,134)	1,544	201	27	525	(1,882)	12,163
Net assets held for sale measured at fair value on non-recurring basis											1,318
Total	21,832	3,140	(4,011)	(79)	(9,134)	1,544	201	27	525	(1,882)	13,481

Note
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,332m (2016: £8,541m) and derivative financial liabilities are £5,349m (2016: £7,315m).

17 Fair value of financial instruments continued

Unrealised gains and losses on Level 3 financial assets and liabilities

The following table discloses the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end:

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end

The Group	2017				2016			
	Income statement				Income statement			
	Trading income	Other income	Other compre-hensive income	Total	Trading income	Other income	Other compre-hensive income	Total[a]
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	(34)	-	-	(34)	243	-	-	243
Financial assets designated at fair value	147	200	-	347	227	271	-	498
Available for sale investments	-	(4)	29	25	-	6	70	76
Investment property	-	(10)	-	(10)	-	2	-	2
Trading portfolio liabilities	3	-	-	3	(1)	-	-	(1)
Financial liabilities designated at fair value	58	10	-	68	96	(6)	-	90
Net derivative financial instruments	(301)	-	-	(301)	175	-	-	175
Assets and liabilities held for sale	-	-	-	-	-	128	-	128
Total	(127)	196	29	98	740	401	70	1,211

Note
a The unrealised gain of £1,211m on Level 3 assets in 2016 is largely offset by losses on related Level 2 and Level 1 portfolio hedges.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

The Bank	2017				2016			
	Income statement				Income statement			
	Trading income	Other income	Other compre-hensive income	Total	Trading income	Other income	Other comprehensive income	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	(20)	-	-	(20)	238	-	-	238
Financial assets designated at fair value	158	217	-	375	155	194	-	349
Available for sale assets	-	(4)	28	24	-	5	27	32
Investment property	-	-	-	-	-	2	-	2
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	58	-	-	58	97	-	-	97
Net derivative financial instruments	(307)	-	-	(307)	167	-	-	167
Total	(111)	213	28	130	657	201	27	885

Note
a The unrealised gain of £885m on Level 3 assets in 2016 is largely offset by losses on related Level 2 and Level 1 portfolio hedges.

17 Fair value of financial instruments continued

Sensitivity analysis of valuations using unobservable inputs

	2017				2016			
	Favourable changes		Unfavourable changes		Favourable changes		Unfavourable changes	
The Group	Income statement	Equity	Income statement	Equity	Income statement	Equity	Income statement	Equity
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Interest rate derivatives	**114**	**-**	**(138)**	**-**	209	-	(249)	-
Foreign exchange derivatives	**6**	**-**	**(6)**	**-**	15	-	(15)	-
Credit derivatives	**106**	**-**	**(79)**	**-**	127	-	(133)	-
Equity derivatives	**99**	**-**	**(99)**	**-**	163	-	(164)	-
Commodity derivatives	**3**	**-**	**(3)**	**-**	5	-	(5)	-
Corporate debt	**4**	**-**	**(3)**	**-**	7	-	(2)	-
Certificates of deposit, commercial paper and other money market instruments	**-**	**-**	**-**	**-**	-	-	(1)	-
Non asset backed loans	**243**	**-**	**(468)**	**-**	462	-	(597)	-
Asset backed securities	**1**	**-**	**-**	**-**	1	-	(1)	-
Issued debt	**-**	**-**	**-**	**-**	-	-	-	-
Equity cash products	**12**	**24**	**(8)**	**(24)**	12	26	(11)	(26)
Private equity investments	**133**	**13**	**(138)**	**(13)**	104	18	(104)	(21)
Assets and liabilities held for sale	**-**	**-**	**-**	**-**	3	-	(3)	-
Other[a]	**5**	**-**	**(5)**	**-**	155	-	(113)	-
Total	**726**	**37**	**(947)**	**(37)**	1,263	44	(1,398)	(47)

Note
a Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £763m (2016: £1,307m) or to decrease fair values by up to £984m (2016: £1,445m) with substantially all the potential effect impacting profit and loss rather than reserves.

17 Fair value of financial instruments continued

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

			2017 Range		2016 Range		
The Group	Valuation technique(s)	Significant unobservable inputs	Min	Max	Min	Max	Units[a]
Derivative financial instruments[b]							
Interest rate derivatives	Discounted cash flows	Inflation forwards	1	3	(1)	8	%
		Credit spread	45	1,320	25	1,669	bps
	Comparable pricing	Price	-	100	-	100	points
	Option model	Inflation volatility	35	201	35	207	bp vol
		IR - IR correlation	(24)	99	(26)	98	%
		FX - IR correlation	(30)	24	(15)	81	%
		Interest rate volatility	5	353	9	295	bp vol
Credit derivatives	Discounted cash flows	Credit spread	122	190	133	274	bps
Equity derivatives	Option model	Equity volatility	3	92	1	150	%
		Equity - equity correlation	(100)	100	(90)	100	%
		Equity - FX correlation	(100)	45	(80)	25	%
	Discounted cash flow	Discounted margin	(105)	301	(130)	331	bps
Non-derivative financial instruments							
Non-asset backed loans	Discounted cash flows	Loan spread	30	596	30	1,495	bps
		Price	-	50	-	99	points
	Comparable pricing	Price	-	100	-	100	points
Corporate debt	Comparable pricing	Price	-	100	-	121	points
	Discounted cash flows	Credit spread	140	190	145	190	bps
Asset backed securities	Comparable pricing	Price	-	99	-	270	points
Private equity investments	EBITDA multiple	EBITDA multiple	8	13	5	17	multiple

Notes
a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.
b Certain derivative instruments are classified as Level 3 due to a significant unobservable credit spread input into the calculation of the Credit Valuation Adjustment for the instruments. The range of significant unobservable credit spreads is between 31-596 bps (2016: 65-874bps).

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement. A description of those interrelationships is included below.

Forwards

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

Credit spread

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant demands for taking on exposure to the credit risk of an instrument and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a movement in a fair value decrease for a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

17 Fair value of financial instruments continued

Volatility

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be interrelationships between unobservable volatilities and other unobservable inputs (e.g. when equity prices fall, implied equity volatilities generally rise) but these are generally specific to individual markets and may vary over time.

Correlation

Correlation is a measure of the relationship between the movements of two variables. Correlation can be a significant input into valuation of derivative contracts with more than one underlying instrument. Credit correlation generally refers to the correlation between default processes for the separate names that make up the reference pool of a CDO structure.

A significant increase in correlation in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Comparable price

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable instrument, then adjusting that yield (or spread) to account for relevant differences such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable and unobservable instruments in order to establish a value.

In general, a significant increase in comparable price in isolation will result in an increase in the price of the unobservable instrument. For derivatives, a change in the comparable price in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered extremely low credit risk, and have a history of zero defaults since inception. While the overall loan spread range is from 30bps to 596bps (2016: 30bps to 1,495bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a fair value decrease for a loan.

Loss given default (LGD)

Loss given default represents the expected loss upon liquidation of the collateral as a percentage of the balance outstanding.

In general, a significant increase in the LGD in isolation will translate to lower recovery and lower projected cash flows to pay to the securitization, resulting in a movement in fair value that is unfavorable for the holder of the securitized product.

EBITDA Multiple

EBITDA multiple is the ratio of the valuation of the investment to the Earnings before interest, taxes, depreciation and amortization.

In general a significant increase in the multiple will result in a fair value increase for an investment.

Fair value adjustments

Key balance sheet valuation adjustments for the Group are quantified below:

	2017 £m	2016 £m
Exit price adjustments derived from market bid-offer spreads	**(391)**	(475)
Uncollateralised derivative funding	**(45)**	(82)
Derivative credit valuation adjustments	**(103)**	(237)
Derivative debit valuation adjustments	**131**	242

17 Fair value of financial instruments continued

Exit price adjustments derived from market bid-offer spreads

The Group uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments derived from market bid-offer spreads have reduced by £84m to £391m as a result of risk reduction and spread tightening.

Discounting approaches for derivative instruments

Collateralised

In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant credit support annex (CSA). The CSA aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

Uncollateralised

A fair value adjustment of £45m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralised derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as the 'Funding Fair Value Adjustment' (FFVA). FFVA has decreased by £37m to £45m mainly as a result of material trade unwinds.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to the exposure that reflects the market cost of funding. Barclays' internal Treasury rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2017 was to reduce FFVA by £138m (2016: £246m).

The approach outlined above has been in use since 2012 with no significant changes.

Barclays continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate. The above approach has been in use since 2012 with no significant changes.

Derivative credit and debit valuation adjustments

CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and Barclays' own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) corporates, sovereigns and sovereign agencies and supranationals.

Exposure at default is generally estimated through the simulation of underlying risk factors through approximating with a more vanilla structure, or by using current or scenario-based mark to market as an estimate of future exposure.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information. In particular, this applies to sovereign related names where the effect of using the recovery assumptions implied in CDS levels would imply a £50m (2016: £95m) increase in CVA.

Correlation between counterparty credit and underlying derivative risk factors, termed 'wrong-way,' or 'right-way' risk, is not systematically incorporated into the CVA calculation but is adjusted where the underlying exposure is directly related to the counterparty.

CVA decreased by £134m to £103m, primarily due to reductions in the average maturity of the portfolio driven by trade unwinds. DVA reduced by £111m to £131m, primarily as a result of Barclays' credit spreads tightening and trade unwinds.

Portfolio exemptions

The Group uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

17 Fair value of financial instruments continued

Unrecognised gains as a result of the use of valuation models using unobservable inputs

For instruments where fair value cannot be evidenced by reference to observable market data, initial recognition occurs at the transaction price. This is achieved by recognising a reserve for the difference between unobservable fair value and transaction price.

For financial instruments measured at fair value on an ongoing basis the reserve was £109m (2016: £179m). During 2017 there were additions of £34m (2016: £29m) and amortisation and releases of £104m (2016: £37m).

Third party credit enhancements

Structured and brokered certificates of deposit issued by Barclays are insured up to $250,000 per depositor by the Federal Deposit Insurance Corporation (FDIC) in the US. The FDIC is funded by premiums that Barclays and other banks pay for deposit insurance coverage. The carrying value of these issued certificates of deposit that are designated under the IAS 39 fair value option includes this third party credit enhancement. The on-balance sheet value of these brokered certificates of deposit amounted to £4,070m (2016: £3,905m).

Comparison of carrying amounts and fair values

The following tables summarises the fair value of financial assets and liabilities measured at amortised cost on The Group's and The Bank's balance sheet:

The Group	2017					2016				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Held to maturity	5,109	5,285	5,285	-	-	5,176	5,347	5,347	-	-
Loans and advances to banks	36,209	36,205	3,701	32,504	-	43,634	43,611	7,287	35,339	985
Loans and advances to customers:										
– Home loans	147,002	145,262	-	-	145,262	144,765	141,150	-	-	141,150
– Credit cards, unsecured and other retail lending	55,767	55,106	655	-	54,451	57,808	57,698	737	42	56,919
– Finance lease receivables[a]	2,854	2,964				1,602	1,598			
– Corporate loans	159,930	157,891	-	109,140	48,751	188,608	186,720	401	126,577	59,742
Reverse repurchase agreements and other similar secured lending	12,546	12,546	-	12,546	-	13,454	13,454	-	13,454	-
Assets included in disposal groups classified as held for sale[b]	1,164	1,195	-	-	1,195	43,593	44,838	1,070	4,614	39,154
Financial liabilities										
Deposits from banks	(37,906)	(37,911)	(4,375)	(33,536)	-	(48,214)	(48,212)	(5,256)	(42,895)	(61)
Customer accounts:										
– Current and demand accounts	(146,255)	(146,232)	(146,232)	-	-	(138,195)	(138,188)	(127,258)	(10,912)	(18)
– Savings accounts	(134,339)	(134,369)	(134,369)	-	-	(133,344)	(133,370)	(120,471)	(12,891)	(8)
– Other time deposits	(148,832)	(148,898)	(62,750)	(80,297)	(5,851)	(153,164)	(153,165)	(48,853)	(97,773)	(6,539)
Debt securities in issue	(69,386)	(70,824)	-	(68,503)	(2,321)	(75,369)	(76,408)	(196)	(74,149)	(2,063)
Repurchase agreements and other similar secured lending	(40,338)	(40,338)	-	(40,338)	-	(19,760)	(19,760)	-	(19,760)	-
Subordinated liabilities	(24,193)	(25,451)	-	(25,451)	-	(23,871)	(25,035)	-	(25,035)	-
Liabilities included in disposal groups classified as held for sale[b]	-	-	-	-	-	(51,775)	(51,788)	(22,264)	(28,998)	(526)

Notes

a The fair value hierarchy for finance lease receivables is not required as part of the standard.

b Disposal groups held for sale and measured at fair value less cost to sell are in included in the fair value table.

17 Fair value of financial instruments continued

The Bank	2017					2016[a]				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Held to maturity	5,109	5,285	5,285	-	-	5,176	5,347	5,347	-	-
Loans and advances to banks	37,255	37,330	247	37,083	-	36,391	36,528	1,424	34,190	914
Loans and advances to customers:										
– Home loans	146,052	144,311	-	-	144,311	143,763	140,152	-		140,152
– Credit cards, unsecured and other retail lending	31,542	30,972	655	-	30,317	31,204	31,003	737		30,266
– Finance lease receivables	-	-				-	-			
– Corporate loans	211,366	209,309	-	161,671	47,638	248,157	246,301		176,104	70,197
Reverse repurchase agreements and other similar secured lending	22,964	22,964	-	22,964	-	22,941	22,941	-	22,941	-
Financial liabilities										
Deposits from banks	(38,364)	(38,364)	(4,047)	(34,317)	-	(50,464)	(50,462)	(4,946)	(45,424)	(92)
Customer accounts:										
– Current and demand accounts	(203,347)	(203,325)	(140,143)	(63,106)	(76)	(202,203)	(202,196)	(110,028)	(84,089)	(8,079)
– Savings accounts	(126,794)	(126,824)	(126,824)	-	-	(125,940)	(125,966)	(113,069)	(12,891)	(6)
– Other time deposits	(117,938)	(117,952)	(60,615)	(51,483)	(5,854)	(102,858)	(102,888)	(42,982)	(45,997)	(13,909)
Debt securities in issue	(55,874)	(56,758)	-	(56,580)	(178)	(60,864)	(61,545)	(160)	(61,385)	-
Repurchase agreements and other similar secured lending	(49,883)	(49,883)	-	(49,883)	-	(29,226)	(29,167)	-	(29,167)	-
Subordinated liabilities	(24,203)	(25,222)	-	(25,222)	-	(23,878)	(25,021)	-	(25,021)	-

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Financial assets
The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the relevant accounting policy in Note 21.

Loans and advances to banks
The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

There is minimal difference between the fair value and carrying amount due to the short-term nature of the lending (i.e. predominantly overnight deposits) and the high credit quality of counterparties.

Loans and advances to customers
The fair value of loans and advances to customers, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality.

For retail lending, i.e. home loans and credit cards tailored discounted cash flow models are predominantly used to estimate the fair value of different product types. For example, for home loans different models are used to estimate fair values of tracker, offset and fixed rate mortgage products. Key inputs to these models are the differentials between historic and current product margins and estimated prepayment rates.

The discount of fair value to carrying amount from home loans for The Group has decreased to 1.2% (2016: 2.5%) and The Bank has decreased to 1.2% (2016: 2.5%), both are due to changes in the product mix across the loan portfolio and movements in product margins.

17 Fair value of financial instruments continued

The fair value of corporate loans is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity. The discount between the carrying and fair value for The Group has increased to 1.3% (2016: 1.0%) and The Bank has increased to 1.0% (2016: 0.7%).

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy in Note 21.

Deposits from banks and customer accounts

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal. There were transfers of £34,163m of deposits from banks and customers from Level 2 to Level 1 to reflect the market observability of these product types.

Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value. The fair value difference for The Group has increased to 2.1% (2016: 1.4%) and The Bank has increased to 1.6% (2016: 1.1%).

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

18 Offsetting financial assets and financial liabilities

In accordance with IAS 32 *Financial Instruments: Presentation*, the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The 'Net amounts' presented on the next page are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

18 Offsetting financial assets and financial liabilities continued

The Group	Amounts subject to enforceable netting arrangements						Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
	Effects of offsetting on-balance sheet			Related amounts not offset[a]				
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount		
As at 31 December 2017	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**257,199**	**(21,638)**	**235,561**	**(184,265)**	**(39,262)**	**12,034**	**2,426**	**237,987**
Reverse repurchase agreements and other similar secured lending[e]	**326,340**	**(223,495)**	**102,845**	**-**	**(102,380)**	**465**	**9,741**	**112,586**
Total assets	**583,539**	**(245,133)**	**338,406**	**(184,265)**	**(141,642)**	**12,499**	**12,167**	**350,573**
Derivative financial liabilities	**(253,030)**	**21,065**	**(231,965)**	**184,265**	**36,444**	**(11,256)**	**(6,380)**	**(238,345)**
Repurchase agreements and other similar secured borrowing[e]	**(374,616)**	**223,495**	**(151,121)**	**-**	**151,073**	**(48)**	**(15,908)**	**(167,029)**
Total liabilities	**(627,646)**	**244,560**	**(383,086)**	**184,265**	**187,517**	**(11,304)**	**(22,288)**	**(405,374)**
As at 31 December 2016								
Derivative financial assets	353,078	(11,934)	341,144	(273,602)	(49,923)	17,619	5,676	346,820
Reverse repurchase agreements and other similar secured lending[e]	257,430	(187,262)	70,168	-	(69,932)	236	6,448	76,616
Total assets	610,508	(199,196)	411,312	(273,602)	(119,855)	17,855	12,124	423,436
Derivative financial liabilities	(345,752)	10,962	(334,790)	273,602	47,383	(13,805)	(5,697)	(340,487)
Repurchase agreements and other similar secured borrowing[e]	(257,854)	187,262	(70,592)	-	68,897	(1,695)	(4,878)	(75,470)
Total liabilities	(603,606)	198,224	(405,382)	273,602	116,280	(15,500)	(10,575)	(415,957)

Notes
a Financial collateral of £39,262m (2016: £49,923m) was received in respect of derivative assets, including £33,092m (2016: £41,641m) of cash collateral and £6,170m (2016: £8,282m) of non-cash collateral. Financial collateral of £36,444m (2016: £47,383m) was placed in respect of derivative liabilities, including £32,575m (2016: £43,763m) of cash collateral and £3,869m (2016: £3,620m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation. Of the £33,092m (2016: £41,641m) cash collateral held, £19,351m (2016: £26,834m) was included in deposits from banks and £13,741m (2016: £14,807m), was included in customer accounts. Of the £32,575m (2016: £43,763m) cash collateral placed, £14,493m (2016: £17,587m) was included in loans and advances to banks and £18,082m (2016: £26,176m) was included in loans and advances to customers.
b Amounts offset for Derivative financial assets include cash collateral netted of £2,393m (2016: £972m). Amounts offset for Derivative financial liabilities include cash collateral netted of £1,820m (2016: £nil). Settlements assets and liabilities have been offset amounting to £13,241m (2016: £10,486m). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.
e Repurchase and Reverse Repurchase agreements include instruments at amortised cost and instruments designated at fair value through profit and loss. Reverse Repurchase agreements and other similar secured lending of £112,586m (2016: £76,616m) is split by fair value £100,040m (2016: £63,162m) and amortised cost £12,546m (2016: £13,454m). Repurchase agreements and other similar secured borrowing of £167,029m (2016: £75,470m) is split by fair value £126,691m (2016: £55,710m) and amortised cost £40,338m (2016: £19,760m).

Derivative assets and liabilities
The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing
The 'Amounts offset' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by the Group are further explained in the Credit risk mitigation section on page 63.

18 Offsetting financial assets and financial liabilities continued

The Bank

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on-balance sheet			Related amounts not offset[a]				
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2017	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**251,542**	**(21,638)**	**229,904**	**(178,496)**	**(38,231)**	**13,177**	**2,384**	**232,288**
Reverse repurchase agreements and other similar secured lending[e]	**363,046**	**(259,592)**	**103,454**	**-**	**(103,454)**	**-**	**10,953**	**114,407**
Total assets	**614,588**	**(281,230)**	**333,358**	**(178,496)**	**(141,685)**	**13,177**	**13,337**	**346,695**
Derivative financial liabilities	**(243,910)**	**21,065**	**(222,845)**	**178,496**	**34,038**	**(10,311)**	**(6,382)**	**(229,227)**
Repurchase agreements and other similar secured borrowing[e]	**(417,414)**	**259,592**	**(157,822)**	**-**	**157,822**	**-**	**(14,639)**	**(172,461)**
Total liabilities	**(661,324)**	**280,657**	**(380,667)**	**178,496**	**191,860**	**(10,311)**	**(21,021)**	**(401,688)**
As at 31 December 2016								
Derivative financial assets	321,045	(11,934)	309,111	(240,535)	(47,725)	20,851	18,091	327,202
Reverse repurchase agreements and other similar secured lending[e]	284,522	(203,400)	81,122	-	(80,959)	163	5,562	86,684
Total assets	605,567	(215,334)	390,233	(240,535)	(128,684)	21,014	23,653	413,886
Derivative financial liabilities	(309,376)	10,962	(298,414)	240,535	44,966	(12,913)	(19,460)	(317,874)
Repurchase agreements and other similar secured borrowing[e]	(287,287)	203,401	(83,886)	-	83,773	(113)	(5,095)	(88,981)
Total liabilities	(596,663)	214,363	(382,300)	240,535	128,739	(13,026)	(24,555)	(406,855)

Notes

a Financial collateral of £38,231m (2016: £47,725m) was received in respect of derivative assets, including £32,061m (2016: £39,443m) of cash collateral and £6,170m (2016: £8,282m) of non-cash collateral. Financial collateral of £34,038m (2016: £44,966m) was placed in respect of derivative liabilities, including £31,542m (2016: £41,346m) of cash collateral and £2,496m (2016: £3,620m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation. Of the £32,061m (2016: £33,988m) cash collateral held, £19,276m (2016: £21,555m) was included in deposits from banks and £12,785m (2016: £12,433m), was included in customer accounts. Of the £31,542m (2016: £34,315m) cash collateral placed, £14,246m (2016: £15,156m) was included in loans and advances to banks and £17,296m (2016: £19,159m) was included in loans and advances to customers.

b Amounts offset for Derivative financial assets include cash collateral netted of £2,393m (2016: £972m). Amounts offset for Derivative financial liabilities include cash collateral netted of £1,820m (2016: £nil). Settlements assets and liabilities have been offset amounting to £5,780m (2016: £nil). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

e Repurchase and Reverse Repurchase agreements include instruments at amortised cost and instruments designated at fair value through profit and loss. Reverse Repurchase agreements and other similar secured lending of £114,407m (2016: £86,684m) is split by fair value £91,443m (2016: £63,743m) and amortised cost £22,964m (2016: £22,941m). Repurchase agreements and other similar secured borrowing of £172,461m (2016: £88,981m) is split by fair value £122,578m (2016: £59,755m) and amortised cost £49,883m (2016: £29,226m).

Financial instruments held at amortised cost

The notes included in this section focus on assets that are held at amortised cost arising from the Group's retail and wholesale lending including loans and advances, finance leases, repurchase and reverse repurchase agreements and similar secured lending. Detail regarding the Group's liquidity and capital position can be found on pages 101 to 116.

19 Loans and advances to banks and customers

Accounting for financial instruments held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as EIR adjustments are amortised to interest income over the life of the financial instrument to which they relate.

In accordance with IAS 39, where the Group no longer intends to trade in financial assets it may transfer them out of the held for trading classification and measure them at amortised cost if they meet the definition of a loan. The initial value used for the purposes of establishing amortised cost is fair value on the date of the transfer.

	The Group		The Bank	
	2017	2016	2017	2016[a]
As at 31 December	£m	£m	£m	£m
Gross loans and advances to banks	36,209	43,634	37,255	36,391
Less: allowance for impairment	-	-	-	-
Loans and advances to banks	36,209	43,634	37,255	36,391
Gross loans and advances to customers	370,205	397,403	392,091	426,377
Less: allowance for impairment	(4,652)	(4,620)	(3,131)	(3,253)
Loans and advances to customers	365,553	392,783	388,960	423,124

Note

a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details.

20 Finance leases

Accounting for finance leases

The Group applies IAS 17 *Leases* in accounting for finance leases, both where it is the lessor or the lessee. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Group is the lessee, the leased asset is recognised in property, plant and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Finance lease receivables

Finance lease receivables are included within loans and advances to customers. The Group specialises in the provision of leasing and other asset finance facilities across a broad range of asset types to business customers.

	2017				2016			
	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Not more than one year	1,130	(91)	1,039	69	646	(37)	609	60
Over one year but not more than five years	1,750	(135)	1,615	156	986	(57)	929	132
Over five years	284	(32)	252	21	73	(4)	69	19
Total	3,164	(258)	2,906	246	1,705	(98)	1,607	211

20 Finance leases continued

Following a review in 2017, a portfolio of assets within loans and advances to customers has been identified as finance leases. This has resulted in an increase in the finance lease receivables balance of £1,537m in 2017 as reflected in the table above.

The impairment allowance for uncollectable finance lease receivables amounted to £57m (2016: £6m).

Finance lease liabilities

The Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease liabilities are included within Note 25.

As at 31 December 2017, the total future minimum payments under finance leases were £3m (2016: £15m). The carrying amount of assets held under finance leases was £3m (2016: £15m).

21 Reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

The Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss.

The Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.

	The Group		The Bank	
	2017	2016	2017	2016
As at 31 December	£m	£m	£m	£m
Assets				
Banks	**7,374**	2,769	**304**	345
Customers	**5,172**	10,685	**22,660**	22,596
Reverse repurchase agreements and other similar secured lending at amortised cost	**12,546**	13,454	**22,964**	22,941
Liabilities				
Banks	**30,105**	12,820	**26,730**	10,024
Customers	**10,233**	6,940	**23,153**	19,202
Repurchase agreements and other similar secured borrowing at amortised cost	**40,338**	19,760	**49,883**	29,226

The notes included in this section focus on the Group's non-current tangible and intangible assets and property, plant and equipment, which provide long-term future economic benefits.

22 Property, plant and equipment

Accounting for property, plant and equipment

The Group applies IAS 16 *Property Plant and Equipment* and IAS 40 *Investment Properties*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in the enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold land	Not depreciated
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property	6-10%
Equipment installed in freehold and leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Where leasehold property has a remaining useful life of less than 17 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Investment property

The Group initially recognises investment property at cost, and subsequently at fair value at each balance sheet date, reflecting market conditions at the reporting date. Gains and losses on remeasurement are included in the income statement.

	The Group					The Bank			
	Investment property	Property	Equipment	Leased assets	Total	Investment property	Property	Equipment	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost									
As at 1 January 2017	81	3,101	2,862	10	6,054	15	1,582	2,209	3,806
Additions	114	173	176	-	463	-	100	110	210
Disposals	(69)	(895)	(1,893)	(1)	(2,858)	(16)	(602)	(1,948)	(2,566)
Change in fair value of investment properties	(5)	-	-	-	(5)	-	-	-	-
Exchange and other movements	(5)	(136)	(79)	-	(220)	1	-	(14)	(13)
As at 31 December 2017	116	2,243	1,066	9	3,434	-	1,080	357	1,437
Accumulated depreciation and impairment									
As at 1 January 2017	-	(1,312)	(2,267)	(9)	(3,588)	-	(569)	(1,783)	(2,352)
Depreciation charge	-	(141)	(162)	-	(303)	-	(90)	(107)	(197)
Impairment charge	-	(28)	-	-	(28)	-	(34)	-	(34)
Disposals	-	487	1,518	-	2,005	-	159	1,540	1,699
Exchange and other movements	-	11	(12)	-	(1)	-	1	11	12
As at 31 December 2017	-	(983)	(923)	(9)	(1,915)	-	(533)	(339)	(872)
Net book value	116	1,260	143	-	1,519	-	547	18	565

22 Property, plant and equipment continued

	The Group					The Bank			
	Investment property	Property	Equipment	Leased assets	Total	Investment property	Property	Equipment	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost									
As at 1 January 2016	140	3,919	4,259	62	8,380	13	2,151	2,080	4,244
Additions	-	151	337	-	488	-	116	200	316
Disposals	(6)	(1,061)	(1,556)	-	(2,623)	-	(666)	(136)	(802)
Exchange and other movements[a]	(53)	92	(178)	(52)	(191)	2	(19)	65	48
As at 31 December 2016	81	3,101	2,862	10	6,054	15	1,582	2,209	3,806
Accumulated depreciation and impairment									
As at 1 January 2016	-	(1,697)	(3,177)	(38)	(4,912)	-	(1,119)	(1,623)	(2,742)
Depreciation charge	-	(180)	(313)	-	(493)	-	(107)	(182)	(289)
Disposals	-	795	1,155	-	1,950	-	631	82	713
Exchange and other movements[a]	-	(230)	68	29	(133)	-	26	(60)	(34)
As at 31 December 2016	-	(1,312)	(2,267)	(9)	(3,588)	-	(569)	(1,783)	(2,352)
Net book value	81	1,789	595	1	2,466	15	1,013	426	1,454

Note
a Includes property, plant and equipment relating to BAGL of £627m (cost of £1,066m and accumulated depreciation of £439m) which was reclassified to held for sale.

Property rentals of £1m (2016: £7m) and £6m (2016: £6m) have been included in net investment income and other income respectively.

The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. Valuations are carried out by management with the support of appropriately qualified independent valuers. Refer to Note 17 for further details.

23 Goodwill and intangible assets

Accounting for goodwill and intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the pre tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the cash generating unit (CGU) to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets.

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Goodwill	Not amortised
Internally generated software[a]	12 months to 6 years
Other software	12 months to 6 years
Customer lists	12 months to 25 years
Licences and other	12 months to 25 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Note
a Exceptions to the above rate relate to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.

23 Goodwill and intangible assets continued

	Goodwill £m	Internally generated software £m	Other software £m	Customer lists £m	Licences and other £m	Total £m
The Group						
Cost						
As at 1 January 2017	4,797	4,422	150	1,708	551	11,628
Additions and disposals	-	(2,911)	(49)	(12)	(19)	(2,991)
Exchange and other movements	(87)	(224)	(5)	(149)	(42)	(507)
As at 31 December 2017	4,710	1,287	96	1,547	490	8,130
Accumulated amortisation and impairment						
As at 1 January 2017	(930)	(1,666)	(109)	(1,232)	(343)	(4,280)
Disposals	-	1,132	45	15	36	1,228
Amortisation charge	-	(329)	(14)	(101)	(34)	(478)
Impairment charge	-	(12)	-	-	-	(12)
Exchange and other movements	70	88	3	108	28	297
As at 31 December 2017	(860)	(787)	(75)	(1,210)	(313)	(3,245)
Net book value	3,850	500	21	337	177	4,885
The Bank						
Cost						
As at 1 January 2017	4,240	3,351	59	116	61	7,827
Additions and disposals	-	(3,046)	(50)	(15)	(39)	(3,150)
Exchange and other movements	(8)	1	-	1	-	(6)
As at 31 December 2017	4,232	306	9	102	22	4,671
Accumulated amortisation and impairment						
As at 1 January 2017	(827)	(1,169)	(44)	(96)	(40)	(2,176)
Disposals	-	1,131	37	15	36	1,219
Amortisation charge	-	(201)	(2)	(6)	(5)	(214)
Impairment charge	-	(2)	-	-	-	(2)
Exchange and other movements	8	(5)	-	-	(3)	-
As at 31 December 2017	(819)	(246)	(9)	(87)	(12)	(1,173)
Net book value	3,413	60	-	15	10	3,498

	Goodwill	Internally generated software	Other software	Customer lists	Licences and other	Total
	£m	£m	£m	£m	£m	£m
The Group						
Cost						
As at 1 January 2016	5,603	4,112	542	1,665	703	12,625
Additions and disposals	(125)	446	(51)	59	78	407
Exchange and other movements	(681)	(136)	(341)	(16)	(230)	(1,404)
As at 31 December 2016	4,797	4,422	150	1,708	551	11,628
Accumulated amortisation and impairment						
As at 1 January 2016	(998)	(1,634)	(212)	(1,081)	(478)	(4,403)
Disposals	77	235	38	14	12	376
Amortisation charge	-	(463)	(39)	(129)	(29)	(660)
Impairment charge	-	(74)	(1)	-	(1)	(76)
Exchange and other movements	(9)	270	105	(36)	153	483
As at 31 December 2016	(930)	(1,666)	(109)	(1,232)	(343)	(4,280)
Net book value	3,867	2,756	41	476	208	7,348
The Bank						
Cost						
As at 1 January 2016	4,214	2,568	333	114	134	7,363
Additions and disposals	-	708	(6)	-	(7)	695
Exchange and other movements	26	75	(268)	2	(66)	(231)
As at 31 December 2016	4,240	3,351	59	116	61	7,827
Accumulated amortisation and impairment						
As at 1 January 2016	(817)	(959)	(95)	(87)	(65)	(2,023)
Disposals	-	45	-	-	-	45
Amortisation charge	-	(275)	(2)	(7)	(5)	(289)
Impairment charge	-	(11)	(1)	-	(1)	(13)
Exchange and other movements	(10)	31	54	(2)	31	104
As at 31 December 2016	(827)	(1,169)	(44)	(96)	(40)	(2,176)
Net book value	3,413	2,182	15	20	21	5,651

Goodwill
Goodwill is allocated to business operations according to business segments as follows:

	The Group		The Bank	
	2017	2016	**2017**	2016
	£m	£m	**£m**	£m
Barclays UK	**3,525**	3,526	**3,318**	3,318
Barclays International	**325**	341	**95**	95
Total net book value of goodwill	**3,850**	3,867	**3,413**	3,413

Goodwill
Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. Determining both the expected pre-tax cash flows and the risk adjusted interest rate appropriate to the operating unit requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

Other intangible assets
Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

23 Goodwill and intangible assets continued

Impairment testing of goodwill

During 2017, the Group recognised an impairment charge of £nil (2016: £nil).

Key assumptions

The key assumptions used for impairment testing are set out below for each significant goodwill balance. Other goodwill of £720m (2016: £737m) was allocated to multiple CGUs which are not considered individually significant.

Barclays UK

Goodwill relating to Woolwich in Personal Banking and Business Banking was £3,130m (2016: £3,130m) of the total Barclays UK balance. The carrying value of the CGU has been determined by using net asset value. The recoverable amount of the CGU, calculated as value in use, has been determined using cash flow predictions based on financial budgets approved by management and covering a five-year period, with a terminal growth rate of 2.0% (2016: 2.0%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 13.9% (2016: 14.6%). Based on these assumptions, the recoverable amount exceeded the carrying amount including goodwill by £5,262m (2016: £4,130m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £1,128m (2016: £988m) and £734m (2016: £615m) respectively. A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £1,409m (2016: £1,293m).

The increase in headroom in 2017 reflects changes in discount rate and future cash flow projections.

24 Operating leases

Accounting for operating leases

The Group applies IAS 17 *Leases,* for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group holds the leased assets on-balance sheet within property, plant and equipment.

Where the Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Operating lease receivables

The Group acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The future minimum lease payments expected to be received under non-cancellable operating leases was £nil (2016: £nil).

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable.

Operating lease rentals of £283m (2016: £560m) have been included in administration and general expenses.

The future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	The Group				The Bank			
	2017		2016		2017		2016	
	Property	Equipment	Property	Equipment	Property	Equipment	Property	Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Not more than one year	**203**	**-**	364	-	**118**	**-**	205	-
Over one year but not more than five years	**476**	**9**	974	23	**325**	**9**	619	23
Over five years	**619**	**-**	1,520	-	**153**	**-**	787	-
Total	**1,298**	**9**	2,858	23	**596**	**9**	1,611	23

Total future minimum sublease payments to be received under non-cancellable subleases was £45m (2016: £2m) for The Group and £nil (2016: £nil) for The Bank.

Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

25 Accruals, deferred income and other liabilities

	The Group		The Bank	
	2017	2016	2017	2016[a]
	£m	£m	£m	£m
Accruals and deferred income	3,147	3,690	1,758	2,006
Other creditors	5,235	5,203	5,127	5,846
Obligations under finance leases (refer to Note 20)	3	6	-	1
Insurance contract liabilities, including unit-linked liabilities	31	52	-	-
Accruals, deferred income and other liabilities	**8,416**	**8,951**	**6,885**	**7,853**

Note
a Comparatives for The Bank have been restated to more accurately reflect the classification of certain intra-group funding arrangements. Refer to Note 1 for further details

26 Provisions

Critical accounting estimates and judgements

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage.

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level. See below for information on payment protection redress and Note 28 for more detail of legal, competition and regulatory matters.

Accounting for provisions

The Group applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

				Conduct redress				
	Onerous contracts	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided	Payment Protection Insurance	Other customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
As at 1 January 2017	211	170	67	1,979	712	455	315	3,909
Additions	67	100	73	709	369	398	174	1,890
Amounts utilised	(92)	(92)	(1)	(1,094)	(345)	(341)	(93)	(2,058)
Unused amounts reversed	(21)	(71)	(60)	-	(83)	(55)	(27)	(317)
Exchange and other movements	(22)	(1)	-	12	(14)	(22)	(75)	(122)
As at 31 December 2017	143	106	79	1,606	639	435	294	3,302
The Bank								
As at 1 January 2017	167	144	68	1,924	608	364	240	3,515
Additions	41	77	73	691	352	392	169	1,795
Amounts utilised	(72)	(71)	(2)	(1,053)	(298)	(313)	(88)	(1,897)
Unused amounts reversed	(9)	(59)	(60)	-	(77)	(40)	(23)	(268)
Exchange and other movements	(19)	2	-	(22)	5	(15)	(68)	(117)
As at 31 December 2017	108	93	79	1,540	590	388	230	3,028

26 Provisions continued

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2017 were £2,242m (2016: £2,001m) and for The Bank were £2,047m (2016: £1,760m).

Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts net of any expected benefits to be received.

Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Undrawn contractually committed facilities and guarantees

Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of Barclays' business activities. Provisions for other customer redress include £211m (2016: £264m) in respect of historic pricing practices associated with Foreign Exchange transactions for certain customers between 2005 and 2012 and smaller provisions across the retail and corporate businesses which are likely to be utilised in the next 12 months. Included within provisions for UK customer redress on the face of the consolidated income statement is PPI, material additions in respect of historic pricing practices associated with Foreign Exchange transactions for certain customers between 2005 and 2012, and Packaged Bank Accounts.

Legal, competition and regulatory matters

The Group is engaged in various legal proceedings, both in the UK and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, please refer to Note 28.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Payment Protection Insurance Redress

As at 31 December 2017, Barclays had recognised cumulative provisions totalling £9.2bn (2016: £8.4bn) against the cost of Payment Protection Insurance (PPI) redress and associated processing costs with utilisation of £7.6bn (2016: £6.4bn), leaving a residual provision of £1.6bn (2016: £2.0bn).

Through to 31 December 2017, 2.1m (2016: 1.8m) customer initiated claims[a] had been received and processed. The volume of claims received during 2017 increased 16% from 2016. This increase may have been impacted by a FCA advertising campaign launched in H2 2017.

The current provision reflects the estimated costs of PPI redress primarily relating to customer initiated complaints and ongoing remediation programmes, based on information at year end. This also includes liabilities managed by third parties arising from portfolios previously sold where Barclays remains liable, based on information at year end.

As at 31 December 2017, the provision of £1.6bn represents Barclays' best estimate of expected PPI redress reflecting the complaints deadline implemented by the FCA of 29 August 2019. However, it is possible the eventual outcome may differ from the current estimate. We will continue to review the adequacy of provision level in respect of the future impacts.

The PPI provision is calculated using a number of key assumptions which continue to involve significant modelling and management judgement:

- Customer initiated claim volumes – claims received but not yet processed plus an estimate of future claims initiated by customers, where the volume is anticipated to cease after the PPI deadline.
- Average claim redress – the expected average payment to customers for upheld claims based on the type and age of the policy/policies.
- Processing cost per claim – the cost to Barclays of assessing and processing each valid claim.

These assumptions remain subjective, mainly due to the uncertainty associated with future claims levels, which include complaints driven by CMC activity and the FCA advertising campaign.

The following table details actual data through to 31 December 2017, key forecast assumptions used in the provision calculation and a sensitivity analysis illustrating the impact on the provision if the future expected assumptions prove too high or too low.

26 Provisions continued

Assumption	Cumulative actual to 31.12.17	Future expected	Sensitivity analysis increase/decrease in provision
Customer initiated claims received and processed (thousands)[a]	2,130	570	50k=£104m
Average uphold rate per claim (%)[b]	87	87	1%=£11m
Average redress per valid claim (£)[c]	2,036	1,989	£100=£50m

Notes
a Total claims received directly by Barclays to date, including those received via claims management companies but excluding those for which no PPI policy exists and excluding responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 50,000 increase or decrease in the number of customer initiated claims would have on the provision level.
b Average uphold rate per customer initiated claims received directly by Barclays and proactive mailings, excluding those for which no PPI policy exists. The sensitivity analysis has been calculated to show the impact a 1% change in the average uphold rate per claim would have on the provision level.
c Average redress stated on a per policy basis for future customer initiated complaints received directly by Barclays. The sensitivity analysis has been calculated to show the impact a £100 increase or decrease in the average redress per claim would have on the provision level.

27 Contingent liabilities and commitments

Accounting for contingent liabilities
Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on-balance sheet:

	The Group		The Bank	
	2017 £m	2016 £m	2017 £m	2016 £m
Guarantees and letters of credit pledged as collateral security	14,275	15,303	22,680	22,138
Performance guarantees, acceptances and endorsements	4,737	4,636	4,737	4,624
Total contingent liabilities	**19,012**	19,939	**27,417**	26,762
Documentary credits and other short-term trade related transactions	812	1,005	812	979
Standby facilities, credit lines and other commitments	314,761	302,681	252,109	240,112
Total commitments	**315,573**	303,686	**252,921**	241,091

The Financial Services Compensation Scheme
The Financial Services Compensation Scheme (the FSCS) is the UK's government-backed compensation scheme for customers of authorised institutions that are unable to pay claims. The compensation paid out to customers is funded through loan facilities provided by HM Treasury to the FSCS which at 31 December 2017 stood at approximately £4.7bn (2016: £15.7bn). During 2017, the HM Treasury loan facility has reduced by the Bradford and Bingley repayment of £10.9bn, following the sale from UK Asset Resolution.

Barclays' liability is restricted to the proportionate outstanding amount that the FSCS is unable to repay to Treasury. The FSCS levy on UK licensed deposit taking institutions has been recognised in 2017. Barclays has included an accrual of £2.7m in other liabilities as at 31 December 2017 (2016: £55m) in respect of the Barclays portion of the Interest Levy.

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 28.

28 Legal, competition and regulatory matters

Barclays PLC, Barclays Bank PLC and the Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact on Barclays PLC, Barclays Bank PLC and the Group of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances. The recognition of provisions in relation to such matters involves critical accounting estimates and judgments in accordance with the relevant accounting policies as described in Note 26. The Group has not disclosed an estimate of the potential financial effect on the Group of contingent liabilities where it is not currently practicable to do so.

Investigations into certain advisory services agreements and other matters and civil action
The UK Serious Fraud Office (SFO), the Financial Conduct Authority (FCA), the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) have been conducting investigations into certain advisory services agreements entered into by Barclays Bank PLC.

28 Legal, competition and regulatory matters continued

Background Information

Barclays Bank PLC entered into two advisory services agreements with Qatar Holding LLC (Qatar Holding) in June and October 2008 (the Agreements). The FCA commenced an investigation into whether the Agreements may have related to Barclays PLC's capital raisings in June and November 2008 (the Capital Raisings). The existence of the June 2008 advisory services agreement was disclosed, but the entry into the advisory services agreement in October 2008 and the fees payable under the Agreements, which amounted to a total of £322m payable over a period of five years, were not disclosed in the announcements or public documents relating to the Capital Raisings. The SFO also commenced an investigation into the Agreements and into a $3bn loan (the Loan) provided by Barclays Bank PLC in November 2008 to the State of Qatar.

SFO Proceedings

In June 2017, the SFO charged Barclays PLC with two offences of conspiring with certain former senior officers and employees of Barclays to commit fraud by false representations relating to the Agreements and one offence of unlawful financial assistance contrary to section 151 of the Companies Act 1985 in relation to the Loan. In February 2018, the SFO also charged Barclays Bank PLC with the same offence in respect of the Loan. Barclays PLC and Barclays Bank PLC intend to defend the respective charges brought against them (the Charges). The trial of the Charges has been scheduled to begin in January 2019.

FCA Proceedings and other investigations

In September 2013, the FCA issued warning notices (the Notices) finding that, while Barclays PLC and Barclays Bank PLC believed at the time of the execution of the Agreements that there should be at least some unspecified and undetermined value to be derived from them, the primary purpose of the Agreements was not to obtain advisory services but to make additional payments, which would not be disclosed, for the Qatari participation in the Capital Raisings. The Notices concluded that Barclays PLC and Barclays Bank PLC were in breach of certain disclosure-related listing rules and Barclays PLC was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the Company's shares). In this regard, the FCA considers that Barclays PLC and Barclays Bank PLC acted recklessly. The financial penalty provided in the Notices against the Group is £50m. Barclays PLC and Barclays Bank PLC continue to contest the findings. The FCA action has been stayed due to the SFO proceedings.

In addition, the DOJ and the SEC have been conducting investigations relating to the Agreements.

Civil Action

In January 2016, PCP Capital Partners LLP and PCP International Finance Limited (PCP) served a claim on Barclays Bank PLC seeking damages of £721.4m plus interest and costs for fraudulent misrepresentation and deceit, arising from alleged statements made by Barclays Bank PLC to PCP in relation to the terms on which securities were to be issued to potential investors, allegedly including PCP, in the November 2008 capital raising. Following amendment of their claim in November 2017, PCP now seeks damages of up to £1,477m (plus interest from November 2017) and costs. Barclays Bank PLC is defending the claim and trial is scheduled to commence in October 2019.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period. PCP has made a claim against Barclays Bank PLC for damages of up to £1,477m plus interest and costs. This amount does not necessarily reflect Barclays Bank PLC's potential financial exposure if a ruling were to be made against it in that matter.

Investigations into certain business relationships

In 2012, the DOJ and SEC commenced investigations in relation to whether certain relationships with third parties who assist Barclays PLC to win or retain business are compliant with the US Foreign Corrupt Practices Act. Various regulators in other jurisdictions are also being briefed on the investigations. Separately, the Group is cooperating with the DOJ and SEC in relation to an investigation into certain of its hiring practices in Asia and elsewhere and is keeping certain regulators in other jurisdictions informed.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigations relating to whistleblowing systems and controls

The FCA and PRA are conducting investigations in relation to the Group Chief Executive Officer (CEO) and Barclays Bank PLC in connection with certain whistleblowing issues.

Background Information

In April 2017, the FCA and Prudential Regulation Authority (PRA) commenced investigations into the CEO as to his individual conduct and senior manager responsibilities relating to Barclays' whistleblowing programme and to his attempt in 2016 to identify the author of a letter that was treated by Barclays Bank PLC as a whistleblow; and Barclays Bank PLC, as to its responsibilities relating to the attempt by the CEO to identify the author of the letter, as well as Barclays' systems and controls and culture relating to whistleblowing.

The attempt to identify the author of the letter first came to the attention of the Barclays PLC Board (Board) early in 2017. The Board instructed an external law firm to conduct a focussed investigation into the matter and also notified the FCA and PRA and other relevant authorities. The investigation found, and the Board concluded, that the CEO honestly, but mistakenly, believed that it was permissible to identify the author. However, the Board concluded that the CEO made an error in becoming involved with, and not applying appropriate governance around the matter, and in taking action to attempt to identify the author of the letter.

Barclays and the CEO are cooperating fully with the FCA and PRA investigations. Barclays is also providing information to, and cooperating with, authorities in the US with respect to these matters.

28 Legal, competition and regulatory matters continued

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigations relating to retail structured deposits and capital protected structured notes

The FCA is conducting enforcement investigations in relation to certain structured deposits and notes provided by Barclays in the past.

Background Information

In 2015, the FCA commenced an enforcement investigation relating to the design, manufacture and sale of structured deposits by Barclays from November 2009. The investigation is at an advanced stage. In January 2018, the FCA also commenced an enforcement investigation relating to the design, manufacture and sale of capital protected structured notes by Barclays from June 2008 to July 2014.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigation into collections and recoveries relating to unsecured lending

In February 2018, the FCA commenced an enforcement investigation in relation to whether or not Barclays Bank PLC, from July 2015, implemented effective systems and controls with respect to collections and recoveries and whether or not it paid due consideration to the interests of customers in default and arrears.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the investigation on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigation into Americas Wealth & Investment Management advisory business

The SEC has carried out an investigation into certain practices in Barclays' former Wealth Americas investment advisory business relating to certain due diligence failures, fee and billing practices and mutual fund fee waivers and related disclosures. In May 2017, the SEC announced a settlement pursuant to which Barclays Capital Inc. (BCI) agreed to resolve this matter for USD97m, consisting of a penalty of USD30m paid to the SEC and USD67m paid to the clients, in remediation and disgorgement.

Investigation into suspected money laundering related to foreign exchange transactions in South African operation

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, which was a subsidiary of Barclays at the relevant time, identified potentially fraudulent activity by certain of its customers using advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group conducted a review of relevant activity, processes, systems and controls. The Group is continuing to provide information to relevant authorities as part of the Group's ongoing cooperation.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigations into LIBOR and other benchmarks

Regulators and law enforcement agencies, including certain competition authorities, from a number of governments have been conducting investigations relating to Barclays Bank PLC's involvement in manipulating certain financial benchmarks, such as LIBOR and EURIBOR.

Background Information

In 2012, Barclays Bank PLC announced that it had reached settlements with the Financial Services Authority (FSA) (as predecessor to the FCA), the US Commodity Futures Trading Commission (CFTC) and the DOJ in relation to their investigations concerning certain benchmark interest rate submissions, and Barclays Bank PLC paid total penalties of £290m. The settlement with the DOJ was made by entry into a Non-Prosecution Agreement (NPA) which has now expired. Barclays PLC, Barclays Bank PLC and BCI have reached settlements with certain other regulators and law enforcement agencies. Barclays Bank PLC continues to respond to requests for information from the SFO in relation to its ongoing LIBOR investigation, including in respect of Barclays Bank PLC. The investigation by the prosecutor's office in Trani, Italy also remains pending.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

LIBOR and other benchmark civil actions

A number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to LIBOR and/or other benchmarks.

Background Information

Following settlement of the investigations referred to above in 'Investigations into LIBOR and other Benchmarks' various individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group. While certain cases have been dismissed or settled subject to approval from the court (and in the case of class actions, the right of class members to opt out of the settlement and to seek to file their own claims), other actions remain pending and their ultimate impact is unclear.

28 Legal, competition and regulatory matters continued

USD LIBOR Cases in MDL Court

The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes before a single judge in the US District Court in the Southern District of New York (SDNY) (MDL Court).

The complaints are substantially similar and allege, amongst other things, that Barclays Bank PLC and the other banks individually and collectively violated provisions of the US Sherman Antitrust Act (Antitrust Act), the US Commodity Exchange Act (CEA), the US Racketeer Influenced and Corrupt Organizations Act (RICO) and various state laws by manipulating USD LIBOR rates.

The proposed class actions purported to be brought on behalf of (amongst others) plaintiffs that (i) engaged in USD LIBOR-linked over-the-counter transactions (OTC Class); (ii) purchased USD LIBOR-linked financial instruments on an exchange (Exchange-Based Class); (iii) purchased USD LIBOR-linked debt securities (Debt Securities Class); (iv) purchased adjustable-rate mortgages linked to USD LIBOR (Homeowner Class); or (v) issued loans linked to USD LIBOR (Lender Class).

The lawsuits seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of $1.25bn in actual damages against all defendants, including Barclays Bank PLC, plus punitive damages. Some of the lawsuits also seek trebling of damages under the Antitrust Act and RICO.

Between 2013 and 2016, the MDL Court issued a series of decisions effectively dismissing the majority of claims, including antitrust claims, against Barclays Bank PLC and other foreign defendants in both class actions and individual actions. In May 2016, the appeal court reversed the MDL Court's decision and remanded the antitrust claims to the MDL Court for further consideration. Following further consideration, the MDL Court dismissed the majority of antitrust claims against foreign defendants, including Barclays Bank PLC, for lack of personal jurisdiction. Plaintiffs in a number of individual actions and class actions are appealing the MDL Court's personal jurisdiction ruling.

In 2014, the MDL Court granted preliminary approval for the settlement of the Exchange-Based Class claims for $20m, of which $5m was paid in October 2014 and the remaining $15m in September 2017. The settlement remains subject to court approval and the right of class members to opt out of the settlement and to seek to file their own claims.

In 2015, the OTC Class claims were settled for $120m which was paid in 2017. The settlement remains subject to final approval.

In November 2016, $7.1m was paid in settlement of the Debt Securities Class claims. The settlement has been preliminarily approved by the court but remains subject to final approval and the right of class members to opt out of the settlement and seek to file their own claims.

EURIBOR Case in the SDNY

In 2015, $94m was paid in settlement of a EURIBOR-related class action. The settlement has been preliminarily approved by the court but remains subject to final approval and the right of class members to opt out of the settlement and to seek to file their own claims.

Additional USD LIBOR Case in the SDNY

In 2015, an individual action against Barclays Bank PLC and other panel bank defendants was dismissed by the SDNY. The plaintiff alleged that the panel bank defendants conspired to increase USD LIBOR, which caused the value of bonds pledged as collateral for a loan to decrease, ultimately resulting in the sale of the bonds at a low point in the market. The plaintiff's motion to file a further amended complaint is pending.

Sterling LIBOR Case in SDNY

In 2015, a putative class action was filed in the SDNY against Barclays Bank PLC and other Sterling LIBOR panel banks by a plaintiff involved in exchange-traded and over-the-counter derivatives that were linked to Sterling LIBOR. The complaint alleges, among other things, that defendants manipulated the Sterling LIBOR rate between 2005 and 2010 and, in so doing, committed CEA, Antitrust Act, and RICO violations. In early 2016, this class action was consolidated with an additional putative class action making similar allegations against Barclays Bank PLC and BCI and other Sterling LIBOR panel banks. Defendants have filed a motion to dismiss.

Japanese Yen LIBOR Cases in SDNY

In 2012, a putative class action was filed in the SDNY against Barclays Bank PLC and other Japanese Yen LIBOR panel banks by a plaintiff involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (Euroyen TIBOR) panel, of which Barclays Bank PLC is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and Antitrust Act between 2006 and 2010. In 2014, the court dismissed the plaintiff's antitrust claims in full, but the plaintiff's CEA claims remain pending. Discovery is ongoing.

In March 2017, a second putative class action concerning Yen LIBOR filed in the SDNY against Barclays PLC, Barclays Bank PLC and BCI was dismissed in full. The complaint makes similar allegations to the 2012 class action. Plaintiffs have appealed the dismissal.

SIBOR/SOR Case in the SDNY

A putative class action filed in the SDNY against Barclays PLC, Barclays Bank PLC, BCI, and other defendants, alleging manipulation of the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR) was dismissed by the court in relation to claims against Barclays for failure to state a claim. Plaintiffs amended their complaint in September 2017, and defendants have filed a motion to dismiss.

Non-US Benchmarks Cases

In addition to US actions, legal proceedings have been brought or threatened against the Group in connection with alleged manipulation of LIBOR and EURIBOR and other benchmarks in a number of jurisdictions in Europe and Argentina. Additional proceedings in non-US jurisdictions may be brought in the future.

28 Legal, competition and regulatory matters continued

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Foreign Exchange investigations

Various regulatory and enforcement authorities across multiple jurisdictions have been investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading.

Background Information

In 2015 the Group reached settlements with the CFTC, the DOJ, the New York State Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (Federal Reserve) and the FCA (together, the 2015 Resolving Authorities) in relation to investigations into certain sales and trading practices in the Foreign Exchange market. In connection with these settlements, the Group paid total penalties of approximately $2.38bn and agreed to undertake certain remedial actions.

Under the plea agreement with the DOJ, in addition to a criminal fine, Barclays PLC agreed to a term of probation of three years during which Barclays PLC must, amongst other things, (i) commit no crime whatsoever in violation of the federal laws of the US, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement, (iii) report credible evidence of criminal violations of US antitrust or fraud laws to the relevant US authority, and (iv) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. In January 2017, the US District Court for the District of Connecticut accepted the plea agreement and in accordance with the agreement sentenced Barclays PLC to pay $650m as a fine and $60m for violating the NPA (which amounts are part of the $2.38bn referred to above) and to serve three years of probation from the date of the sentencing order. The Group also continues to provide relevant information to certain of the 2015 Resolving Authorities.

The full text of the DOJ plea agreement, the orders of the CFTC, NYDFS and Federal Reserve, and the Final Notice issued by the FCA related to the settlements referred to above are publicly available on the 2015 Resolving Authorities' respective websites.

The European Commission is one of several authorities conducting an investigation into certain trading practices in the Foreign Exchange market.

The DOJ is also conducting an investigation into conduct relating to certain trading activities in connection with certain transactions during 2011 and 2012. Barclays is providing information to the DOJ and other relevant authorities reviewing this conduct. In January 2018, a Barclays employee currently under suspension was indicted in US federal court in connection with this matter.

In February 2017 the South African Competition Commission (SACC) referred Barclays Bank PLC, BCI and Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, which at the relevant time was a subsidiary of Barclays Bank PLC, among other banks, to the Competition Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of South African Rand. Barclays was the first to bring the conduct to the attention of the SACC under its leniency programme. The SACC is therefore not seeking an order from the Tribunal to impose any fine on Barclays Bank PLC, BCI or Absa Bank Limited.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, and a provision of £240m recognised in Q4 2017, it is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect they might have on the Group's operating results, cash flows or financial position in any particular period.

Civil actions in respect of Foreign Exchange

A number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to Foreign Exchange.

Background Information

Following settlement of certain investigations referred to above in 'Foreign Exchange Investigations' a number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to Foreign Exchange or may do so in future. Certain of these cases have been dismissed or have been settled subject to final approval from the relevant court (and in the case of class actions, the right of class members to opt out of the settlement and to seek to file their own claims).

Consolidated FX Action

In 2014, a number of civil actions filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the Antitrust Act and New York state law and naming several international banks as defendants, including Barclays Bank PLC, were combined into a single consolidated action (Consolidated FX Action). In 2015, Barclays Bank PLC and BCI settled the Consolidated FX Action and paid $384m. Certain class members have opted out of the settlement to seek to file their own claims. The settlement is also subject to final court approval.

ERISA FX Action

Since 2015, several civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs purporting to allege different legal theories of injury (other than those alleged in the Consolidated FX Action) related to alleged manipulation of Foreign Exchange rates, including claims under the US Employee Retirement Income Security Act (ERISA) statute (ERISA Claims), and naming several international banks as defendants, including Barclays PLC, Barclays Bank PLC and BCI. The Court has dismissed the ERISA Claims, and the plaintiffs have appealed this decision.

28 Legal, competition and regulatory matters continued

Retail Basis Action
A putative action was filed in the Northern District of California (and subsequently transferred to the SDNY) against several international banks, including Barclays PLC and BCI, on behalf of a putative class of individuals that exchanged currencies on a retail basis at bank branches (Retail Basis Claims). The Court has ruled that the Retail Basis Claims are not covered by the settlement agreement in the Consolidated FX Action. The Court subsequently dismissed all Retail Basis Claims against Barclays and all other defendants. Plaintiffs amended their complaint and defendants (including Barclays) have moved to dismiss the amended complaint.

Last Look Actions
In 2015, two putative class actions were filed in the SDNY on behalf of proposed classes of plaintiffs alleging injuries based on Barclays' purported improper rejection of customer trades through Barclays Last Look functionality in Barclays' FX e-trading platforms In 2016, Barclays Bank PLC and BCI paid $50m and settled one of the actions on a class-wide basis. (The other action was voluntarily dismissed.) The deadline for opting out of the class has expired (a small number of class members have opted out), and the Court has granted final approval of the settlement.

State Law FX Action
In 2016, a putative class action was filed in the SDNY under federal, New York and California law on behalf of proposed classes of stockholders of Exchange Traded Funds and others who supposedly were indirect investors in FX Instruments. The defendants (including Barclays) moved to dismiss the action. Plaintiffs' counsel then amended the complaint to bring claims on behalf of a proposed class of investors under federal and various state laws who traded FX Instruments through FX dealers or brokers not alleged to have manipulated Foreign Exchange Rates. A different group of plaintiffs subsequently filed another action based on the same theories and asserted substantively similar claims. These two actions have been consolidated and a consolidated complaint was filed in June 2017. Defendants (including Barclays) have moved to dismiss the action.

Canadian FX Action
Civil actions similar to the Consolidated FX Action have been filed in Canadian courts on behalf of proposed classes of plaintiffs containing similar factual allegations of manipulation of Foreign Exchange rates and of damages resulting from such manipulation, in violation of Canadian law. The parties' settlement for $14.8m has been approved by the court.

Claimed Amounts/Financial Impact
Aside from the settlements discussed above, it is not currently practicable to provide an estimate of any further financial impact of the actions described above on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Civil actions in respect of ISDAFIX
In 2014, a number of ISDAFIX related civil actions were filed in the SDNY on behalf of proposed class of plaintiffs, alleging that Barclays Bank PLC, a number of other banks and one broker violated the Antitrust Act and several state laws by engaging in a conspiracy to manipulate the USD ISDAFIX. In 2016, Barclays Bank PLC and BCI entered into a settlement agreement with plaintiffs to resolve the consolidated action and paid $30m, fully resolving all ISDAFIX-related claims that were or could have been brought by the class. The court has preliminarily approved the settlement, which remains subject to final approval and to the right of class members to opt out of the settlement and to seek to file their own claims.

Claimed Amounts/Financial Impact
The principal financial impact of the actions described on the Group is reflected in the settlement described above.

Metals investigations
Barclays Bank PLC has provided information to the DOJ, the CFTC and other authorities in connection with investigations into metals and metals-based financial instruments.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Civil actions in respect of the gold and silver fix
Various civil actions have been filed against Barclays Bank PLC and others alleging manipulation of the prices of gold and silver.

Background Information
A number of civil complaints, each on behalf of a proposed class of plaintiffs, have been consolidated and transferred to the SDNY. The complaints allege that Barclays Bank PLC and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of the CEA, the Antitrust Act, and state antitrust and consumer protection laws. Also in the US, a proposed class of plaintiffs has filed a complaint against a number of banks, including Barclays Bank PLC, BCI and Barclays Capital Services Ltd., alleging manipulation of the price of silver in violation of the CEA and antitrust laws. Defendants have moved to dismiss these actions.

Civil actions have also been filed in Canadian courts against Barclays PLC, Barclays Bank PLC, Barclays Capital Canada Inc., BCI and Barclays Capital PLC on behalf of proposed classes of plaintiffs alleging manipulation of gold and silver prices in violation of Canadian law.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

28 Legal, competition and regulatory matters continued

US residential and commercial mortgage-related activity and litigation

There have been various investigations and civil litigation relating to secondary market trading of US residential mortgage-backed securities (RMBS) and US commercial mortgage-backed securities (CMBS).

Background Information

The Group's activities within the US residential mortgage sector during the period from 2005 through 2008 included:

- sponsoring and underwriting of approximately $39bn of private-label securitisations;
- economic underwriting exposure of approximately $34bn for other private-label securitisations;
- sales of approximately $0.2bn of loans to government sponsored enterprises (GSEs);
- sales of approximately $3bn of loans to others; and
- sales of approximately $19.4bn of loans (net of approximately $500m of loans sold during this period and subsequently repurchased) that were originated and sold to third parties by mortgage originator affiliates of an entity that the Group acquired in 2007 (Acquired Subsidiary).

DOJ Civil Action

In December 2016, the DOJ filed a civil complaint against Barclays Bank PLC, Barclays PLC, BCI, Barclays Group US Inc., Barclays US LLC, BCAP LLC, Securitized Asset Backed Receivables LLC and Sutton Funding LLC, as well as two former employees, in the US District Court in the Eastern District of New York (EDNY) containing a number of allegations, including mail and wire fraud, relating to mortgage-backed securities sold between 2005 and 2007. The DOJ complaint seeks, amongst other relief, unspecified monetary penalties. Barclays is defending the complaint and has filed a motion to dismiss.

RMBS Repurchase Requests

The Group was the sole provider of various loan-level representations and warranties (R&Ws) with respect to:

- approximately $5bn of Group sponsored securitisations;
- approximately $0.2bn of sales of loans to GSEs; and
- approximately $3bn of loans sold to others.

In addition, the Acquired Subsidiary provided R&Ws on all of the $19.4bn of loans it sold to third parties.

R&Ws on the remaining Group sponsored securitisations were primarily provided by third-party originators directly to the securitisation trusts with a Group subsidiary, such as the depositor for the securitisation, providing more limited R&Ws. There are no stated expiration provisions applicable to most R&Ws made by the Group, the Acquired Subsidiary or these third parties.

Under certain circumstances, the Group and/or the Acquired Subsidiary may be required to repurchase the related loans or make other payments related to such loans if the R&Ws are breached.

The unresolved repurchase requests received on or before 31 December 2017 associated with all R&Ws made by the Group or the Acquired Subsidiary on loans sold to GSEs and others and private-label activities had an original unpaid principal balance of approximately $2.1bn at the time of such sale.

The unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain RMBS securitisations in which the trustees allege that the Group and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. Such trustees and other parties making repurchase requests have also alleged that the operative R&Ws may have been violated with respect to a greater (but unspecified) amount of loans than the amount of loans previously stated in specific repurchase requests made by such trustees. Cumulative realised losses reported at 31 December 2017 on loans covered by R&Ws made by the Group or the Acquired Subsidiary are approximately $1.3bn. This litigation is ongoing.

In addition, the Acquired Subsidiary is subject to a more advanced civil action seeking, among other things, indemnification for losses allegedly suffered by a loan purchaser as a result of alleged breaches of R&Ws provided by the Acquired Subsidiary in connection with loan sales to the purchaser during the period 1997 to 2007. This litigation is ongoing.

RMBS Securities Claims

As a result of some of the RMBS activities described above, the Group has been party to a number of lawsuits filed by purchasers of RMBS sponsored and/or underwritten by the Group between 2005 and 2008. As a general matter, these lawsuits alleged, among other things, that the RMBS offering materials allegedly relied on by such purchasers contained materially false and misleading statements and/or omissions and generally demanded rescission and recovery of the consideration paid for the RMBS and recovery of monetary losses arising out of their ownership. The Group has resolved the majority of these claims, and only one action currently remains pending.

Approximately $0.1bn of the original face amount of RMBS related to the remaining pending action was outstanding as at 31 December 2017. There were virtually no cumulative realised losses reported on these RMBS as at 31 December 2017. The Group does not expect that, if it were to lose the remaining pending action, any such loss to be material.

Secondary Trading Investigation

The Group has received requests for information and subpoenas from the SEC, the US Attorney's Office for the District of Connecticut and the Special Inspector General for the US Troubled Asset Relief Program related to trading practices in the secondary market for both RMBS and CMBS. A settlement was announced in May 2017 pursuant to which BCI agreed to resolve this matter for $16.56m.

28 Legal, competition and regulatory matters continued

Claimed Amounts/Financial Impact

Save for the remaining pending action described under 'RMBS Securities Claims' and the May 2017 settlement above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period. The cost of resolving these actions could individually or in aggregate prove to be substantial.

Alternative trading systems and high-frequency trading

The SEC, the New York State Attorney General (NYAG) and regulators in certain other jurisdictions have been investigating a range of issues associated with alternative trading systems (ATSs), including dark pools, and the activities of high-frequency traders.

Background Information

In 2014, the NYAG filed a complaint (NYAG Complaint) against Barclays PLC and BCI in the Supreme Court of the State of New York alleging, amongst other things, that Barclays PLC and BCI engaged in fraud and deceptive practices in connection with LX, the Group's SEC-registered ATS. In February 2016, Barclays reached separate settlement agreements with the SEC and the NYAG to resolve those agencies' claims against Barclays PLC and BCI relating to the operation of LX and paid $35m to each.

Barclays PLC and BCI have been named in a purported class action by an institutional financial services firm under California law based on allegations similar to those in the NYAG Complaint. In October 2016, the federal court in California granted the motion of Barclays PLC and BCI to dismiss the entire complaint and plaintiffs have appealed the court's decision.

Following the filing of the NYAG Complaint, Barclays PLC and BCI were also named in a putative shareholder securities class action along with certain of its former CEOs, and its current and a former CFO, as well as an employee (Shareholder Class Action). The plaintiffs claim that holders of Barclays American Depository Receipts (ADRs) suffered damages when the ADRs declined in value as a result of the allegations in the NYAG Complaint. A motion to dismiss the complaint filed by the defendants (including Barclays PLC and BCI), was granted in part and denied in part by the court. In February 2016, the court certified the action as a class action. In November 2017, the appellate court affirmed the class certification. Barclays has petitioned the appellate court to stay the action pending review by the US Supreme Court of the class certification.

Claimed Amounts/Financial Impact

The class actions seek unspecified monetary damages and injunctive relief. It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect they might have upon the Group's operating results, cash flows or financial position in any particular period.

FERC and other civil actions

The US Federal Energy Regulatory Commission (FERC) filed a civil action against Barclays Bank PLC and certain of its former traders in connection with allegations that Barclays Bank PLC manipulated the electricity markets in the Western US.

Background Information

In 2012, FERC issued an Order to Show Cause and Notice of Proposed Penalties (Order and Notice) against Barclays Bank PLC and four of its former traders asserting that Barclays Bank PLC and its former traders violated FERC's Anti-Manipulation Rule by manipulating the electricity markets in and around California from 2006 to 2008, and proposed civil penalties and profit disgorgement to be paid by Barclays Bank PLC.

In 2013, FERC filed a civil action against Barclays Bank PLC and its former traders in the US District Court in California seeking to collect a $435m civil penalty and disgorgement of $34.9m of profits, plus interest. The action was settled for $105m ($70m penalty and $35m disgorgement) which was paid in 2017.

In 2015, a civil class action complaint seeking damages of $139.3m was filed in the US District Court for the SDNY against Barclays Bank PLC by Merced Irrigation District, a California utility company, asserting antitrust allegations in connection with Barclays Bank PLC's purported manipulation of the electricity markets in and around California. The action has been settled in principle for $29m (subject to court approval and to the right of class members to opt out of the settlement and to seek to file their own claims).

Claimed Amounts/Financial Impact

Apart from the settlement amounts referred to above, Barclays does not expect the financial impact of the actions described above to be material to the Group's operating results, cash flows or financial position.

Treasury auction securities civil actions and related matters

Various civil actions have been filed against Barclays Bank PLC, BCI and other financial institutions alleging violations of anti-trust and other laws relating to the markets for US Treasury securities and Supranational, Sovereign and Agency securities. Certain governmental authorities are also conducting investigations relating to trading of certain government securities in various markets.

Background information

Numerous putative class action complaints have been filed in US Federal Court against Barclays Bank PLC, BCI and other financial institutions that have served as primary dealers in US Treasury securities. Those actions have been consolidated and in November 2017, plaintiffs in the putative class action filed a consolidated amended complaint in the US Federal Court in New York against the defendants as well as certain corporations that operate electronic trading platforms on which US Treasury securities are traded. The complaint purports to assert claims under US federal antitrust laws and state common law based on allegations that defendants (i) conspired to manipulate the US Treasury securities market and/or (ii) conspired to prevent the creation of certain platforms by boycotting or threatening to boycott such trading platforms. Defendants intend to move to dismiss the action.

In addition, certain plaintiffs have filed a related, direct action against BCI and certain other financial institutions that have served as primary dealers in US Treasury securities. This complaint alleges that defendants conspired to fix and manipulate the US Treasury securities market in violation of US federal antitrust laws, the CEA and state common law.

In 2017, Barclays PLC, Barclays Bank PLC, BCI, Barclays Services Limited, Barclays Capital Securities Limited and certain other financial institutions were named as defendants in a civil anti-trust complaint that alleges that the defendants engaged in a conspiracy to fix prices and restrain competition in the market for US dollar-denominated Supranational, Sovereign and Agency bonds from 2005 through 2015. Defendants have moved to dismiss the action.

Certain governmental authorities are conducting investigations into activities relating to the trading of certain government securities in various markets and Barclays has been providing information to various authorities on an ongoing basis.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

American Depositary Shares

Barclays PLC, Barclays Bank PLC and various former members of Barclays Bank PLC's Board of Directors have been named as defendants in a securities class action consolidated in the SDNY.

Background Information

The securities class action against Barclays PLC, Barclays Bank PLC and various former members of Barclays Bank PLC's Board of Directors alleges misstatements and omissions in offering documents for certain American Depositary Shares issued by Barclays Bank PLC in April 2008 with an original face amount of approximately $2.5bn (the April 2008 Offering). The plaintiffs assert claims under the Securities Act of 1933, alleging misstatements and omissions concerning (amongst other things) Barclays Bank PLC's portfolio of mortgage-related (including US subprime-related) securities, Barclays Bank PLC's exposure to mortgage and credit market risk, and Barclays Bank PLC's financial condition. The plaintiffs have not specifically alleged the amount of their damages. In June 2016, the SDNY certified the action as a class action. In September 2017, the SDNY granted the defendants' motion for summary judgment. Plaintiffs are appealing this decision.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

BDC Finance L.L.C.

BDC Finance L.L.C. (BDC) has filed a complaint against Barclays Bank PLC alleging breach of contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement).

Background Information

In 2008, BDC filed a complaint in the NY Supreme Court alleging that Barclays Bank PLC breached the Agreement when it failed to transfer approximately $40m of alleged excess collateral in response to BDC's 2008 demand (Demand).

BDC asserts that under the Agreement Barclays Bank PLC was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled Barclays Bank PLC to dispute the Demand before making the transfer, Barclays Bank PLC failed to dispute the Demand. BDC demands damages totalling $298m plus attorneys' fees, expenses, and pre-judgement interest. A trial on liability issues concluded in April 2017 and the court's decision is pending.

In 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued Barclays Bank PLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from Barclays Bank PLC's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. The parties agreed to stay this case.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period. BDC has made claims against the Group totalling $298m plus attorneys' fees, expenses, and pre-judgement interest. This amount does not necessarily reflect the Group's potential financial exposure if a ruling were to be made against it.

Civil actions in respect of the US Anti-Terrorism Act

Civil complaints against Barclays Bank PLC and other banks allege engagement in a conspiracy and violation of the US Anti-Terrorism Act (ATA).

Background Information

In 2015, an amended civil complaint was filed in the US Federal Court in the EDNY by a group of approximately 250 plaintiffs, alleging that Barclays Bank PLC and a number of other banks engaged in a conspiracy and violated the ATA by facilitating US dollar-denominated transactions for the Government of Iran and various Iranian banks, which in turn funded Hezbollah and other attacks that injured or killed the plaintiffs' family members. Plaintiffs seek to recover for pain, suffering and mental anguish pursuant to the provisions of the ATA, which allows for the tripling of any proven damages and attorneys' fees. Plaintiffs filed a second amended complaint in July 2016 (the Second Amended Complaint), which, among other things, added various plaintiffs, bringing the total number of plaintiffs to approximately 350. Defendants have moved to dismiss the Second Amended Complaint. In November 2017, a separate civil complaint was filed in the US Federal Court in the SDNY by a group of approximately 160 plaintiffs, alleging claims under the ATA against Barclays Bank PLC and a number of other banks substantially similar to those in the Second Amended Complaint. Defendants intend to move to dismiss this complaint.

28 Legal, competition and regulatory matters continued

In November 2016, a civil complaint was filed alleging claims under the ATA against Barclays Bank PLC (and a number of other banks) substantially similar to those in the Second Amended Complaint. In October 2017, plaintiffs voluntarily dismissed the case, without prejudice.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Interest rate swap and credit default swap US civil actions

Barclays PLC, Barclays Bank PLC, and BCI, together with other financial institutions are defendants in interest rate swap and credit default swap antitrust civil actions in the SDNY.

Background Information

Barclays PLC, Barclays Bank PLC, and BCI, together with other financial institutions that act as market makers for interest rate swaps (IRS), Trade Web, and ICAP, are named as defendants in several antitrust class actions which were consolidated in the SDNY in 2016. The complaints allege defendants conspired to prevent the development of exchanges for IRS and demand unspecified money damages, treble damages and legal fees. Plaintiffs include certain swap execution facilities, as well as buy-side investors. The buy-side investors claim to represent a class that transacted in fixed-for-floating IRS with defendants in the US from 2008 to the present, including, for example, US retirement and pension funds, municipalities, university endowments, corporations, insurance companies and investment funds. The case is in discovery. In June 2017, a separate suit was filed in the US District Court in the SDNY against the same financial institution defendants in the IRS cases, including Barclays PLC, Barclays Bank PLC, and BCI, claiming that certain conduct alleged in the IRS cases also caused plaintiff to suffer harm with respect to the Credit Default Swaps market. Defendants have moved to dismiss this action.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect they might have upon the Group's operating results, cash flows or financial position in any particular period.

CCUK Finance Limited and CIAC Corporation

In May 2017, Barclays Bank PLC was served with a civil claim by CCUK Finance Limited and CIAC Corporation issued in the English High Court alleging breach of a contractual indemnity, fraudulent misrepresentation and breach of warranty arising out of the sale of a portfolio of credit cards in 2007. Barclays Bank PLC has filed a defence and counterclaim.

Claimed Amounts/Financial Impact

The claim seeks damages of not less than £1bn plus interest and costs. The damages claimed do not necessarily reflect Barclays Bank PLC's potential financial exposure if a ruling were to be made against it. It is not currently practicable to provide an estimate of the financial impact of the action described or what effect it might have upon operating results, cash flows or the Group's financial position in any particular period.

Portuguese Competition Authority investigation

The Portuguese Competition Authority is investigating whether competition law was infringed by the exchange of information about retail credit products amongst 15 banks in Portugal, including the Group, over a period of 11 years with particular reference to mortgages, consumer lending and lending to small and medium enterprises. The Group is cooperating with the investigation.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described or what effect it might have upon operating results, cash flows or the Group's financial position in any particular period.

General

The Group is engaged in various other legal, competition and regulatory matters in the UK and US and a number of other overseas jurisdictions. It is subject to legal proceedings by and against the Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged. The Group is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

Notes to the financial statements
Capital instruments, equity and reserves

The notes included in this section focus on the Group's loan capital and shareholders' equity including issued share capital, retained earnings, other equity balances and interests of minority shareholders in our subsidiary entities (non-controlling interests). For more information on capital management and how the Group maintains sufficient capital to meet our regulatory requirements refer to page 67.

29 Subordinated liabilities

Accounting for subordinated debt

Subordinated debt is measured at amortised cost using the effective interest method under IAS 39.

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Opening balance as at 1 January	**23,871**	21,955	**23,878**	21,411
Issuances	**3,041**	1,457	**3,041**	1,457
Redemptions	**(1,378)**	(1,143)	**(1,371)**	(1,105)
Other	**(1,341)**	1,602	**(1,345)**	2,115
Total subordinated liabilities	**24,193**	23,871	**24,203**	23,878

Issuances totalling £3,041m made up of $2,000m 4.836% Fixed Rate Subordinated Callable Notes (£1,547m), €1,500m 2% Fixed Rate Subordinated Callable Notes (£1,384m) and SGD 200m 3.75% Fixed Rate Resetting Subordinated Callable Notes (£110m). Redemptions totalling £1,371m include £133m 6.375% Undated Subordinated Notes, $1,556m 6.05% Fixed Rate Subordinated Notes (£1,151m) and $117m 7.434% Step-up Callable Perpetual Reserve Capital Instruments (£87m). Other movements include a decrease of £1,345m largely due to the depreciation of period end USD against GBP.

Subordinated liabilities include accrued interest and comprise undated and dated loan capital as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Undated subordinated liabilities	**4,192**	4,495	**4,261**	4,570
Dated subordinated liabilities	**20,001**	19,376	**19,942**	19,308
Total subordinated liabilities	**24,193**	23,871	**24,203**	23,878

None of the Group's loan capital is secured.

Undated subordinated liabilities		The Group		The Bank	
		Subordinated liabilities per the balance sheet			
		2017	2016	2017	2016
	Initial call date	£m	£m	£m	£m
Barclays Bank PLC externally issued					
Tier One Notes (TONs)					
6% Callable Perpetual Core Tier One Notes	2032	**16**	17	**16**	17
6.86% Callable Perpetual Core Tier One Notes (USD 179m)	2032	**197**	232	**197**	232
Reserve Capital Instruments (RCIs)					
7.434% Step-up Callable Perpetual Reserve Capital Instruments (USD 117m)	2017	**-**	100	**-**	100
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	**36**	37	**36**	37
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	**3,142**	3,124	**3,142**	3,124
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	**52**	54	**52**	54
Undated Notes					
6.375% Undated Subordinated Notes	2017	**-**	140	**-**	140
7.7% Undated Subordinated Notes (USD 99m)	2018	**74**	84	**74**	84
8.25% Undated Subordinated Notes	2018	**144**	148	**144**	148
7.125% Undated Subordinated Notes	2020	**182**	193	**182**	193
6.125% Undated Subordinated Notes	2027	**43**	45	**43**	45
Junior Undated Floating Rate Notes (USD 38m)	Any interest payment date	**28**	31	**98**	106
Undated Floating Rate Primary Capital Notes Series 3	Any interest payment date	**21**	21	**21**	21
Bonds					
9.25% Perpetual Subordinated Bonds (ex-Woolwich Plc)	2021	**87**	91	**87**	91
9% Permanent Interest Bearing Capital Bonds	At any time	**45**	47	**45**	47
Loans					
5.03% Reverse Dual Currency Undated Subordinated Loan (JPY 8,000m)	2028	**51**	54	**51**	54
5% Reverse Dual Currency Undated Subordinated Loan (JPY 12,000m)	2028	**73**	77	**73**	77
Total undated subordinated liabilities		**4,192**	4,495	**4,261**	4,570

29 Subordinated liabilities continued

Undated loan capital

Undated loan capital is issued by the Bank and its subsidiaries for the development and expansion of their business and to strengthen their capital bases. The principal terms of the undated loan capital are described below:

Subordination

All undated loan capital ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital in the following order: Junior Undated Floating Rate Notes; other issues of Undated Notes, Bonds and Loans ranking pari passu with each other; followed by TONs and RCIs ranking pari passu with each other.

Interest

All undated loan capital bears a fixed rate of interest until the initial call date, with the exception of the 9% Bonds which are fixed for the life of the issue, and the Junior and Series 3 Undated Notes which are floating rate.

After the initial call date, in the event that they are not redeemed, the 7.125%, 6.125% Undated Notes, and the 9.25% Bonds will bear interest at rates fixed periodically in advance for five-year periods based on market rates. All other undated loan capital except the two floating rate Undated Notes will bear interest, and the two floating rate Undated Notes currently bear interest, at rates fixed periodically in advance based on London interbank rates.

Payment of interest

The Bank is not obliged to make a payment of interest on its Undated Notes, Bonds and Loans excluding the 7.7% Undated Notes, 8.25% Undated Notes and 9.25% Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months' interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the 7.7% Undated Notes and 8.25% Undated Notes. Until such time as any deferred interest has been paid in full, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares, preference shares, or other share capital or satisfy any payments of interest or coupons on certain other junior obligations.

The Bank may elect to defer any payment of interest on the RCIs. Any such deferred payment of interest must be paid on the earlier of: (i) the date of redemption of the RCIs, (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment, and (iii) in respect of the 14% RCIs only, substitution. While such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the PRA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

All undated loan capital is repayable, at the option of the Bank generally in whole at the initial call date and on any subsequent coupon or interest payment date or in the case of the 7.125%, 6.125% Undated Notes and the 9.25% Bonds on any fifth anniversary after the initial call date. In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the PRA.

Other

All issues of undated subordinated liabilities are non-convertible.

29 Subordinated liabilities continued

Dated subordinated liabilities

	Initial call date	Maturity date	The Group 2017 £m	The Group 2016 £m	The Bank 2017 £m	The Bank 2016 £m
			Subordinated liabilities per balance sheet			
Barclays Bank PLC externally issued						
6.05% Fixed Rate Subordinated Notes (USD 1,556m)		2017	**-**	1,316	**-**	1,316
Floating Rate Subordinated Notes (EUR 40m)		2018	**36**	34	**36**	34
6% Fixed Rate Subordinated Notes (EUR 1,750m)		2018	**1,643**	1,590	**1,643**	1,590
CMS-Linked Subordinated Notes (EUR 100m)		2018	**93**	90	**93**	90
CMS-Linked Subordinated Notes (EUR 135m)		2018	**124**	120	**124**	120
Fixed/Floating Rate Subordinated Callable Notes	2018	2023	**533**	548	**533**	548
7.75% Contingent Capital Notes (USD 1,000m)	2018	2023	**888**	1,004	**888**	1,004
Floating Rate Subordinated Notes (EUR 50m)		2019	**44**	42	**44**	42
5.14% Lower Tier 2 Notes (USD 1,094m)		2020	**841**	956	**841**	956
6% Fixed Rate Subordinated Notes (EUR 1,500m)		2021	**1,484**	1,444	**1,484**	1,444
9.5% Subordinated Bonds (ex-Woolwich Plc)		2021	**273**	286	**273**	286
Subordinated Floating Rate Notes (EUR 100m)		2021	**88**	85	**88**	85
10% Fixed Rate Subordinated Notes		2021	**2,261**	2,345	**2,261**	2,345
10.179% Fixed Rate Subordinated Notes (USD 1,521m)		2021	**1,118**	1,285	**1,118**	1,285
Subordinated Floating Rate Notes (EUR 50m)		2022	**44**	43	**44**	43
6.625% Fixed Rate Subordinated Notes (EUR 1,000m)		2022	**1,043**	1,042	**1,043**	1,042
7.625% Contingent Capital Notes (USD 3,000m)		2022	**2,429**	2,736	**2,429**	2,736
Subordinated Floating Rate Notes (EUR 50m)		2023	**44**	43	**44**	43
5.75% Fixed Rate Subordinated Notes		2026	**366**	384	**366**	384
5.4% Reverse Dual Currency Subordinated Loan (JPY 15,000m)		2027	**97**	103	**97**	103
6.33% Subordinated Notes		2032	**62**	64	**62**	64
Subordinated Floating Rate Notes (EUR 68m)		2040	**60**	58	**60**	58
Barclays Bank PLC issued intra-group to Barclays PLC[a]						
2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)	2020	2025	**1,118**	1,085	**1,118**	1,085
2% Fixed Rate Subordinated Callable Notes (EUR 1,500m)	2023	2028	**1,314**	-	**1,314**	-
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**945**	1,043	**945**	1,043
3.75% Fixed Rate Resetting Subordinated Callable Notes (SGD 200m)	2025	2030	**111**	-	**111**	-
5.20% Fixed Rate Subordinated Notes (USD 2,050m)		2026	**1,424**	1,562	**1,424**	1,562
4.836% Fixed Rate Subordinated Callable Notes (USD 2,000m)	2027	2028	**1,459**	-	**1,459**	-
Issuances by other subsidiaries		2018-2019	**59**	70	**-**	-
Total dated subordinated liabilities			**20,001**	19,376	**19,942**	19,308

Note

a Refer to Note 44 in the 2017 Barclays PLC Annual Report for further details on the internal loans issued intra-group from Barclays Bank PLC to Barclays PLC.

Dated loan capital

Dated loan capital is issued by the Bank and respective subsidiaries for the development and expansion of their business and to strengthen their respective capital bases. The principal terms of the dated loan capital are described below:

Subordination

All dated loan capital, both externally issued and issued intra-group to Barclays PLC, ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated loan capital and the holders of their equity. The dated loan capital issued by subsidiaries, are similarly subordinated.

Interest

Interest on the Floating Rate Notes are fixed periodically in advance, based on the related interbank or local central bank rates.

Interest on the 7.75% Contingent Capital Notes, 2.625% Fixed Rate Subordinated Callable Notes, 4.836% Fixed Rate Subordinated Notes Callable Notes, 2% Fixed Rate Subordinated Callable Notes and the 3.75% Fixed Rate Resetting Subordinated Callable Notes are fixed until the call date. After the call date, in the event that it is not redeemed, the interest rate will be re-set and fixed until maturity based on a market rate.

29 Subordinated liabilities continued

Repayment

Those Notes with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole. The remaining dated loan capital outstanding at 31 December 2017 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, to certain changes in legislation or regulations.

Any repayments prior to maturity require, in the case of the Bank, the prior approval of the PRA, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction and of the PRA in certain circumstances.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

Other

The 7.625% Contingent Capital Notes will be automatically transferred from investors to Barclays PLC (or another entity within the Group) for nil consideration in the event the Barclays PLC consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) falls below 7.0%.

The 7.75% Contingent Capital Notes will be automatically written-down and investors will lose their entire investment in the notes in the event the Barclays PLC consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) falls below 7.0%.

30 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid	Ordinary share capital £m	Preference share capital £m	Share premium £m	Total share capital and share premium £m	Other equity instruments £m
As at 1 January 2017	**2,342**	**28**	**12,092**	**14,462**	**6,486**
AT1 securities issuance	**-**	**-**	**-**	**-**	**2,496**
Other movements	**-**	**(9)**	**-**	**(9)**	**-**
As at 31 December 2017	**2,342**	**19**	**12,092**	**14,453**	**8,982**
As at 1 January 2016	2,342	38	12,092	14,472	5,350
AT1 securities issuance	-	-	-	-	1,136
Other movements	-	(10)	-	(10)	-
As at 31 December 2016	2,342	28	12,092	14,462	6,486

Ordinary shares

The issued ordinary share capital of Barclays Bank PLC, as at 31 December 2017, comprised 2,342 million ordinary shares of £1 each (2016: 2,342 million).

Ordinary share capital constitutes 60% (2016: 60%) of total share capital issued.

Preference shares

The issued preference share capital of Barclays Bank PLC, as at 31 December 2017, comprised 1,000 Sterling Preference Shares of £1 each (2016: 1,000); 31,856 Euro Preference Shares of €100 each (2016: 31,856); 58,133 US Dollar Preference Shares of $100 each (2016: 58,133); and 106 million US Dollar Preference Shares of $0.25 each (2016: 161 million). In the first quarter of 2017, 55 million US Dollar Preference Shares of $0.25 each were redeemed. In the fourth quarter of 2017, 20,930 Sterling Preference Shares of £100 each were redeemed.

Preference share capital constitutes 40% (2016: 40%) of total share capital issued.

Sterling £1 Preference Shares

1,000 Sterling cumulative callable preference shares of £1 each (the £1 Preference Shares) were issued on 31 December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive Sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the Sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if: (1) it has profits available for the purpose of distribution under the Companies Act 2006 as at each dividend payment date; and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if: (1) it is able to pay its debts to senior creditors as they fall due; and (2) its auditors have reported within the previous six months that its assets exceed its liabilities. If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

30 Ordinary shares, share premium, and other equity continued

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital.

The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act 2006 and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

Euro Preference Shares

140,000 Euro 4.75% non-cumulative callable preference shares of €100 each (the 4.75% Preference Shares) were issued on 15 March 2005 for a consideration of €1,383.3m (£966.7m), of which the nominal value was €14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of €10,000 per preference share until 15 March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 March 2020, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares

75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the 6.0% Preference Shares) were issued on 22 June 2005 for a consideration of £743.7m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15 December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares were redeemed in full on 15 December 2017.

US Dollar Preference Shares

100,000 US Dollar 6.278% non-cumulative callable preference shares of $100 each (the 6.278% Preference Shares), represented by 100,000 American Depositary Shares, Series 1, were issued on 8 June 2005 for a consideration of $995.4m (£548.1m), of which the nominal value was $10m and the balance was share premium. The 6.278% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a fixed rate of 6.278% per annum on the amount of $10,000 per preference share until 15 December 2034, and thereafter quarterly at a rate reset quarterly equal to 1.55% per annum above the London interbank offered rate for three-month US Dollar deposits.

The 6.278% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 December 2034, and on each dividend payment date thereafter at $10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

55 million US Dollar 7.1% non-cumulative callable preference shares of $0.25 each (the 7.1% Preference Shares), represented by 55 million American Depositary Shares, Series 3, were issued on 13 September 2007 for a consideration of $1,335m (£657m), of which the nominal value was $13.75m and the balance was share premium. The 7.1% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.1% per annum on the amount of $25 per preference share.

The 7.1% Preference Shares were redeemed in full on 15 March 2017.

106 million US Dollar 8.125% non-cumulative callable preference shares of $0.25 each (the 8.125% Preference Shares), represented by 106 million American Depositary Shares, Series 5, were issued on 11 April 2008 and 25 April 2008 for a total consideration of $2,650m (£1,345m), of which the nominal value was $26.5m and the balance was share premium. The 8.125% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 8.125% per annum on the amount of $25 per preference share.

The 8.125% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

No redemption or purchase of any 4.75% Preference Shares, the 6.278% Preference Shares and the 8.125% Preference Shares (together, the Preference Shares) may be made by Barclays Bank PLC without the prior approval of the UK PRA and any such redemption will be subject to the Companies Act 2006 and the Articles of Barclays Bank PLC.

30 Ordinary shares, share premium, and other equity continued

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders: (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares; (2) equally in all respects with holders of other preference shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares; and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the £13m 6% Callable Perpetual Core Tier One Notes and the $569m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the TONs) and the holders of the £35m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the £33m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments and the £3,000m 14% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the RCIs) would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of preference shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the preference shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the preference shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the preference shares).

Subject to such ranking, in such event, holders of the preference shares will be entitled to receive out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of €10,000 per 4.75% Preference Share, $10,000 per 6.278% Preference Share and $0.25 per 8.125% Preference Share, plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding-up or other such return of capital. If a dividend is not paid in full on any preference shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other preference shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of: (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend; and (2) the date on or by which all the preference shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the preference shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the preference shares, save with the sanction of a special resolution of a separate general meeting of the holders of the preference shares (requiring a majority of not less than three-fourths of the holders of the preference shares voting at the separate general meeting) or with the consent in writing of the holders of three-fourths of the preference shares.

Except as described above, the holders of the preference shares have no right to participate in the surplus assets of Barclays Bank PLC.

Other equity instruments

Other equity instruments of £8,982m (2016: £6,486m) include AT1 securities issued by Barclays Bank PLC. In 2017, there were two issuances of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with principal amounts totalling £2.5bn.

The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

31 Reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of the effects of hedging.

Available for sale reserve

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

Own credit reserve

As a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit on financial liabilities designated at fair value through profit and loss which was previously recorded in the income statement is now recognised within other comprehensive income. Amounts in the own credit reserve is not recycled to profit or loss in future periods.

Other reserves and other shareholders' equity

Other reserves relate to redeemed ordinary and preference shares issued by the Group.

Included in other shareholders' equity are capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC.

31 Reserves continued

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Currency translation reserve	3,084	3,054	719	896
Available for sale reserve	396	(22)	(19)	(131)
Cash flow hedging reserve	184	954	185	962
Own credit reserve[a]	(179)	-	(178)	-
Other reserves and other shareholders' equity	323	309	386	373
Total	3,808	4,295	1,093	2,100

Note

a As at 31 December 2017, the amount of own credit recognised in the Group's other comprehensive income was a debit balance of £179m. Upon adoption of IFRS 9, an opening debit balance of £175m was recognised, with a further £4m loss (net of tax) recorded during 2017. As at 31 December 2017, the amount of own credit recognised in the Bank's other comprehensive income was a debit balance of £178m. Upon adoption of IFRS 9, an opening debit balance of £175m was recognised, with a further £3m loss (net of tax) recorded during 2017.

32 Non-controlling interests

	Profit attributable to non-nontrolling interest		Equity attributable to non-controlling interest		Dividends paid to non-controlling interest	
	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m
Barclays Africa Group Limited	140	402	-	3,507	173	235
Other non-controlling interests	4	3	1	15	-	-
Total	144	405	1	3,522	173	235

Barclays shareholding in BAGL has reduced from 50.1% in 2016 to 14.9% in 2017. Following the disposal BAGL is not considered as a subsidiary of the Group and has been deconsolidated for accounting purposes and is accounted for as an Available For Sale asset.

The notes included in this section focus on the costs and commitments associated with employing our staff.

33 Staff costs

Accounting for staff costs

The Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the payments.

Deferred cash and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards. For past awards, the Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest. In relation to awards granted in 2017, the Group, taking into account the changing employee understanding surrounding those awards, considered it appropriate for expense to be recognised over the vesting period including the financial year prior to the grant date.

The accounting policies for share-based payments, and pensions and other post-retirement benefits are included in Note 34 and Note 35 respectively.

	2017 £m	2016 £m
Performance costs	**1,126**	1,809
Salaries	**3,000**	4,022
Social security costs	**379**	560
Post-retirement benefits	**392**	481
Allowances and trading incentives	**71**	116
Other compensation costs	**385**	266
Total compensation costs	**5,353**	7,254
Other resourcing costs		
Outsourcing	**847**	1,063
Redundancy and restructuring	**31**	339
Temporary staff costs	**181**	434
Other	**33**	121
Total other resourcing costs	**1,092**	1,957
Total staff costs	**6,445**	9,211

Notes

a Post retirement benefits charge includes £165m (2016: £235m) in respect of defined contribution schemes and £225m credit (2016: £239m credit) in respect of defined benefit schemes.

b In addition, £238m (2016: £212m) of Group compensation was capitalised as internally generated software.

34 Share-based payments

Accounting for share-based payments

The Group applies IFRS 2 *Share-based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share-based savings scheme.

34 Share-based payments continued

The charge for the year arising from share based payment schemes was as follows:

	Charge for the year	
	2017	2016
	£m	£m
Share Value Plan	**89**	398
Deferred Share Value Plan	**70**	-
Others	**83**	176
Total equity settled	**242**	574
Cash settled	**1**	-
Total share-based payments	**243**	574

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three, five or seven years. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Deferred Share Value Plan (DSVP)

The DSVP was introduced in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only. The accounting policies for employee benefits are included in Note 8.

Other schemes

In addition to the SVP and DSVP, the Group operates a number of other schemes including schemes operated by, and settled in, the shares of subsidiary undertakings, none of which is individually or in aggregate material in relation to the charge for the year or the dilutive effect of outstanding share options. Included within other schemes are Sharesave (both UK and overseas), Sharepurchase (both UK and overseas), the Barclays' Long Term Incentive Plan, the Share Incentive Award and the Executive Share Award Scheme.

Share option and award plans

The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date are as follows:

	2017				2016			
	Weighted average fair value per award granted in year	Weighted average share price at exercise/ release during year	Weighted average remaining contractual life in years	Number of options/ awards outstanding	Weighted average fair value per award granted in year	Weighted average share price at exercise/ release during year	Weighted average remaining contractual life in years	Number of options/ awards outstanding
	£	£		(000s)	£	£		(000s)
SVP[a,b]	**2.30**	**2.30**	**1**	**167,476**	1.66	1.66	1	291,464
DSVP[a,b]	**2.25**	**2.07**	**1**	**115,929**	-	-	-	-
Others[a]	**0.41-2.30**	**1.52-2.30**	**0-3**	**129,307**	0.61-1.67	1.65-1.88	0-3	180,265

SVP and DSVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently, the fair value of these awards is based on the market value at that date.

34 Share-based payments continued

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP[a,b]		DSVP[a,b]		Others[a,c]			
	Number (000s)		Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2017	2016	2017	2016	2017	2016	2017	2016
Outstanding at beginning of year/acquisition date	**291,464**	386,470	**-**	-	**180,265**	166,975	**1.38**	1.75
Transfers in the year[d]	**59,990**	(103,122)	**-**	-	**(49,822)**	(19,842)	**-**	-
Granted in the year	**322**	162,789	**121,885**	-	**88,597**	129,063	**1.66**	1.20
Exercised/released in the year	**(172,718)**	(141,973)	**(1,964)**	-	**(73,762)**	(48,365)	**1.52**	1.40
Less: forfeited in the year	**(11,582)**	(12,700)	**(3,992)**	-	**(12,247)**	(40,907)	**1.42**	1.95
Less: expired in the year	**-**	-	**-**	-	**(3,724)**	(6,659)	**2.03**	1.85
Outstanding at end of year	**167,476**	291,464	**115,929**	-	**129,307**	180,265	**1.41**	1.38
Of which exercisable:	**18**	-	**-**	-	**15,620**	22,035	**1.58**	1.77

Certain of the Group's share option plans enable certain directors and employees to subscribe for new ordinary shares of Barclays PLC.

There were no significant modifications to the share-based payments arrangements in 2017 and 2016.

As at 31 December 2017, the total liability arising from cash-settled share-based payments transactions was £2m (2016: £nil).

Holdings of Barclays PLC Shares

Various employee benefit trusts established by the Group hold shares in Barclays PLC to meet obligations under the Barclays share-based payment schemes. The total number of Barclays shares held in these employee benefit trusts at 31 December 2017 was 9.9 million (2016: 6.6 million). Dividend rights have been waived on all these shares. The total market value of the shares held in trust based on the year end share price of £2.03 (2016: £2.23) was £20.1m (2016: £14.7m).

Notes

a Options/award granted over Barclays PLC shares.
b Nil cost award and therefore the weighted average exercise price was nil.
c The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 6,423,786). The weighted average exercise price relates to Sharesave.
d Awards of employees transferred between Barclays Bank Group and the Group Service Company

35 Pensions and post-retirement benefits

Accounting for pensions and post-retirement benefits

The Group operates a number of pension schemes and post-employment benefit schemes.

Defined contribution schemes – the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Defined benefit schemes – the Group recognises its obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test. The Group will keep the developments on the proposed amendments to IFRIC14 under review.

Each scheme's obligations are calculated using the projected unit credit method. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

Post-employment benefit schemes – the cost of providing health care benefits to retired employees is accrued as a liability in the financial statements over the period that the employees provide services to the Group, using a methodology similar to that for defined benefit pension schemes.

Pension schemes

UK Retirement Fund (UKRF)

The UKRF is the Group's main scheme, representing 96% of the Group's total retirement benefit obligations. The UKRF was closed to new entrants on 1 October 2012, and comprises 10 sections, the two most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An increase of up to 2% a year may also be added at Barclays' discretion. Between 1 October 2003 and 1 October 2012 the majority of new UK employees (except for the employees of the investment banking business within Barclays International) were eligible to join this section. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are limited although additional contributions are required if pre-retirement investment returns are not sufficient to provide for the benefits.
- The 1964 Pension Scheme. Most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010, members became eligible to accrue future service benefits in either Afterwork or the Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 section are typical of final salary pension schemes, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)

From 1 October 2012, a new UK pension scheme, the BPSP, was established to satisfy Auto Enrolment legislation. The BPSP is a defined contribution scheme (Group Personal Pension) providing benefits for all new Barclays UK hires from 1 October 2012, employees of the investment banking business within Barclays International who were in PIP as at 1 October 2012, and also all UK employees who were not members of a pension scheme at that date. As a defined contribution scheme, BPSP is not subject to the same investment return, inflation or life expectancy risks for Barclays that defined benefit schemes are. Members' benefits reflect contributions paid and the level of investment returns achieved.

Other

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement health care plans globally, the largest of which are the US defined benefit schemes. Many of the schemes are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided, the approach to funding, and the legal basis of the schemes, reflect local environments.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays (and who are not members of the UKRF), plus three Member Nominated Directors selected from eligible active staff and pensioner members who apply for the role.

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Group's other pension schemes, depending on local legislation.

35 Pensions and post-retirement benefits continued

Amounts recognised

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all Group defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

Income statement charge	2017 £m	2016 £m
Current service cost	**261**	243
Net finance cost	**(12)**	(32)
Past service cost	**(3)**	-
Other movements	**-**	2
Total	**246**	213

Past service costs includes a £3m (2016: £nil) gain on valuation of a component of the defined retirement benefit liability.

Balance sheet reconciliation	2017			2016		
	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m
Benefit obligation at beginning of the year	**(33,020)**	**(32,325)**	**(31,847)**	(28,279)	(26,490)	(26,027)
Current service cost	**(261)**	**(251)**	**(245)**	(243)	(225)	(220)
Interest costs on scheme liabilities	**(843)**	**(822)**	**(810)**	(1,016)	(995)	(980)
Past service cost	**3**	**1**	**-**	-	-	-
Remeasurement loss - financial	**(386)**	**(350)**	**(330)**	(7,214)	(7,194)	(7,170)
Remeasurement (loss)/gain - demographic	**(229)**	**(234)**	**(240)**	413	394	390
Remeasurement (loss)/gain - experience	**(612)**	**(609)**	**(614)**	525	514	490
Employee contributions	**(5)**	**(1)**	**(1)**	(4)	(1)	(1)
Benefits paid	**4,970**	**4,942**	**4,927**	1,852	1,817	1,800
Exchange and other movements	**140**	**95**	**-**	946	(145)	(129)
Benefit obligation at end of the year	**(30,243)**	**(29,554)**	**(29,160)**	(33,020)	(32,325)	(31,847)
Fair value of scheme assets at beginning of the year	**32,657**	**32,125**	**31,820**	28,752	27,084	26,829
Interest income on scheme assets	**855**	**839**	**831**	1,048	1,033	1,023
Employer contribution	**1,152**	**1,136**	**1,124**	720	684	634
Remeasurement - return on plan assets greater than discount rate	**1,333**	**1,280**	**1,263**	5,009	4,993	5,002
Employee contributions	**5**	**1**	**1**	4	1	1
Benefits paid	**(4,970)**	**(4,942)**	**(4,927)**	(1,852)	(1,817)	(1,800)
Exchange and other movements	**(110)**	**(75)**	**-**	(1,024)	147	131
Fair value of scheme assets at the end of the year	**30,922**	**30,364**	**30,112**	32,657	32,125	31,820
Net surplus/(deficit)	**679**	**810**	**952**	(363)	(200)	(27)
Retirement benefit assets	**966**	**959**	**952**	14	7	-
Retirement benefit liabilities	**(287)**	**(149)**	**-**	(377)	(207)	(27)
Net retirement benefit assets/(liabilities)	**679**	**810**	**952**	(363)	(200)	(27)

Included within the Group's benefit obligation was £894m (2016: £979m) relating to overseas pensions and £189m (2016: £194m) relating to other post-employment benefits. Included within The Bank's benefit obligation was £286m (2016: £369m) relating to overseas pensions and £108m (2016: £109m) relating to other post retirement benefits.

As at 31 December 2017, the UKRF's scheme assets were in surplus versus IAS 19 obligations by £952m (2016: deficit of £27m). The movement for the UKRF is mainly due to payment of deficit contributions, higher than assumed asset returns, updated mortality assumptions, and lower expected future price inflation, offset by a decrease in discount rate, transfers out of the scheme, and the introduction of an assumption for future transfers out. Of the £4,927m (2016: £1,800m) UKRF benefits paid out, £4,151m (2016: £1,029m) related to transfers out of the fund.

35 Pensions and post-retirement benefits continued

Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions (the "asset ceiling"). In the case of the UKRF the asset ceiling is not applied as, in certain specified circumstances such as wind-up, Barclays expects to be able to recover any surplus. The Trustee does not have a substantive right to augment benefits, nor do they have the right to wind up the plan except in the dissolution of the Group or termination of contributions by the Group. The application of the asset ceiling to other plans is considered on an individual plan basis.

Critical accounting estimates and judgements

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions. Below is a summary of the main financial and demographic assumptions adopted for the UKRF.

Key UKRF financial assumptions	2017 % p.a.	2016 % p.a.
Discount rate	**2.46**	2.62
Inflation rate (RPI)	**3.22**	3.35

The UKRF discount rate assumption for 2017 was based on a variant of the standard Willis Towers Watson RATE Link model. This variant includes all bonds rated AA by at least one of the four major ratings agencies, and assumes that yields after year 30 are flat. The RPI inflation assumption for 2017 was set by reference to the Bank of England's implied inflation spot curve, assuming the spot curve remains flat after 30 years. The inflation assumption incorporates a deduction of 20 basis points as an allowance for an inflation risk premium. The methodology used to derive the discount rate and price inflation assumptions is consistent with that used at the prior year end, except the inflation spot curve was held flat after 25 years at 2016.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2016 of Barclays own post-retirement mortality experience, and taking account of the recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2016 core projection model published by the Continuous Mortality Investigation Bureau subject to a long-term trend of 1.25% pa in future improvements. The methodology used is consistent with the prior year end, except that the 2015 core projection model was used at 2016. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the past three years:

Assumed life expectancy	2017	2016	2015
Life expectancy at 60 for current pensioners (years)			
– Males	**27.8**	27.9	28.4
– Females	**29.4**	29.7	30.0
Life expectancy at 60 for future pensioners currently aged 40 (years)			
– Males	**29.3**	29.7	30.2
– Females	**31.0**	31.7	32.0

An assumption for future transfers out has been introduced at 2017, increasing the benefit obligation by about 2%, as numbers of deferred members transferring out were at higher levels in 2017 than previously experienced. The assumption introduced is that 20% of the benefit obligation in respect of deferred members will transfer out during 2018, 15% in 2019, 10% in 2020, 5% in 2021, tapering down to 0% from 2022 onwards. The assumption used at 2016 was nil transfers out.

Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

35 Pensions and post-retirement benefits continued

Change in key assumptions

	2017 (Decrease)/ Increase in UKRF defined benefit obligation £bn	2016 (Decrease)/ Increase in UKRF defined benefit obligation £bn
Discount rate		
0.50% p.a. increase	**(2.4)**	(2.8)
0.25% p.a. increase	**(1.2)**	(1.4)
0.25% p.a. decrease	**1.3**	1.5
0.50% p.a. decrease	**2.8**	3.2
Assumed RPI		
0.50% p.a. increase	**1.6**	1.9
0.25% p.a. increase	**0.8**	0.9
0.25% p.a. decrease	**(0.7)**	(0.9)
0.50% p.a. decrease	**(1.5)**	(2.0)
Life expectancy at 60		
One year increase	**1.0**	1.1
One year decrease	**(1.0)**	(1.1)

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 20 years.

Assets

A long-term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, among other aims, that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed with the Trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the assets held by the scheme, with any derivative holdings reflected on a fair value basis.

35 Pensions and post-retirement benefits continued

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

Analysis of scheme assets

	The Group Total		The Bank Total		Of which relates to UKRF	
	Value	% of total fair value of scheme assets	Value	% of total fair value of scheme assets	Value	% of total fair value of scheme assets
	£m	%	£m	%	£m	%
As at 31 December 2017						
Equities - quoted	**4,377**	**14.1**	**4,210**	**13.9**	**4,151**	**13.8**
Equities - non-quoted	**2,001**	**6.5**	**2,001**	**6.6**	**2,001**	**6.6**
Bonds - fixed government[a]	**2,433**	**7.9**	**2,268**	**7.5**	**2,184**	**7.3**
Bonds - index-linked government[a]	**13,089**	**42.3**	**13,078**	**43.1**	**13,078**	**43.4**
Bonds - corporate and other[a]	**5,195**	**16.8**	**5,073**	**16.7**	**4,999**	**16.6**
Property - commercial[b]	**1,911**	**6.2**	**1,902**	**6.2**	**1,902**	**6.3**
Derivatives[b]	**816**	**2.6**	**816**	**2.7**	**816**	**2.7**
Other[c]	**1,100**	**3.6**	**1,016**	**3.3**	**981**	**3.3**
Fair value of scheme assets	**30,922**	**100.0**	**30,364**	**100.0**	**30,112**	**100.0**
As at 31 December 2016						
Equities - quoted	8,123	24.9	7,921	24.7	7,840	24.6
Equities - non-quoted	2,043	6.3	2,042	6.4	2,042	6.4
Bonds - fixed government[a]	1,330	4.1	1,192	3.7	1,072	3.4
Bonds - index-linked government[a]	13,173	40.3	13,165	41.0	13,165	41.4
Bonds - corporate and other[a]	5,222	16.0	5,106	15.9	5,054	15.9
Property - commercial[b]	1,630	5.0	1,622	5.0	1,622	5.1
Derivatives[b]	870	2.7	870	2.7	870	2.7
Other[c]	266	0.7	207	0.6	155	0.5
Fair value of scheme assets	32,657	100.0	32,125	100.0	31,820	100.0

Notes
a Assets held are predominately quoted.
b Assets held are predominantly non-quoted.
c Assets held are predominantly in Infrastructure Funds.

Included within the fair value of scheme assets were: £0.1m (2016: £0.2m) relating to shares in Barclays PLC and £0.6m (2016: £0.1m) relating to bonds issued by Barclays PLC. The UKRF also invests in pooled investment vehicles which may hold shares or debt issued by Barclays PLC.

The UKRF scheme assets also include £15m (2016: £32m) relating to UK private equity investments and £1,986m (2016: £2,009m) relating to overseas private equity investments. These are disclosed above within Equities – non-quoted.

Approximately 48% of the UKRF assets are invested in liability-driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

Funding

The Scheme Actuary prepares an annual update of the UKRF funding position in addition to the full triennial actuarial valuation. The latest annual update was carried out as at 30 September 2017 and showed a deficit of £4.8bn and a funding level of 86.8%.

The last triennial actuarial valuation of the UKRF had an effective date of 30 September 2016 and was completed in July 2017. This valuation showed a funding deficit of £7.9bn and a funding level of 81.5%, versus £6.0bn funding deficit at the 30 September 2015 update.

The improvement in funding position between 30 September 2016 and 30 September 2017 was largely due to payment of deficit contributions, higher than assumed asset returns, higher Government bond yields, and transfers out of the scheme.

At the 2016 triennial actuarial valuation the Group and UKRF Trustee agreed a revised scheme-specific funding target, statement of funding principles, schedule of contributions, a recovery plan to seek to eliminate the deficit relative to the funding target and some additional support measures. The agreement with the UKRF Trustee also takes into account the changes to the Group structure that will be implemented as a result of ring-fencing[a]. Barclays Bank PLC will remain as the principal employer of the UKRF.

The main differences between the funding and IAS 19 assumptions were a different approach to setting the discount rate and a more conservative longevity assumption for funding.

35 Pensions and post retirement benefits continued

The deficit reduction contributions agreed with the UKRF Trustee as part of the 30 September 2016 valuation recovery plan are shown alongside the deficit recovery contributions agreed in 2014 for the prior 30 September 2013 valuation.

Year	Deficit contributions 30 September 2016 valuation £m	Deficit contributions 30 September 2013 valuation £m
2017	740	1,240[b]
2018	500	740
2019	500	740
2020	500	740
2021	1,000	240[b]
2022 to 2026	1,000 each year	-

Notes
a Refer to page 134 of the Annual Report for further information on structural reform (unaudited).
b The 2017 deficit contributions from the 30 September 2013 valuation included up to £500m payable if the deficit in 2017 exceeded a certain level. Of this £500m, £250m was paid during the first half of 2017. Following the agreement of the 30 September 2016 valuation recovery plan, in July 2017, the remaining payments were no longer required.

The deficit reduction contributions are in addition to the regular contributions to meet the Group's share of the cost of benefits accruing over each year. The next funding valuation of the UKRF is due to be completed in 2020 with an effective date of 30 September 2019.

Other support measures agreed at the same time as the valuation

Collateral - The UKRF Trustee and Barclays Bank PLC have entered into an arrangement whereby a collateral pool has been put in place to provide security for the UKRF funding deficit as it increases or decreases over time, and associated deficit recovery contributions. The collateral pool is currently made up of government securities and high quality securitisations of credit cards, mortgages and corporate loans. Agreement has been made with the Trustee to increase the proportion of the deficit covered from 88.5% to 100% effective from 26 March 2018 with an overall cap remaining of £9.0bn , at which date the collateral pool will consist of government securities only (the Trustee and Barclays Bank PLC may agree alternative eligible collateral in the future). The arrangement provides the UKRF Trustee with dedicated access to the pool of assets in the event of Barclays Bank PLC not paying a deficit reduction contribution to the UKRF or in the event of Barclays Bank PLC's insolvency. These assets are included within Note 40.

Support from Barclays PLC - In the event of Barclays Bank PLC not paying a deficit reduction contribution payment required under the 2016 valuation recovery plan by a specified pre-payment date, Barclays PLC has entered into an arrangement whereby it will be required to use, in first priority, dividends received from Barclays Bank UK PLC (if any) to invest the proceeds in Barclays Bank PLC (up to the maximum amount of the deficit reduction contribution unpaid by Barclays Bank PLC). The proceeds of the investment will be used to discharge Barclays Bank PLC's unpaid deficit reduction contribution.

Participation - As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, Barclays Bank UK PLC is a participating employer in the UKRF and will remain so during a transitional phase until September 2025 as set out in a deed of participation. Barclays Bank UK PLC will make contributions for the future service of its employees who are currently Afterwork members and, in the event of Barclays Bank PLC's insolvency during this period provision has been made to require Barclays Bank UK PLC to become the principal employer of the UKRF. Barclays Bank PLC's Section 75 debt would be triggered by the insolvency (the debt would be calculated after allowing for the payment to the UKRF of the collateral above).

Defined benefit contributions paid with respect to the UKRF were as follows:

Contributions paid	£m
2017	**1,124**
2016	634
2015	586

Included within the Group's contributions paid were £153m (2016: £112m; 2015: £nil) Section 75 contributions.

The Group's expected contribution to the UKRF in respect of defined benefits in 2018 is £716m (2017: £1,585m). In addition, the expected contributions to UK defined contribution schemes in 2018 is £35m (2017: £36m) to the UKRF and £146m (2017: £124m) to the BPSP.

The section presents information on the Group's investments in subsidiaries, joint ventures and associates and its interests in structured entities. Detail is also given on securitisation transactions the Group has entered into and arrangements that are held off-balance sheet.

36 Principal subsidiaries

Barclays applies IFRS 10 *Consolidated Financial Statements*. The consolidated financial statements combine the financial statements of Barclays Bank PLC and all of its subsidiaries. Subsidiaries are entities over which the Group has control. Under IFRS 10, this is when the Group is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect the amount of its returns.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not result in loss of control.

The significant judgements used in applying this policy are set out below.

Accounting for investment in subsidiaries

In the individual financial statements of Barclays Bank PLC, investments in subsidiaries are stated at cost less impairment.

Investments in subsidiaries, the principal of which are engaged in banking related activities, are recorded on the balance sheet at historical cost less any impairment. At 31 December 2017 the historical cost of investments in subsidiaries was £15,882m (2016: £17,559m), and impairment allowances recognised against these investments totalled £1,268m (2016: £3,160m). The decrease in historic cost and impairment balances are predominantly due to the liquidation of fully impaired holdings during the period.

Principal subsidiaries for the Group are set out below. This includes those subsidiaries that are most significant in the context of the Group's business, results or financial position.

Company Name	Principal place of business or incorporation	Nature of business	Percentage of voting rights held %	Non-controlling interests - proportion of ownership interests %	Non-controlling interests - proportion of voting interests %
Barclays Capital Securities Limited	England	Securities dealing	100	-	-
Barclays Securities Japan Limited	Japan	Securities dealing	100	-	-
Barclays Capital Inc.	United States	Securities dealing	100	-	-
Barclays Bank Delaware	United States	Credit card issuer	100	-	-

Information on the Group's subsidiaries, as required by the Companies Act, will be included in the Annual Return to be filed at the UK Companies House.

Ownership interests are in some cases different to voting interests due to the existence of non-voting equity interests, such as preference shares. Refer to Note 32 for more information.

Barclays Africa Group Limited was considered a principal subsidiary in 2016. During 2017 Barclays reduced its shareholding in BAGL. This resulted in the deconsolidation of BAGL from the Group as of 1 June 2017, with the residual holding recognised as an available for sale investment.

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the managers of the structured entity are acting as its agent and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However, the entity set out below is excluded from consolidation because the Group does not have exposure to its variable returns.

Country of registration or incorporation	Company name	Percentage of voting rights held (%)	Equity shareholders' funds (£m)	Retained profit for the year (£m)
Cayman Islands	Palomino Limited	100	9	7

36 Principal subsidiaries continued

This entity is managed by an external counterparty and consequently is not controlled by the Group. Interests relating to this entity are included in Note 37.

Significant restrictions

As is typical for a Group of its size and international scope, there are restrictions on the ability of the Group to obtain distributions of capital, access the assets or repay the liabilities of members of its Group due to the statutory, regulatory and contractual requirements of its subsidiaries and due to the protective rights of non-controlling interests. These are considered below.

Regulatory requirements

The Group's principal subsidiary companies have assets and liabilities before intercompany eliminations of £276bn (2016: £417bn) and £268bn (2016: £403bn) respectively. The assets and liabilities are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital levels which cannot be returned to the Parent company, Barclays Bank PLC on a going concern basis.

In order to meet capital requirements, subsidiaries may hold certain equity accounted and debt accounted issued financial instruments and non-equity instruments such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liabilities. Refer to Note 32 and Note 29 for particulars of these instruments. These instruments may be subject to cancellation clauses or preference share restrictions that would limit the ability of the entity to repatriate the capital on a timely basis.

Liquidity requirements

Regulated subsidiaries of the Group are required to meet PRA and local regulatory requirements pertaining to liquidity. One of the subsidiaries affected is Barclays Capital Inc which must maintain daily compliance with the regulatory minimum. See pages 101 to 114 for further details of liquidity requirements, including those of significant subsidiaries.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Barclays Bank PLC, the ultimate parent, except in the event of a legal capital reduction or liquidation. In most cases the regulatory restrictions referred to above exceed the statutory restrictions.

Contractual requirements

Asset encumbrance

The Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 40.

Assets held by consolidated structured entities

None of the assets (2016: £99m) included in the Group's balance sheet relate to consolidated investment funds, held to pay return and principal to the holders of units in the funds. Any assets held in these funds cannot be transferred to other members of the Group. The decrease since 2016 is due to the sale of the French Funds Business.

Other restrictions

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £3,360m (2016: £4,254m).

37 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 39 for further detail.

The Group, in previous periods, has provided liquidity facilities to certain securitisation vehicles. At 31 December 2017, there were no outstanding loan commitments to these entities (2016: £152m).

Commercial paper (CP) and medium-term note conduits

The Group provided £10.2bn (2016: £9bn) in undrawn contractual backstop liquidity facilities to CP conduits.

37 Structured entities continued

Fund management entities

In previous periods, Barclays had contractually guaranteed the performance of certain cash investments in a number of managed investment funds which resulted in their consolidation. As at 31 December 2017, the notional value of the guarantees were £nil (2016: £99m) as the European Wealth Funds associated with these guarantees were either closed or ownership has been transferred outside the Group and they are no longer consolidated.

Employee benefit and other trusts

The Group provides capital contributions to employee share trusts to enable them to meet their obligations to employees under share-based payment plans. During 2017, the Group provided undrawn liquidity facilities of £1.8bn (2016: £0.4bn) to certain trusts.

Unconsolidated structured entities in which the Group has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Group, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Group to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

The nature and extent of the Group's interests in structured entities is summarised below:

Summary of interests in unconsolidated structured entities

	Secured financing £m	Short-term traded interests £m	Traded derivatives £m	Other interests £m	Total £m
As at 31 December 2017					
Assets					
Trading portfolio assets	**-**	**10,788**	**-**	**699**	**11,487**
Financial assets designated at fair value	**31,520**	**-**	**-**	**2,721**	**34,241**
Derivative financial instruments	**-**	**-**	**4,380**	**-**	**4,380**
Loans and advances to banks	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**5,481**	**-**	**-**	**17,386**	**22,867**
Reverse repurchase agreements and other similar secured lending	**753**	**-**	**-**	**-**	**753**
Other assets	**-**	**-**	**-**	**509**	**509**
Total assets	**37,754**	**10,788**	**4,380**	**21,315**	**74,237**
Liabilities					
Derivative financial instruments	**-**	**-**	**5,193**	**3,356**	**8,549**
As at 31 December 2016					
Assets					
Trading portfolio assets	-	8,436	-	516	8,952
Financial assets designated at fair value	22,706	-	-	367	23,073
Derivative financial instruments	-	-	4,731	2,130	6,861
Loans and advances to banks	-	-	-	4,915	4,915
Loans and advances to customers	-	-	-	24,142	24,142
Reverse repurchase agreements and other similar secured lending	6,338	-	-	-	6,338
Other assets	-	-	-	919	919
Total assets	29,044	8,436	4,731	32,989	75,200
Liabilities					
Derivative financial instruments	-	-	3,567	2,130	5,697

Secured financing arrangements, short-term traded interests and traded derivatives are typically managed under market risk management policies described in pages 64 to 65 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include conduits and lending where the interest is driven by normal customer demand.

37 Structured entities continued

Secured financing

The Group routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Group has minimal exposure to the performance of the structured entity counterparty. This includes margin lending which is presented under Loans and advances to customers in 2017 to align to the balance sheet presentation. In 2016 margin lending was presented in Reverse repurchase agreements and other similar secured lending within Note 37. A description of these transactions is included in Note 21.

Short-term traded interests

The Group buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Group typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2017, £9,645m (2016: £6,568m) of the Group's £10,788m (2016: £8,436m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

Traded derivatives

The Group enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 14. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Group's normal credit policies.

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. The Group is mainly exposed to settlement risk on these derivatives which is mitigated through daily margining. Total notionals amounted to £1,680,615m (2016: £1,183,215m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Group's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

Other interests in unconsolidated structured entities

The Group's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

37 Structured entities continued

Nature of interest

	Multi-seller conduit programmes £m	Lending £m	Investment funds and trusts £m	Others £m	Total £m
As at 31 December 2017					
Trading portfolio assets					
– Debt securities	-	-	-	699	699
Financial assets designated at fair value					
– Loans and advances	-	-	-	2,721	2,721
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	5,424	11,497	-	465	17,386
Other assets	468	11	8	22	509
Total on-balance sheet exposures	5,892	11,508	8	3,907	21,315
Total off-balance sheet notional amounts	6,270	6,337	-	446	13,053
Maximum exposure to loss	12,162	17,845	8	4,353	34,368
Total assets of the entity	103,057	179,994	11,137	22,669	316,857
As at 31 December 2016					
Trading portfolio assets					
– Debt securities	-	-	-	441	441
– Equity securities	-	-	-	75	75
Financial assets designated at fair value					
– Loans and advances	-	260	-	4	264
– Debt securities	-	50	-	48	98
– Equity securities	-	-	-	5	5
Derivative financial instruments	-	-	-	2,130	2,130
Loans and advances to banks	-	4,890	-	25	4,915
Loans and advances to customers	6,016	16,754	-	1,372	24,142
Other assets	5	7	13	894	919
Total on-balance sheet exposures	6,021	21,961	13	4,994	32,989
Total off-balance sheet notional amounts	2,734	9,873	-	1,739	14,346
Maximum exposure to loss	8,755	31,834	13	6,733	47,335
Total assets of the entity	75,535	492,950	18,550	39,342	626,377

Maximum exposure to loss

Unless specified otherwise below, the Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Multi-seller conduit programme

The multi-seller conduit engages in providing financing to various clients and holds whole or partial interests in pools of receivables or similar obligations. These instruments are protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduit. The Group's off-balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduit for the benefit of the holders of the commercial paper issued by the conduit and will only be drawn where the conduit is unable to access the commercial paper market. If these liquidity facilities are drawn, the Group is protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduit.

Lending

The portfolio includes lending provided by the Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Group incurred an impairment of £11m (2016: £24m) against such facilities.

Investment funds and trusts

In the course of its fund management activities, the Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

37 Structured entities continued

The Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. Barclays has no other risk exposure to the trusts.

Other

This includes fair value loans with structured entities where the market risk is materially hedged with corresponding derivative contracts, interests in debt securities issued by securitisation vehicles and drawn and undrawn loan facilities to these entities.

Assets transferred to sponsored unconsolidated structured entities

Assets transferred to sponsored unconsolidated structured entities were immaterial.

38 Investments in associates and joint ventures

Accounting for associates and joint ventures

Barclays applies IAS 28 *Investments in Associates* and IFRS 11 *Joint Arrangements*. Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. Generally the Group holds more than 20%, but less than 50%, of their voting shares. Joint ventures are arrangements where the Group has joint control and rights to the net assets of the entity.

The Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post acquisition profit/(loss). The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

There are no individually significant investments in joint ventures or associates held by Barclays.

	2017			2016		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	£m	£m	£m	£m	£m	£m
Equity accounted	**402**	**316**	**718**	321	363	684
Held at fair value through profit or loss	**-**	**447**	**447**	-	484	484
Total	**402**	**763**	**1,165**	321	847	1,168

Summarised financial information for the Group's equity accounted associates and joint ventures is set out below. The amounts shown are the net income of the investees, not just the Group's share for the year ended 31 December 2017, with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

	Associates		Joint ventures	
	2017	2016	2017	2016
	£m	£m	£m	£m
Profit from continuing operations	**117**	33	**77**	64
Other comprehensive income	**-**	-	**(15)**	19
Total comprehensive income from continuing operations	**117**	33	**62**	83

Unrecognised shares of the losses of individually immaterial associates and joint ventures were £nil (2016: £nil).

The Group's associates and joint ventures are subject to statutory or contractual requirements such that they cannot make remittances of dividends or make loan repayments to Barclays Bank PLC without agreement from the external parties.

The Group's share of commitments and contingencies of its associates and joint ventures comprised unutilised credit facilities provided to customers of £1,712m (2016: £1,755m). In addition, the Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £246m (2016: £263m).

39 Securitisations

Accounting for securitisations

The Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

39 Securitisations continued

In the course of its normal banking activities, the Group makes transfers of financial assets, either where legal rights to the cash flows from the asset are passed to the counterparty or beneficially, where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty. Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

Securitisations

The Group was party to securitisation transactions involving its residential mortgage loans and credit card balances.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2017				2016			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Loans and advances to customers								
Residential mortgage loans	-	-	-	-	125	120	(107)	(107)
Credit card, unsecured lending and other retail lending	3,772	3,757	(3,635)	(3,626)	5,094	5,084	(4,926)	(4,931)
Total	3,772	3,757	(3,635)	(3,626)	5,219	5,204	(5,033)	(5,038)
The Bank								
Loans and advances to customers								
Residential mortgage loans	-	-	-	-	125	120	(107)	(107)
Credit card, unsecured lending and other retail lending[a]	765	750	(750)	(753)	1,165	1,146	(1,239)	(1,240)
Total	765	750	(750)	(753)	1,290	1,266	(1,346)	(1,347)

Note

a The carrying amount and fair value of the associated liabilities is greater than the carrying amount and fair value of the underlying assets for 2016 due to an issued note being denominated in USD and the underlying assets being denominated in GBP. This exchange rate risk is hedged.

Balances included within loans and advances to customers represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

For transfers of assets in relation to repurchase agreements, refer to Notes 21 and 40.

Continuing involvement in financial assets that have been derecognised

In some cases, the Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Group's involvement with CLOs and CMBS. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

39 Securitisations continued

The table below shows the potential financial implications of such continuing involvement:

	Continuing involvement[a]			Gain/(loss) from continuing involvement	
	Carrying amount	Fair value	Maximum exposure to loss	For the year ended	Cumulative to 31 December
Type of transfer	£m	£m	£m	£m	£m
2017					
CLO and other assets	-	-	-	-	-
Commercial mortgage backed securities	**94**	**94**	**94**	**1**	**1**
Total	**94**	**94**	**94**	**1**	**1**
2016					
CLO and other assets	10	10	10	-	(3)
Commercial mortgage backed securities	-	-	-	-	-
Total	10	10	10	-	(3)

Note
a Assets which represent the Group's continuing involvement in derecognised assets are recorded in Loans and advances and Trading portfolio assets.

40 Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Trading portfolio assets	**73,899**	51,241	**54,118**	17,882
Financial assets at fair value	**4,798**	3,195	**1,588**	-
Loans and advances to customers	**41,772**	30,414	**35,400**	25,569
Cash collateral	**56,351**	68,797	**50,794**	59,302
Financial investments	**15,058**	13,053	**21,970**	17,398
Non current assets held for sale	**-**	117	**-**	-
Assets pledged	**191,878**	166,817	**163,870**	120,151

Barclays has an additional £9bn (2016: £14bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuance.

Total assets pledged includes a collateral pool put in place to provide security for the UKRF funding deficit. Refer to Note 35 for further details.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

	The Group		The Bank	
	2017	2016	2017	2016
	£m	£m	£m	£m
Fair value of securities accepted as collateral	**608,412**	466,975	**595,756**	452,626
Of which fair value of securities re-pledged/transferred to others	**547,637**	405,582	**564,886**	418,588

Additional disclosure has been included in collateral and other credit enhancements (see pages 79 to 82).

The notes included in this section focuses on related party transactions, Auditors' remuneration and directors' remuneration. Related parties include any subsidiaries, associates, joint ventures, entities under common directorships and Key Management Personnel.

41 Related party transactions and Directors' remuneration

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes.

(i) The Group

Parent company

The parent company, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank PLC.

Subsidiaries

Transactions between Barclays Bank PLC and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group Financial Statements. A list of the Group's principal subsidiaries is shown in Note 36.

Fellow subsidiaries

Transactions between the Group and other subsidiaries of the parent company also meet the definition of related party transactions. In November 2016, Barclays Services Limited, the Group Service Company, was transferred from the Group to Barclays PLC.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures, the Group pension funds (principally the UK Retirement Fund) and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Group companies also provide investment management and custodian services to the Group pension schemes. The Group also provides banking services for unit trusts and investment funds managed by Group companies, which are not individually material. All of these transactions are conducted on the same terms as third party transactions. Summarised financial information for the Group's investments in associates and joint ventures is set out in Note 38.

Amounts included in the Group's financial statements, in aggregate, by category of related party entity are as follows:

	Parent	Fellow subsidiaries	Associates	Joint ventures	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m	£m
For the year ended and as at 31 December 2017					
Income/(expense)	**(996)**	**(4,008)**	**(20)**	**38**	**4**
Impairment releases	**-**	**-**	**2**	**-**	**-**
Total assets	**716**	**163**	**2**	**1,048**	**2**
Total liabilities	**24,205**	**1,015**	**75**	**2**	**162**
For the year ended and as at 31 December 2016					
Income/(expense)	(60)	(354)	(20)	7	4
Impairment charges	-	-	(13)	-	-
Total assets	801	1,265	72	2,244	-
Total liabilities[a]	19,470	2,313	94	95	260

Note

a The comparative for liabilities with the Parent company has been restated. This is to reflect funding provided by Barclays PLC which was not treated as a related party transaction in the prior year. The impact on Total liabilities is an increase from £0.8bn to £19.5bn.

Guarantees, pledges or commitments given in respect of these transactions in the year were £27m (2016: £940m) predominantly relating to associates. No guarantees, pledges or commitments were received in the year. Derivatives transacted on behalf of the pensions funds, unit trusts and investment funds were £3m (2016: £3m).

In September 2017, the Group transferred all brand related Intellectual property (IP) to the parent, Barclays PLC under Brand Master Assignment Agreements.

Barclays PLC then granted two exclusive licences to Barclays Bank PLC to use and exploit the brand IP related to Barclays International (BI) and Barclays UK (BUK) activities. Barclays Bank PLC then entered into sub-licence agreements with its subsidiaries where relevant to allow use of the BI and BUK brand IP. No royalties will be payable under the terms of these licences and sub-licenses.

41 Related party transactions and Directors' remuneration continued

(ii) The Bank

Subsidiaries

Details of principal subsidiaries are shown in Note 36.

The Bank provides certain banking and financial services to subsidiaries as well as a number of normal current and interest bearing cash accounts to the Group pension funds (principally the UK Retirement Fund) in order to facilitate the day-to-day financial administration of the funds. Group companies also provide investment management and custodian services.

Amounts included in the Bank's financial statements, in aggregate, by category of related party entity are as follows:

	Parent	Subsidiaries	Fellow subsidiaries	Associates	Joint ventures	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m	£m	£m
As at 31 December 2017						
Total assets	**716**	**148,542**	**159**	**2**	**1,048**	**2**
Total liabilities	**24,204**	**123,795**	**969**	**75**	**2**	**162**
As at 31 December 2016						
Total assets	1,501	202,451	1,265	72	2,244	-
Total liabilities[a]	19,470	178,077	2,232	94	95	260

Note
a The comparative for liabilities with the Parent company has been restated. This is to reflect funding provided by Barclays PLC which was not treated as a related party transaction in the prior year. The impact on Total liabilities is an increase from £1.6bn to £19.5bn.

It is the normal practice of the Bank to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities. For dividends paid to Barclays PLC refer to Note 11.

Key Management Personnel

The Group's Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays Bank PLC (directly or indirectly) and comprise the Directors of Barclays Bank PLC and the Officers of the Group, certain direct reports of the Group Chief Executive and the heads of major business units and functions.

There were no material related party transactions with entities under common directorship where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays.

The Group provides banking services to Directors and other Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding were as follows:

Loans outstanding

	2017	2016
	£m	£m
As at 1 January	**9.2**	9.8
Loans issued during the year	**0.5**	0.6
Loan repayments during the year/change of key management personnel	**(4.9)**	(1.2)
As at 31 December	**4.8**	9.2

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person).

Deposits outstanding

	2017	2016
	£m	£m
As at 1 January	**7.3**	116.5
Deposits received during the year	**25.7**	18.9
Deposits repaid during the year/change of key management personnel	**(26.1)**	(128.1)
As at 31 December	**6.9**	7.3

41 Related party transactions and Directors' remuneration continued

Total commitments outstanding

Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2017 were £0.3m (2016: £0.2m).

All loans to Directors and other Key Management Personnel (and persons connected to them), (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features.

Remuneration of Directors and other Key Management Personnel

Total remuneration awarded to Directors and other Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions, and is consistent with the approach adopted for disclosures set out on pages 93 to 116 of the Barclays PLC Annual Report. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Directors and other Key Management Personnel.

	2017 £m	2016 £m
Salaries and other short-term benefits	33.9	32.2
Pension costs	0.1	0.2
Other long-term benefits	18.4	11.0
Share-based payments	26.8	21.9
Employer social security charges on emoluments	9.6	6.2
Costs recognised for accounting purposes	**88.8**	71.5
Employer social security charges on emoluments	(9.6)	(6.2)
Other long-term benefits – difference between awards granted and costs recognised	(9.8)	(2.5)
Share-based payments – difference between awards granted and costs recognised	(11.7)	(8.9)
Total remuneration awarded	**57.7**	53.9

Disclosure required by the Companies Act 2006

The following information regarding Directors is presented in accordance with the Companies Act 2006:

	2017 £m	2016 £m
Aggregate emoluments[a]	8.5	8.1
Amounts paid under LTIPs[b]	1.1	-
	9.6	8.1

There were no pension contributions paid to defined contribution schemes on behalf of Directors (2016: £nil). There were no notional pension contributions to defined contribution schemes.

As at 31 December 2017, there were no Directors accruing benefits under a defined benefit scheme (2016: nil).

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows:

	2017 £m	2016 £m
Aggregate emoluments	2.3	3.3
Amounts paid under LTIPs	1.1	-
	3.4	3.3

There were no actual pension contributions paid to defined contribution schemes (2016: £nil). There were no notional pension contributions to defined contribution schemes.

Notes

a The aggregate emoluments include amounts paid for the 2017 year. In addition, deferred share awards for 2017 will be made to James E Staley and Tushar Morzaria which will only vest subject to meeting certain conditions. The total of the deferred share awards is £1m (2016: £1.4m).

b The figure above for "Amounts paid under LTIPs" relates to an LTIP award that was released to Tushar Morzaria in 2017. Dividend shares released on the award are excluded. The LTIP figure in the single total figure table for executive Directors' 2017 remuneration in the Directors' Remuneration report relates to the award that is scheduled to be released in 2018 in respect of the 2015-2017 LTIP cycle.

41 Related party transactions and Directors' remuneration continued

Advances and credit to Directors and guarantees on behalf of Directors

In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2017 to persons who served as Directors during the year was £0.2m (2016: £0.3m). The total value of guarantees entered into on behalf of Directors during 2017 was £nil (2016: £nil).

42 Auditors' remuneration

Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	2017 £m	2016 £m
Audit of the Group's annual accounts	**11**	14
Other services:		
Audit of the Company's subsidiaries[a]	**27**	27
Other audit related fees[b]	**8**	4
Other services[c]	**2**	4
Total Auditors' remuneration	**48**	49

Notes

a Comprises the fees for the statutory audit of subsidiaries both inside and outside the UK and fees for work performed by associates of KPMG in respect of the consolidated financial statements of the Company.

b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.

c Includes consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

KPMG became the Group's principal auditor in 2017. PwC was the principal auditor in 2016.

The figures shown in the above table relate to fees paid to KPMG or PwC as principal auditor. In addition, fees paid to KPMG in relation to discontinued operations were £4m (PwC 2016: £12m).

43 Assets included in disposal groups classified as held for sale and associated liabilities

Accounting for non-current assets held for sale and associated liabilities

The group applies IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less cost to sell.

The Group

Assets included in disposal groups classified as held for sale

	Total 2017 £m	Total 2016 £m
Cash and balances at central banks	**-**	2,930
Items in the course of collection from other banks	**-**	570
Trading portfolio assets	**-**	3,084
Financial assets designated at fair value	**3**	6,984
Derivative financial instruments	**-**	1,992
Financial investments	**-**	7,737
Loans and advances to banks	**-**	1,666
Loans and advances to customers	**1,164**	43,504
Prepayments, accrued income and other assets	**-**	696
Investments in associates and joint ventures	**-**	87
Property, plant and equipment	**26**	954
Goodwill	**-**	997
Intangible assets	**-**	570
Current and deferred tax assets	**-**	149
Retirement benefit assets	**-**	33
Total	**1,193**	71,953
Balance of impairment unallocated under IFRS 5	**-**	(499)
Total assets classified as held for sale	**1,193**	71,454

43 Assets included in disposal groups classified as held for sale and associated liabilities continued

Liabilities included in disposal groups classified as held for sale

	Total 2017 £m	Total 2016 £m
Deposits from banks	-	2,149
Items in the course of collection due to banks	-	373
Customer accounts	-	42,431
Repurchase agreements and other similar secured borrowing	-	597
Trading portfolio liabilities	-	388
Financial liabilities designated at fair value	-	7,325
Derivative financial instruments	-	1,611
Debt securities in issue	-	7,997
Subordinated liabilities	-	934
Accruals, deferred income and other liabilities	-	1,180
Provisions	-	103
Current and deferred tax liabilities	-	162
Retirement benefit liabilities	-	42
Total liabilities classified as held for sale	-	65,292
Net assets classified as held for sale	**1,193**	6,162
Expected contribution to BAGL		866
Disposal group post contribution	**1,193**	7,028

During the year, a number of disposal groups classified as held for sale have been disposed of. The £70bn decrease in assets is driven by the disposals of BAGL (£65bn), the French retail business (£4bn), the Egypt business (£1bn), Barclays Vida Pensiones (£0.7bn) and the Zimbabwe business (£0.4bn). The associated liabilities of the above disposal groups have also been sold in the year.

Discontinued Operations

On 1 March 2016, Barclays announced its intention to reduce the Group's 62.3% interest in BAGL to a level which would permit Barclays to deconsolidate BAGL from a regulatory perspective and, prior to that, from an accounting perspective. From this date, BAGL was treated as a discontinued operation. On 5 May 2016, Barclays sold 12.2% of the Group's interest in BAGL and on 1 June 2017 Barclays sold a further 33.7% of BAGL's issued share capital, resulting in the accounting deconsolidation of BAGL from the Barclays Group. As a result, as of 1 June 2017 BAGL was consequently no longer reported as a discontinued operation. At this time, Barclays holding in BAGL technically met the requirements to be treated as an Associate. However, following a revision of its governance rights in July 2017 and the difference being immaterial, the holding was treated as an Available for Sale (AFS) asset from the transaction date. In Q317 Barclays contributed 1.5% of BAGL's ordinary shares to a Black Economic Empowerment scheme, resulting in Barclays accounting for 126 million ordinary shares in BAGL, representing 14.9% of BAGL's issued share capital. The retained investment is reported as an Available for Sale (AFS) asset, in the Head Office segment, with Barclays' share of BAGL's dividend recognised in the Head Office income statement.

Prior to the disposal of shares on 1 June 2017, BAGL met the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Group income statement, are analysed in the income statement below. The income statement, statement of other comprehensive income and cash flow statement below represent five months of results as a discontinued operation to 31 May 2017, compared to the full year ended 31 December 2016.

43 Assets included in disposal groups classified as held for sale and associated liabilities continued

Barclays Africa disposal group income statement		
For the year ended 31 December	2017 £m	2016 £m
Net interest income	1,024	2,169
Net fee and commission income	522	1,072
Net trading income	149	281
Net investment income	30	45
Net premiums from insurance contracts	161	362
Other income	(16)	8
Total income	1,870	3,937
Net claims and benefits incurred on insurance contracts	(84)	(191)
Total income net of insurance claims	1,786	3,746
Credit impairment charges and other provisions	(177)	(445)
Net operating income	1,609	3,301
Staff costs	(586)	(1,186)
Administration and general expenses[a]	(1,634)	(1,224)
Operating expenses	(2,220)	(2,410)
Share of post-tax results of associates and joint ventures	5	6
(Loss)/profit before tax	(606)	897
Taxation	(154)	(306)
(Loss)/profit after tax[b]	(760)	591
Attributable to:		
Equity holders of the parent	(900)	189
Non-controlling interests	140	402
(Loss)/profit after tax[b]	(760)	591

Notes
a Includes impairment of £1,090m (2016: £nil).
b Total loss in respect of the discontinued operation was £2,195m which included the £60m loss on sale and £1,375m loss on recycling of other comprehensive loss on reserves.

Other comprehensive income relating to discontinued operations is as follows:

For the year ended 31 December	2017 £m	2016 £m
Available for sale assets	(3)	(9)
Currency translation reserves	(38)	1,451
Cash flow hedge reserves	19	89
Other comprehensive (loss)/income, net of tax from discontinued operations	(22)	1,531

The cash flows attributed to the discontinued operation are as follows:

For the year ended 31 December	2017 £m	2016 £m
Net cash flows from operating activities	540	1,164
Net cash flows from investing activities	(245)	(691)
Net cash flows from financing activities	(165)	(105)
Effect of exchange rates on cash and cash equivalents	(29)	37
Net increase in cash and cash equivalents	101	405

43 Assets included in disposal groups classified as held for sale and associated liabilities continued

The Bank

No disposal groups are classified as held for sale as at 31 December 2017. Please see the table below for disposal groups classified as held for sale as at 31 December 2016.

Assets included in disposal groups classified as held for sale

	Total 2016 £m
Cash and balances at central banks	5
Items in the course of collection from other banks	21
Financial investments	97
Loans and advances to banks	130
Loans and advances to customers	1,216
Prepayments, accrued income and other assets	22
Investment in subsidiaries	2,145
Investments in associates and joint ventures	6
Property, plant and equipment	14
Goodwill	2
Intangible assets	132
Other assets	10
Total	3,800
Balance of impairment unallocated under IFRS 5	(347)
Total assets classified as held for sale	3,453

Liabilities included in disposal groups classified as held for sale

	Total 2016 £m
Deposits from banks	16
Items in the course of collection due to other banks	23
Customer accounts	1,998
Other liabilities	98
Total liabilities classified as held for sale	2,135

Net assets classified as held for sale	1,318
Expected contributions to BAGL	866
Disposal group post contribution	2,184

Notes to the financial statements
Other disclosure matters

44 Related undertakings

The Group's corporate structure consists of a number of related undertakings, comprising subsidiaries, joint ventures, associates and significant other interests. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2017.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation. Barclays' 2017 Country Snapshot provides details of where the Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays and the share capital disclosed comprises ordinary and/or common shares, 100% of the nominal value of which is held by Group subsidiaries.

Wholly owned subsidiaries	Note
United Kingdom	
- 1 Churchill Place, London, E14 5HP	
Aequor Investments Limited	
Ardencroft Investments Limited	A
B D & B Investments Limited	
B.P.B. (Holdings) Limited	A
Barafor Limited	
Barclay Leasing Limited	
Barclays (Security Realisation) Limited	A
Barclays Aegis Trust	D
Barclays Africa Group Holdings Limited	A, J, K
Barclays Aldersgate Investments Limited	A
Barclays Asset Management Limited	A
Barclays Bank UK PLC	A
Barclays Cantal Investments Trust	D
Barclays Capital Asia Holdings Limited	A
Barclays Capital Finance Limited	A
Barclays Capital Japan Securities Holdings Limited	
Barclays Capital Luxembourg S.à.r.l. Trust	D
Barclays Capital Margin Financing Limited	A
Barclays Capital Nominees (No.2) Limited	
Barclays Capital Nominees (No.3) Limited	A
Barclays Capital Nominees Limited	A
Barclays Capital Principal Investments Limited	A
Barclays Capital Securities Client Nominee Limited	A
Barclays Capital Securities Limited	A, F, I
Barclays CCP Funding LLP	A, B
Barclays Converted Investments (No.2) Limited	A
Barclays Converted Investments Limited	A
Barclays Direct Investing Nominees Limited	A
Barclays Directors Limited	A
Barclays Equity Holdings Limited	A
Barclays Equity Index Investments Bare Trust	D
Barclays Executive Schemes Trustees Limited	A
Barclays Financial Planning Nominee Company Limited	A
Barclays Funds Investments Limited	A
Barclays Global Shareplans Nominee Limited	A
Barclays Group Holdings Limited	A
Barclays Group Operations Limited	
Barclays Industrial Development Limited	A
Barclays Industrial Investments Limited	A
Barclays Insurance Services Company Limited	
Barclays Investment Management Limited	A
Barclays Investment Solutions Limited	
Barclays Lamorak Trust	D
Barclays Leasing (No.9) Limited	
Barclays Long Island Limited	A
Barclays Luxembourg USD Holdings Trust	D
Barclays Marlist Limited	A
Barclays Mercantile Business Finance Limited	A
Barclays Mercantile Limited	A
Barclays Nominees (Branches) Limited	A
Barclays Nominees (George Yard) Limited	A
Barclays Nominees (K.W.S.) Limited	A
Barclays Nominees (Provincial) Limited	A
Barclays Pension Funds Trustees Limited	A
Barclays Private Bank	
Barclays Private Banking Services Limited	
Barclays SAMS Limited	A
Barclays Services (Japan) Limited	A
Barclays Shea Limited	A
Barclays Singapore Global Shareplans Nominee Limited	A
Barclays Stockbrokers Limited	A
Barclays Unquoted Investments Limited	A
Barclays Unquoted Property Investments Limited	A
Barclays USD Funding LLP	B
Barclays Wealth Nominees Limited	
Barclayshare Nominees Limited	A
Barcosec Limited	A
Barclays (Barley) Limited	I, J, K
Barometers Limited	A
Barsec Nominees Limited	A
BB Client Nominees Limited	A
BMBF (No.21) Limited	
BMBF (No.24) Limited	
BMBF (No.3) Limited	
BMBF (No.6) Limited	
BMBF (No.9) Limited	
BMI (No.9) Limited	
BNRI ENG 2013 Limited Partnership	B
BNRI ENG 2014 Limited Partnership	B
BNRI ENG GP LLP	B
BNRI England 2010 Limited Partnership	B
BNRI England 2011 Limited Partnership	B
BNRI England 2012 Limited Partnership	B
Carnegie Holdings Limited	A, I, J, K
Chapelcrest Investments Limited	
Clydesdale Financial Services Limited	
Cobalt Investments Limited	A
Condor No.1 Limited Partnership	B
CP Flower Guaranteeco (UK) Limited	A, E
CP Propco 1 Limited	
CP Propco 2 Limited	
CP Topco Limited	J, K
CPIA England 2008 Limited Partnership	B
CPIA England 2009 Limited Partnership	B
CPIA England No.2 Limited Partnership	B
DMW Realty Limited	A
Durlacher Nominees Limited	A
Eagle Financial and Leasing Services (UK) Limited	A
Equity Value Investments Limited Liability Partnership	B
Equity Value Investments No.1 Limited	A
Equity Value Investments No.2 Limited	
Finpart Nominees Limited	A
FIRSTPLUS Financial Group PLC	
Foltus Investments Limited	
Gerrard Financial Planning Limited	
Gerrard Management Services Limited	A
Gerrard Nominees Limited	
Global Dynasty Natural Resource Private Equity Limited Partnership	B
Globe Nominees Limited	
Greig, Middleton Nominees Limited	
Hawkins Funding Limited	A
Heraldglen Limited	G, H, I
Investors In Infrastructure Limited	A
J.V. Estates Limited	
Keepier Investments	A
Kirsche Investments Limited	A
Lombard Street Nominees Limited	A
Long Island Assets Limited	
Maloney Investments Limited	A
Menlo Investments Limited	A
Mercantile Credit Company Limited	A
Mercantile Leasing Company (No.132) Limited	A
MK Opportunities LP	B
Murray House Investment Management Limited	A
Naxos Investments Limited	A
North Colonnade Investments Limited	A
Northwharf Investments Limited	A, I, X
Northwharf Nominees Limited	A
PIA England No.2 Limited Partnership	B
Real Estate Participation Management Limited	
Real Estate Participation Services Limited	
Relative Value Investments UK Limited Liability Partnership	B
Relative Value Trading Limited	
Roder Investments No. 1 Limited	A, I, Y
Roder Investments No. 2 Limited	A, I, Y
Ruthenium Investments Limited	A
RVT CLO Investments LLP	B
Solution Personal Finance Limited	A
Surety Trust Limited	
Swan Lane Investments Limited	
US Real Estate Holdings No.1 Limited	
US Real Estate Holdings No. 2 Limited	
US Real Estate Holdings No.3 Limited	
W.D. Pension Fund Limited	A
Wedd Jefferson (Nominees) Limited	A
Westferry Investments Limited	A
Woolwich Homes Limited	A
Woolwich Plan Managers Limited	A
Woolwich Qualifying Employee Share Ownership Trustee Limited	A
Woolwich Surveying Services Limited	A
Zeban Nominees Limited	A
- Hill House, 1 Little New Street, London, EC4A 3TR	
Barclays BPT (in liquidation)	
Barclays Mercantile Highland Finance Limited (in liquidation)	
Boudeuse Limited (in liquidation)	A
Denham Investments Limited (in liquidation)	
Exshelfco (DZBC) (in liquidation)	
Greig Middleton Holdings Limited (in liquidation)	
Scotlife Home Loans (No.3) Limited (in liquidation)	A
Woolwich Assured Homes Limited (in liquidation)	A
Woolwich Homes (1987) Limited (in liquidation)	E
Woolwich Limited (in liquidation)	A
- 5 The North Colonnade, Canary Wharf, London, E14 4BB	
BBR Holdings Trust	D
Barclays Capital Trading Luxembourg Trust	D
CPIA Canada Holdings	B
Leonis Investments LLP	A, B
Preferred Liquidity Limited Partnership	B
- Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS	
R.C. Grieg Nominees Limited	
- 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	
BNRI PIA Scot GP Limited	A
BNRI Scots GP, LLP	B
Pecan Aggregator LP	B

44 Related undertakings continued

Wholly owned subsidiaries	Note
- Logic House, Waterfront Business Park, Fleet Road, Fleet, GU51 3SB	
The Logic Group Enterprises Limited	
The Logic Group Holdings Limited	A, J
Argentina	
- 855 Leandro N.Alem Avenue, 8th Floor, Buenos Aires	
Compañía Sudamerica S.A.	A
- Marval, O'Farrell & Mairal, Av. Leandro N. Alem 882, Buenos	
Compañia Regional del Sur S.A.	A
Brazil	
- Av. Brigadeiro Faria Lima, No. 4.440, 12th Floor, Bairro Itaim, Bibi, Sao Paulo, CEP, 04538-132	
BNC Brazil Consultoria Empresarial Ltda	A
Barclays Brasil Assessoria Financeira Ltda.	A
Canada	
- 333 Bay Street, Suite 4910, Toronto ON M5H 2R2	
Barclays Capital Canada Inc.	
- Stikeman Elliott LLP, 199 Bay Street, 5300 Commerce Court, West, Toronto ON M5L 1B9	
Barclays Corporation Limited	A
Cayman Islands	
- Maples Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104	
Alymere Investments Limited	G, H, I
Analytical Trade UK Limited	A
Barclays Capital (Cayman) Limited	A
Braven Investments No.1 Limited	
Capton Investments Limited	A
Claudas Investments Limited	A, G, H, I
Claudas Investments Two Limited	
CPIA Investments No.1 Limited	V
CPIA Investments No.2 Limited	F, I
Furbridge Investments Limited (in liquidation)	
Hurley Investments No.1 Limited	
Iris Investments 1 Limited	A, G, H, I
Mintaka Investments No. 4 Limited	
OGP Leasing Limited	
Pelleas Investments Limited	A
Pelleas Investments Two Limited	
Pippin Island Investments Limited	
Razzoli Investments Limited	A, F, I
RVH Limited	A, F, I
- PO Box 1093, Queensgate House, Grand Cayman, KY1-1102	
Blaytell Limited	A
Coskwo Limited	A
Godler Limited	A
Harflane Limited	A
Hentock Limited	A
Hollygrice Limited	A
Pilkbull Limited	A
Strickyard Limited	A
Winhall Limited	A
- 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005	
Calthorpe Investments Limited	
Gallen Investments Limited	
JV Assets Limited	L
Palomino Limited	A, Z
Wessex Investments Limited	
- Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, KY1- 9008	
Long Island Holding B Limited	A
China	
- Room 213, Building 1, No. 1000 Chenhui Road, Zhangjiang Hi-Tech Park, Shanghai	
Barclays Technology Centre (Shanghai) Company Limited	

Wholly owned subsidiaries	Note
France	
- 34/36 avenue de Friedland, Paris, 75008	
BBAIL SAS	A
Germany	
- TaunusTurm, Taunustor 1, 60310, Frankfurt	
Barclays Capital Effekten GmbH	A
- c/o SFM Deutschland GmbH, Gruneburgweg 58-62, 60322 , Frankfurt am Main	
Baubecon Holding 1 GmbH (in liquidation)	
- Stuttgarter Straße 55-57, 73033 Göppingen	
Adler Toy Beteiligungs GmbH	
Holding Stuttgarter Straße GmbH	
Guernsey	
- P.O. Box 33, Maison Trinity, Trinity Square, St. Peter Port, GY1 4AT	
Barclays Insurance Guernsey PCC Limited	A, Q
- PO BOX 41, Floor 2, Le Marchant House, Le Truchot, St Peter Port, GY1 3BE	
Barclays Nominees (Guernsey) Limited	A
Hong Kong	
- 42nd floor Citibank Tower, Citibank Plaza, 3 Garden Road	
Barclays Bank (Hong Kong Nominees) Limited (in liquidation)	A
Barclays Capital Asia Nominees Limited (in liquidation)	
- Level 41, Cheung Kong Center, 2 Queen's Road Central	
Barclays Asia Limited	A
Barclays Capital Asia Limited	A
India	
- 208 Ceejay House, Shivsagar Estate, Dr A Beasant Road, Worli, Mumbai, 400 018	
Barclays Securities (India) Private Limited	
Barclays Wealth Trustees (India) Private Limited	
- 67, Maker Tower 'F' 6th Floor, Cuffe Parade, Mumbai, 400 005	
Barclays Holdings India Private Limited (In Liquidation)	A
- Ground to Fourth Floor, Wing 3 - Cluster A, Eon Free Zone, MIDC Knowledge Park, Pune, 411014	
Barclays Global Service Centre Private Limited	A
- Level 10, Block B6, Nirlon Knowledge Park, Off Western Express Highway, Goregaon (East), Mumbai, 40063	
Barclays Investments & Loans (India) Limited	A, F, I
Indonesia	
- Barclays House, 12th Floor, Jl. Jend Sudirman Kav. 22-23, Jakarta, 12920	
PT Bank Barclays Indonesia (in liquidation)	A
- Plaza Lippo, 10th Floor, Jalan Jend, Sudirman Kav 25, Jakarta, 12920	
PT Bhadra Buana Persada (in liquidation)	A
Ireland	
- Two Park Place, Hatch Street, Dublin 2	
Barclaycard International Payments Limited	A
Barclays Bank Ireland Public Limited Company	A
Isle of Man	
- Barclays House, Victoria Street, Douglas	
Barclays Nominees (Manx) Limited	A
- P O Box 9, Victoria Street, Douglas, IM99 1AJ	
Barclays Private Clients International Limited	A, J, K
- 2nd Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE	
Barclays Holdings (Isle of Man) Limited (in liquidation)	A
Japan	
- 10-1, Roppongi 6-chome, Minato-ku, Tokyo	
Barclays Funds and Advisory Japan Limited	
Barclays Securities Japan Limited	
Barclays Wealth Services Limited	

Wholly owned subsidiaries	Note
Jersey	
- Third Floor, 37 Esplanade, St. Helier, JE2 3QA	
CP Newco 1 Limited	A
CP Newco2 Limited	J, K
CP Newco3 Limited	
- La Motte Chambers, St Helier, JE1 1BJ	
Barclays Services Jersey Limited	A
- 39 - 41 Broad Street, St Helier, JE2 3RR	
Barclays Wealth Management Jersey Limited	A
BIFML PTC Limited	A
- 13 Castle Street, St. Helier, JE4 5UT	
Barclays Index Finance Trust	S
- Lime Grove House, Green Street, St Helier, JE1 2ST	
Barbridge Limited	A, I, DD
- 13 Library Place, St Helier, JE4 8NE	
Barclays Nominees (Jersey) Limited	A
Barclaytrust Channel Islands Limited	A
- Appleby Trust (Jersey) Limited, PO Box 207, 13-14 Esplanade, St Helier, JE1 1BD	
MK Opportunities GP Ltd	A
Korea, Republic of	
- A-1705 Yeouido Park Centre, 28-3 Yeouido-dong, Yeongdeungpo-gu, Seoul	
Barclays Korea GP Limited	
Luxembourg	
- 9, allée Scheffer, L-2520	
Barclays Aegis Investments S.à r.l.	
Barclays Alzin Investments S.à r.l.	
Barclays Bayard Investments S.à r.l.	J, K
Barclays Bedivere Investments S.à r.l.	
Barclays Bordang Investments S.à r.l.	
Barclays BR Holdings S.à r.l.	
Barclays BR Investments S.à r.l.	
Barclays Cantal Investments S.à r.l.	GG
Barclays Capital Luxembourg S.à r.l.	
Barclays Capital Trading Luxembourg S.à r.l.	J, K
Barclays Claudas Investments Partnership	B
Barclays Equity Index Investments S.à r.l.	
Barclays Lamorak Investments S.à r.l.	
Barclays Leto Investments S.à r.l.	
Barclays Luxembourg EUR Holdings S.à r.l	
Barclays Luxembourg Finance S.à r.l.	
Barclays Luxembourg GBP Holdings S.à r.l.	
Barclays Luxembourg Holdings S.à r.l.	I, AA
Barclays Luxembourg Holdings SSC	B
Barclays Luxembourg USD Holdings S.à r.l.	J, K
Barclays Pelleas Investments Limited Partnership	B
Barclays Pelleas Investments S.à r.l.	
Blossom Finance General Partnership	B
- 68-70 Boulevard de la Petrusse, L-2320	
Adler Toy Holding Sarl	
Malaysia	
- Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, Kuala Lumpur, 59200	
Barclays Capital Markets Malaysia Sdn Bhd. (in liquidation)	A, F, I
Mauritius	
- C/O Rogers Capital Corporate Services, St. Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis	
Barclays Capital Mauritius Limited	A
Barclays Capital Securities Mauritius Limited	A
- Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene	
Barclays (H&B) Mauritius Limited	A
Barclays Mauritius Overseas Holdings Limited	A
Mexico	
- Paseo de la Reforma 505, 41 Floor, Torre Mayor, Col. Cuauhtemoc, CP 06500	
Barclays Bank Mexico, S.A.	A, K, M
Barclays Capital Casa de Bolsa, S.A. de C.V.	A, K, M
Grupo Financiero Barclays Mexico, S.A. de C.V.	A, K, M
Servicios Barclays, S.A. de C.V.	A

44 Related undertakings continued

Wholly owned subsidiaries	Note
Monaco	
- 31 Avenue de la Costa, BP 339	
Barclays Wealth Asset Management (Monaco) S.A.M	
Netherlands	
- Strawinskylaan 3105, 1077 ZX, Amsterdam	
Barclays SLCSM Funding B.V. (in liquidation)	A
- De Boelelaan 7, 1083 Hj Amsterdam	
Chewdef BidCo BV. (in liquidation)	A
Nigeria	
- Southgate House, Udi Street, Osborne Estate, Ikoyi, Lagos	
Barclays Group Representative Office (NIG) Limited	A
Philippines	
- 21/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City, 1226	
Meridian (SPV-AMC) Corporation	
Russian Federation	
- Four Winds Plaza, 1st Tverskaya-Yamskaya Str , Moscow 21, 125047	
Limited Liability Company Barclays Capital (In liquidation)	A
Saudi Arabia	
- 18th Floor Al Faisaliah Tower , Riyadh, 11311	
Barclays Saudi Arabia (In liquidation)	A
Singapore	
- 10 Marina Boulevard, #24-01 Marina Bay Financial Centre, Tower 2, 018983	
Barclays Bank (Singapore Nominees) Pte Ltd	A
Barclays Bank (South East Asia) Nominees Pte Ltd	A
Barclays Capital Futures (Singapore) Private Limited	
Barclays Capital Holdings (Singapore) Private Limited	A
Barclays Merchant Bank (Singapore) Ltd.	
Spain	
- Plaza De Colon 1, 28046, Madrid	
Barclays Tenedora De Immuebles SL.	A
BVP Galvani Global, S.A.U.	A, Z
Switzerland	
- Chemin de Grange Canal 18-20, PO Box 3941, 1211, Geneva	
Barclays Bank (Suisse) S.A.	
BPB Holdings SA	
Barclays Switzerland Services SA	
United States	
- Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	
Archstone Equity Holdings Inc	
Barclays BWA, Inc.	
Barclays Capital Commodities Corporation	
Barclays Capital Derivatives Funding LLC	C
Barclays Capital Energy Inc.	
Barclays Capital Real Estate Finance Inc.	
Barclays Capital Real Estate Holdings Inc.	
Barclays Capital Real Estate Inc.	
Barclays Commercial Mortgage Securities LLC	C
Barclays Electronic Commerce Holdings Inc.	
Barclays Financial LLC	C
Barclays Group US Inc.	
Barclays Oversight Management Inc.	
Barclays Receivables LLC	C
Barclays Services Corporation	
Barclays US CCP Funding LLC	C
Barclays US Funding LLC	C
Barclays US LLC	A, G, I
Barclays US Investments LLC	K, GG
BCAP LLC	C
CPIA Equity No. 1 Inc.	
Crescent Real Estate Member LLC	C
Gracechurch Services Corporation	
Long Island Holding A LLC	C
LTDL Holdings LLC	C
Marbury Holdings LLC	
Protium Finance I LLC	C
Protium Master Mortgage LP	B
Protium REO I LP	B
Securitized Asset Backed Receivables LLC	C
Sutton Funding LLC	C
TPLL LLC	C
TPProperty LLC	C
US Secured Investments LLC	C
- 1201 North Market Street, P.O. Box 1347 Wilmington, DE19801	
Barclays Bank Delaware	F, I
Procella Investments LLC	C
Procella Investments No.1 LLC	C
Procella Investments No.2 LLC	C
Procella Investments No.3 LLC	C
Procella Swaps LLC	C
Verain Investments LLC	
- 2711 Centerville Road, Suite 400, Wilmington DE 19808	
Analog Analytics Inc	
Protium Master Grantor Trust	D
- 251 Little Falls Drive, New Castle County, Wilmington DE 19808	
Barclays Capital Equities Trading GP	B
Barclays Capital Holdings Inc.	G, H, I
Lagalla Investments LLC	
Relative Value Holdings, LLC	
- 745 Seventh Avenue, New York NY 10019	
Alynore Investments Limited Partnership	B
Curve Investments GP	B
HYMF, Inc.	
Preferred Liquidity, LLC	J
- CT Corporation System, One Corporate Center, Floor 11, Hartford CT 06103-3220	
Barclays Capital Inc.	
- c/o RL&F Service Corp, One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington DE 19801	
Analytical Trade Holdings LLC	
Analytical Trade Investments LLC	BB
- 100 South West Street, Wilmington DE 19801	
Barclays Dryrock Funding LLC	C
Wilmington Riverfront Receivables LLC	J, K
- 15 East North Street, Dover DE 19801	
Barclays Services LLC	C
- CT Corporation System, 225 Hillsborough Street, Raleigh, NC 27603	
Barclays US GPF Inc.	
- CT Corporation System, 350 North St. Paul Street, Dallas TX 75201	
La Torretta Beverages LLC	C
La Torretta Hospitality LLC	C
La Torretta Operations LLC	C
- 500 Forest Point Circle, Charlotte, North Carolina 28273	
Equifirst Corporation (in liquidation)	
- Aon Insurance Managers (USA) Inc., 76 St. Paul Street, Suite 500, Burlington, VT05401-4477	
Barclays Insurance U.S. Inc.	
Zimbabwe	
- 2 Premium Close, Mount Pleasant Business Park, Mount Pleasant , Harare	
Branchcall Computers (Pvt) Limited	A

Other Related Undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary and/or common shares which are held by subsidiaries of the Group. The Group's overall ownership percentage is provided for each undertaking.

Other related undertakings	Percentage	Note
United Kingdom		
- 1 Churchill Place, London, E14 5HP		
Barclaycard Funding PLC	75.00%	A, J
Claas Finance Limited	51.00%	K
PSA Credit Company Limited (in liquidation)	50.00%	A, J, L
Barclays Covered Bond Funding LLP	50.00%	A, B
- 1 Poultry, London, England, EC2R 8EJ		
Igloo Regeneration (General Partner) Limited	25.00%	L, Z
- 1 Robeson Way, Sharston Green Business Park, Manchester, M22 4SW		
KDC Holdings Limited	37.41%	EE, Z
- 3 - 5 London Road, Rainham, Kent, ME8 7RG		
Trade Ideas Limited	20.00%	A, Z
- Derby Training Centre, Ascot Drive, Derby, DE24 8GW		
Develop Training Group Limited	65.47%	CC, Z
- 50 Lothian Road, Festival Square, Edinburgh, EH3 9BY		
Equistone Founder Partner II L.P.	20.00%	A, B, Z
Equistone Founder Partner III L.P.	35.00%	A, B, Z
- Building 6 Chiswick Park, 566 Chiswick High Road, London W4 5HR		
Intelligent Processing Solutions Limited	19.50%	Z
- Oak House, Ellesmere Port, Cheshire, CH65 9HQ		
Elan Homes Holdings Limited	59.94%	J, Z
- 16 Palace Street, London, SW1E 5JD		
Barclays Alma Mater Management Limited Partnership	30.00%	B, Z
- 20-22 Bedford Row, London, WC1R 4JS		
Cyber Defence Alliance Limited	25.00%	A, E, Z
- 30 Gresham Street, London, EC2V 7PG		
Gresham Leasing March (3) Limited	30.00%	Z
- 80 New Bond Street, London, W1S 1SB		
GN Tower Limited	50.00%	Z
GW City Ventures Limited	50.00%	K, Z
- 5th Floor, 70 Gracechurch Street, London, EC3V 0XL		
Camperdown UK Limited	74.00%	A, J
- 5 North Colonnade, Canary Wharf, London, E14 4BB		
BEIF Management Limited Partnership	30.00%	B, Z
- 2nd Floor, 110 Cannon Street, London, EC4N 6EU		
Vectorcommand Limited (in liquidation)	30.39%	J, K, Z
- 55 Baker Street, London, W1U 7EU		
Formerly H Limited (in liquidation)	70.32%	J, Z
- Countryside House, The Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3AT		
Woolwich Countryside Limited	50.00%	O, Z

44 Related undertakings continued

Other related undertakings	Percentage	Note
- Haberfield Old Moor Road, Wennington, Lancaster, LA2 8PD		
Full House Holdings Limited	67.43%	J, Z
- 6th Floor 60 Gracechurch Street, London, EC3V 0HR		
BMC (UK) Limited	40.18%	J, F, Z
- Central House, 124 High Street, Hampton Hill, Middlesex TW12 1NS		
Rio Laranja Holdings Limited	45.00%	J, Z
- 13-15 York Buildings, London, WC2N 6JU		
BGF Group Limited	24.40%	Z
Cayman Islands		
- Maples Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Cupric Canyon Capital LP	40.19%	HH, Z
Southern Peaks Mining LP	55.76%	HH, Z
Third Energy Holdings Limited	78.94%	F, J, K, Z
Germany		
- Schopenhauerstraße 10, D-90409, Nurnberg		
Eschenbach Holding GmbH	21.70%	Z
Indonesia		
- Wisma GKBI 39th Floor, Suite 3906, Jl. Jend. Sudirman No.28, Jakarta, 10210		
PT Barclays Capital Securities Indonesia (in liquidation)	99.00%	A
Korea, Republic of		
- 18th Floor, Daishin Finance Centre, 343, Samil-daero, Jung-go, Seoul		
Woori BC Pegasus Securitization Specialty Co., Limited	70.00%	A, W
Luxembourg		
- 9, allée Scheffer, L-2520		
BNRI Limehouse No.1 Sarl	96.30%	R
Partnership Investments S.à r.l.	33.40%	I, J ,K ,L
Preferred Funding S.à r.l.	33.33%	H
Preferred Investments S.à r.l.	33.33%	H, I
Malta		
- RS2 Buildings, Fort Road, Mosta MST 1859		
RS2 Software PLC	18.25%	A, Z
Monaco		
- 31 Avenue de la Costa, Monte Carlo		
Societe Civile Immobiliere 31 Avenue de la Costa	75.00%	A
Netherlands		
- Alexanderstraat 18, 2514 JM, The Hague		
Tulip Oil Holding BV	30.26%	II, Z
Sweden		
- c/o ForeningsSparbanken AB, 105 34 Stockholm		
EnterCard Group AB	40.00%	K, Z
United States of America		
- 777 Main Street, Fort Worth TX 76102		
CRE Diversified Holdings LLC	80.00%	C, Z
Crescent Crown Greenway Plaza SPV LLC	80.00%	C, Z
Crescent Crown Land Holding SPV LLC	80.00%	C, Z
Crescent Plaza Residential LP, LLC	80.00%	C, Z
Crescent Plaza Residential, L.P.	80.00%	B, Z
Crescent Plaza Residential, LLC	80.00%	C, Z
Crescent Resort Development LLC	80.00%	C, Z
Crescent Tower Residences GP, LLC	80.00%	C, Z
Crescent Tower Residences, L.P.	80.00%	B, Z
Crescent TRS Holdings LLC	80.00%	C, Z
CREW Tahoe Holdings LLC	80.00%	C, Z

Other related undertakings	Percentage	Note
DBL Texas Holdings LLC	80.00%	C, Z
Desert Mountain Development LLC	80.00%	C, Z
Desert Mountain Properties Limited Partnership	74.40%	B, Z
East West Resort Development VII LLC	80.00%	C, Z
Mira Vista Development LLC	78.40%	C, Z
Mountainside Partners LLC	80.00%	C, Z
- 126 Riverfront Lane , 5th Floor, Drawer 2770, Avon CO 81620		
Blue River Land Company, LLC	39.55%	C, Z
East West Resort Development IV, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development VIII, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development XIV, L.P., L.L.L.P.	33.52%	B, Z
EWRD Summit Holding, L.P., L.L.L.P.	79.57%	B, Z
EWRD Summit, LLC	79.10%	C, Z
- 3001 Northstar Drive, C200, Truckee CA 96161		
CREW Tahoe LLC	60.80%	C, Z
East West Resort Development V, L.P., L.L.L.P.	74.75%	B, Z
Gray's Station, LLC	56.96%	C, Z
Home Run Tahoe, LLC	60.82%	C, Z
Northstar Mountain Properties, LLC	60.82%	C, Z
Northstar Trailside Townhomes, LLC	60.82%	C, Z
Northstar Village Townhomes, LLC	56.93%	C, Z
Old Greenwood Realty, Inc.	60.80%	Z
Old Greenwood, LLC	60.80%	C, Z
Tahoe Club Company, LLC	60.80%	C, Z
Tahoe Mountain Resorts, LLC	60.82%	C, Z
The Glades Tahoe, LLC	60.82%	C, Z
- Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington DE 19808		
Crescent Fresh Series B Hold Co.	80.00%	Z
Mountainside Boulders, LLC	60.82%	C, Z
MVWP Development LLC	30.40%	C, Z
MVWP Investors LLC	60.80%	C, Z
Stellar Residences, LLC	60.82%	C, Z
Stellar Townhomes, LLC	60.82%	C, Z
- 1701 Wynkoop Street, Suite 140, Box 47, Denver, CO 80202		
Central Platte Valley Management, LLC	51.78%	C, Z
St. Charles Place, LLC	47.63%	C, Z
The Park at One Riverfront, LLC	47.63%	C, Z
Union Center LLC	51.78%	C, Z
- Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801		
DG Solar Lessee II, LLC	50.00%	C, Z
DG Solar Lessee, LLC	50.00%	C, Z
VS BC Solar Lessee I LLC	50.00%	C, Z
- East West Partners, Inc., 126 Riverfront Lane, 5th Floor, Avon CO 81620		
Tahoe Club Employee Company	60.80%	Z
- 6600 Mira Vista Blvd., Fort Worth TX 76132		
Mira Vista Golf Club, L.C.	76.83%	Z
- 251 Little Falls Drive, New Castle County, Wilmington DE 19808		
Crescent Legacy LLC	80.00%	C, Z
Surrey Funding Corporation	99.45%	A
Sussex Purchasing Corporation	99.45%	A
- 1415 Louisiana Street, Suite 1600, Houston, Texas, 77002		
Sabine Oil & Gas Holdings, Inc.	23.25%	Z
South Africa		
- 9 Elektron Road, Techno Park, Stellenbosch 7600		
Imalivest Mineral Resources LP	53.60%	J, Z

Subsidiaries by virtue of control

The related undertakings below are subsidiaries in accordance with s.1162 Companies Act 2006 as Barclays can exercise dominant influence or control over them.

Subsidiaries by virtue of control	Percentage	Note
United Kingdom		
- 1 Churchill Place, London, E14 5HP		
Oak Pension Asset Management Limited	00.00%	Z
Water Street Investments Limited	00.00%	Z

Subsidiaries by virtue of control	Percentage	Note
Cayman Islands		
- PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Hornbeam Limited	00.00%	Z
Barclays US Holdings Limited	10.00%	J

44 Related undertakings continued

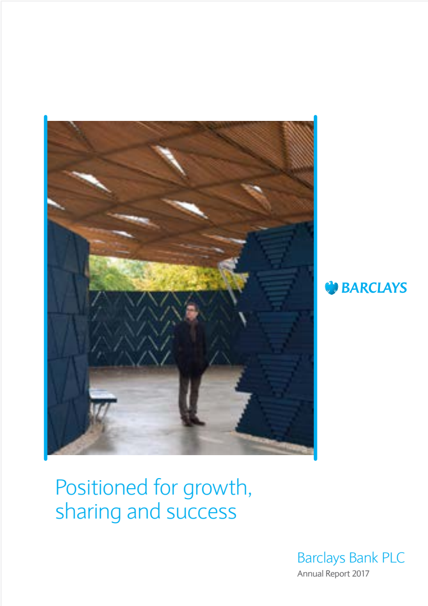
Joint Ventures

The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

Joint Ventures	Percentage		Joint management factors
United Kingdom			
- All Saints Triangle, Caledonian Road, London, N1 9UT			
Vaultex UK Limited	50.00%	A	The Joint Venture Board comprises two Barclays representative directors, two JV partner directors and three non-JV partner directors. The Board are responsible for setting the company strategy and budgets.

Notes

A	Directly held by Barclays Bank PLC
B	Partnership Interest
C	Membership Interest
D	Trust Interest
E	Guarantor
F	Preference Shares
G	A Preference Shares
H	B Preference Shares
I	Ordinary/Common Shares in addition to other shares
J	A Ordinary Shares
K	B Ordinary Shares
L	C Ordinary Shares
M	F Ordinary Shares
N	O Ordinary Shares
O	W Ordinary Shares
P	Redeemable Ordinary Shares
Q	Core Shares and Insurance (Classified) Shares
R	B, C, D, E (94.36%), F (94.36%), G (94.36%), H (94.36%), I (94.36%), J (95.23%) and K Class Shares
S	A Unit Shares, B Unit Shares
T	Class A Residual Shares, Class B Residual Shares
U	A Voting Shares, B Non-Voting Shares
V	Class A Ordinary Shares, Class A Preference Shares, Class B Ordinary Shares, Class C Ordinary Shares, Class C Preference Shares, Class D Ordinary Shares, Class D Preference Shares, Class E Ordinary Shares, Class E Preference Shares, Class F Ordinary Shares, Class F Preference Shares, Class H 2012 Ordinary Shares, Class H 2012 Preference Shares, Class H Ordinary Shares, Class H Preference Shares, Class I Preference Shares, Class J Preference Shares
W	First Class Common Shares, Second Class Common Shares
X	PEF Carry Shares
Y	EUR Tracker 1 Shares, GBP Tracker 1 Shares, USD Tracker 1 Shares, USD Tracker 2 Shares, USD Tracker 3 shares
Z	Not Consolidated (refer to Note 37 Structured entities)
AA	USD Linked Ordinary Shares
BB	Redeemable Class B Shares
CC	A Ordinary, Y Ordinary, Z Ordinary
DD	Nominal Shares
EE	A Ordinary, D Ordinary, ZI Ordinary
FF	Z Ordinary
GG	Class A1 Ordinary Shares, Class A2 Ordinary Shares
HH	Class A Unit Shares
II	A Shares – Tranche I, Premium – Tranche I, C Shares – Tranche II, Premium – Tranche II



Front cover image

Out of Africa, into new territory

After more than 150 years on the continent, the decision to sell down Barclays' investment in Africa was not an easy one. But with people like Win Chung and Sophia Aluko working hard to ensure a thoughtful separation, we broke new ground for Barclays in 2017.

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Notes

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC. The term 'Barclays PLC Group' or the 'Group' means Barclays PLC together with its subsidiaries and the term 'Barclays Bank PLC Group' or 'The Group' means Barclays Bank PLC together with its subsidiaries. 'Barclays' and 'Group' are terms which are used to refer to either of the proceeding Groups when the subject matter is identical. The term 'Parent Company' or 'Parent' refers to Barclays PLC and the term 'Bank' or 'Company' refers to Barclays Bank PLC. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2017 to the corresponding twelve months of 2016 and balance sheet analysis as at 31 December 2017 with comparatives relating to 31 December 2016. The abbreviations '£m' and '£bn' represent millions and thousands of millions of Pounds Sterling respectively; the abbreviations '$m' and '$bn' represent millions and thousands of millions of US Dollars respectively; and the abbreviations '€m' and '€bn' represent millions and thousands of millions of Euros respectively.

There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time.

Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the results glossary that can be accessed at home.barclays/results.

The information in this announcement, which was approved by the Board of Directors on 21 February 2018, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017, which includes certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC to the US Securities and Exchange Commission (SEC) and which contain an unqualified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

These results will be furnished as a Form 20-F to the SEC as soon as practicable following their publication. Once furnished with the SEC, copies of the Form 20-F will also be available from the Barclays Investor Relations website at home.barclays/results and from the SEC's website at www.sec.gov.

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

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the pages 223 to 225 of the Barclays PLC Annual Report 2017 for further information and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, structural reform, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets and the impact of any regulatory deconsolidation resulting from the sell down of the Group's interest in Barclays Africa Group Limited, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers, IFRS 9 impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards including the implementation of IFRS 9, 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 any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implications of the exercise by the United Kingdom of Article 50 of the Treaty of Lisbon and the disruption that may result in the UK and globally from the withdrawal of the United Kingdom from the European Union 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, expectations and guidance set forth in the Group's forward-looking statements. Additional risks and factors which may impact the Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our annual report on form 20-F for the fiscal year ended 31 December 2017), which will be available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.