BARCLAYS PLC
Form 20-F
March 01, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report ____________

Commission file numbers	Barclays PLC	1-09246
	Barclays Bank PLC	1-10257

BARCLAYS PLC

BARCLAYS BANK PLC

(Exact Names of Registrants as Specified in their Charter[s])

ENGLAND

(Jurisdiction of Incorporation or Organization)

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Address of Principal Executive Offices)

PATRICK GONSALVES, +44 (0)20 7116 2901, PATRICK.GONSALVES@BARCLAYS.COM

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Barclays PLC

Title of Each Class	Name of Each Exchange On Which Registered
25p ordinary shares	New York Stock Exchange*

Title of Each Class	Name of Each Exchange On Which Registered
American Depository Shares, each representing four 25p ordinary shares	New York Stock Exchange
4.375% Fixed Rate Subordinated Notes due 2024	New York Stock Exchange
2.75% Fixed Rate Senior Notes due 2019	New York Stock Exchange
2.00% Fixed Rate Senior Notes due 2018	New York Stock Exchange
3.65% Fixed Rate Senior Notes due 2025	New York Stock Exchange
2.875% Fixed Rate Senior Notes due 2020	New York Stock Exchange
5.25% Fixed Rate Senior Notes due 2045	New York Stock Exchange
3.25% Fixed Rate Senior Notes due 2021	New York Stock Exchange
4.375% Fixed Rate Senior Notes due 2026	New York Stock Exchange

* Not for trading, but in connection with the registration of American Depository Shares, pursuant to the requirements of the Securities and Exchange Commission.

Barclays Bank PLC

Title of Each Class	Name of Each Exchange On Which Registered
Callable Floating Rate Notes 2035	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 2	New York Stock Exchange*
American Depository Shares, Series 2, each representing one Non-Cumulative Callable Dollar Preference Share, Series 2	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 3	New York Stock Exchange*
American Depository Shares, Series 3, each representing one Non-Cumulative Callable Dollar Preference Share, Series 3	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 4	New York Stock Exchange*
	New York Stock Exchange

American Depository Shares, Series 4, each representing one Non-Cumulative Callable Dollar Preference Share, Series 4	
Non-Cumulative Callable Dollar Preference Shares, Series 5	New York Stock Exchange*
American Depository Shares, Series 5, each representing one Non-Cumulative Callable Dollar Preference Share, Series 5	New York Stock Exchange
5.140% Lower Tier 2 Notes due October 2020	New York Stock Exchange
Floating Rate Senior Notes due December 9 2016	New York Stock Exchange

iPath® Bloomberg Commodity Index Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Agriculture Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Aluminum Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Cocoa Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Coffee Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Copper Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Cotton Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Energy Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Grains Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Industrial Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Lead Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Livestock Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Natural Gas Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Nickel Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Platinum Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Precious Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Softs Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Sugar Subindex Total Return℠ ETN	NYSE Arca
iPath® Bloomberg Tin Subindex Total Return℠ ETN	NYSE Arca
iPath® S&P GSCI® Total Return Index ETN	NYSE Arca
iPath® S&P GSCI® Crude Oil Total Return Index ETN	NYSE Arca

iPath® CBOE S&P 500 BuyWrite Index℠ ETN	NYSE Arca
iPath® MSCI India Index℠ ETN	NYSE Arca
iPath® EUR/USD Exchange Rate ETN	NYSE Arca
iPath® GBP/USD Exchange Rate ETN	NYSE Arca
iPath® JPY/USD Exchange Rate ETN	NYSE Arca
iPath® S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca

iPath® S&P 500 VIX Mid-Term Futures™ ETN	NYSE Arca
iPath® Inverse S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca
iPath® Long Extended Russell 1000® TR Index ETN	NYSE Arca
iPath® Long Extended Russell 2000® TR Index ETN	NYSE Arca
iPath® Long Enhanced MSCI EAFE® TR Index ETN	NYSE Arca
iPath® Long Enhanced MSCI Emerging Markets Index ETN	NYSE Arca
iPath® Short Enhanced MSCI Emerging Markets Index ETN	NYSE Arca
iPath® Long Extended S&P 500® TR Index ETN	NYSE Arca
iPath® Global Carbon ETN	NYSE Arca
iPath® Optimized Currency Carry ETN	NYSE Arca
iPath® US Treasury Steepener ETN	NASDAQ
iPath® US Treasury Flattener ETN	NASDAQ
iPath® US Treasury 2-year Bull ETN	NASDAQ
iPath® US Treasury 2-year Bear ETN	NASDAQ
iPath® US Treasury 10-year Bull ETN	NASDAQ
iPath® US Treasury 10-year Bear ETN	NASDAQ
iPath® US Treasury Long Bond Bull ETN	NASDAQ
iPath® US Treasury Long Bond Bear ETN	NASDAQ
iPath® Pure Beta Broad Commodity ETN	NYSE Arca
iPath® Pure Beta S&P GSCI®-Weighted ETN	NYSE Arca
iPath® Pure Beta Cocoa ETN	NYSE Arca
iPath® Pure Beta Coffee ETN	NYSE Arca

iPath® Pure Beta Cotton ETN	NYSE Arca
iPath® Pure Beta Sugar ETN	NYSE Arca
iPath® Pure Beta Aluminum ETN	NYSE Arca
iPath® Pure Beta Copper ETN	NYSE Arca
iPath® Pure Beta Lead ETN	NYSE Arca

iPath® Pure Beta Nickel ETN	NYSE Arca
iPath® Pure Beta Crude Oil ETN	NYSE Arca
iPath® Seasonal Natural Gas ETN	NYSE Arca
iPath® Pure Beta Agriculture ETN	NYSE Arca
iPath® Pure Beta Grains ETN	NYSE Arca
iPath® Pure Beta Softs ETN	NYSE Arca
iPath® Pure Beta Industrial Metals ETN	NYSE Arca
iPath® Pure Beta Energy ETN	NYSE Arca
iPath® Pure Beta Livestock ETN	NYSE Arca
iPath® Pure Beta Precious Metals ETN	NYSE Arca
iPath® US Treasury 5-year Bull ETN	NASDAQ
iPath® US Treasury 5-year Bear ETN	NASDAQ
iPath® S&P 500 Dynamic VIX ETN	NYSE Arca
iPath® Inverse S&P 500 VIX Short-Term FuturesTM ETN (II)	NYSE Arca
iPath® GEMS IndexTM ETN	NYSE Arca
iPath® GEMS Asia 8 ETN	NYSE Arca
iPath® Asian and Gulf Currency Revaluation ETN	NYSE Arca
iPath® S&P MLP ETN	NYSE Arca
Barclays ETN+ S&P 500® VEQTOR ETN	NYSE Arca
Barclays ETN+ Shiller CAPE™ ETNs	NYSE Arca
Barclays ETN+ Select MLP ETN	NYSE Arca
Barclays ETN+ FI Enhanced Europe 50 ETN	NYSE Arca
Barclays ETN+ FI Enhanced Global High Yield ETN	NYSE Arca

Barclays OFI SteelPath MLP ETN	NYSE Arca
Barclays Women in Leadership ETN	NYSE Arca
Barclays Return on Disability ETN	NYSE Arca
Barclays Inverse US Treasury Composite ETN	NASDAQ

* Not for trading, but in connection with the registration of American Depository Shares, pursuant to the requirements to the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuers classes of capital or common stock as of the close of the period covered by the annual report.

Barclays PLC	25p ordinary shares	16,804,603,949
Barclays Bank PLC	£1 ordinary shares	2,342,558,515
	£1 preference shares	1,000
	£100 preference shares	20,930
	100 preference shares	31,856
	$0.25 preference shares	237,000,000
	$100 preference shares	58,133

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

Yes ¨ No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Barclays PLC

Large Accelerated Filer þ Accelerated Filer ¨ Non-Accelerated Filer ¨
Barclays Bank PLC

Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer þ
*Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨

International Financial Reporting Standards as issued by the International Accounting Standards Board þ

Other ¨

*If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ¨

Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ¨ No ¨

SEC Form 20-F Cross reference information

Form 20-F item number			Page and caption references in this document*
1	**Identity of Directors, Senior Management and Advisers**		Not applicable
2	**Offer Statistics and Expected Timetable**		Not applicable
3	**Key Information**		
	A.	Selected financial data	186, 189, 312-313, 431-432
	B.	Capitalization and indebtedness	Not applicable
	C.	Reason for the offer and use of proceeds	Not applicable
	D.	Risk factors	87-94
4	**Information on the Company**		
	A.	History and development of the company	43-44, 285-286 (note 36), 291 (note 38), 299-305 (note 46), 434-435, 476-478
	B.	Business overview	i (Market and other data), 177, 181-182, 191-192, 215, 218-220 (note 1), 231-233 (note 15), 261-271 (note 29)
	C.	Organizational structure	285-286 (note 36), 299-305 (note 46)
	D.	Property, plants and equipment	255 (Note 23), 256-257 (Note 24), 258 (Note 25)
4A	**Unresolved staff comments**		Not applicable
5	**Operating and Financial Review and Prospects**		
	A.	Operating results	145-146, 177-182, 184-208, 221-306
	B.	Liquidity and capital resources	103-105, 115-116, 130, 148-171, 177-182, 231-233 (note 15), 272-275 (note 30), 276 (note 31), 291-293 (note 39), 297 (note 43), 441
	C.	Research and development, patents and licenses, etc.	Not applicable
	D.	Trend information	
	E.	Off-balance sheet arrangements	261 (note 28), 286-290 (note 37), 291-293 (note 39)
	F.	Tabular disclosure of contractual obligations	411
	G.	Safe harbor	i (Forward-looking statements)
6	**Directors, Senior Management and Employees**		
	A.	Directors and senior management	3-5, 324-329
	B.	Compensation	50-83, 281-284 (note 35), 294-296 (note 41)
	C.	Board practices	6-49, 67-71
	D.	Employees	49 (Full time employees by region), 193, 195, 197, 199, 201, 202, 204
	E.	Share ownership	50-83, 279-280 (note 34), 294-296 (note 41), 333-335
7	**Major Shareholders and Related Party Transactions**		
	A.	Major shareholders	44, 323

Form 20-F item number			Page and caption references in this document*
12	**Description of Securities Other than Equity Securities**		
	A.	Debt Securities	Not applicable
	B.	Warrants and Rights	Not applicable
	C.	Other Securities	Not applicable
	D.	American Depositary Shares	312, 316-320
13	**Defaults, Dividends Arrearages and Delinquencies**		Not applicable
14	**Material Modifications to the Rights of Security Holders and Use of Proceeds**		Not applicable
15	**Controls and Procedures**		
	A.	Disclosure controls and procedures	324
	B.	Management s annual report on internal control over financial reporting	40
	C.	Attestation report of the registered public accounting firm	210
	D.	Changes in internal control over financial reporting	40
16A	**Audit Committee Financial Expert**		10
16B	**Code of Ethics**		322
16C	**Principal Accountant Fees and Services**		16-18, 296 (note 42), 321 (External auditor objectivity and independence: Non-Audit Services)
16D	**Exemptions from the Listing Standards for Audit Committees**		Not applicable
16E	**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**		45, 276 (Share repurchase)
16F	**Change in Registrant s Certifying Accountant**		324
16G	**Corporate Governance**		322
17	**Financial Statements**		Not applicable (See Item 8)
18	**Financial Statements**		Not applicable (See Item 8)
19	**Exhibits**		Exhibit Index

* Captions have been included only in respect of pages with multiple sections on the same page in order to identify the relevant caption on that page covered by the corresponding Form 20-F item number.

Return to stability

Barclays PLC and Barclays Bank PLC

2015 Annual Report on Form 20-F

The term Barclays or Group refers to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2015 to the corresponding twelve months of 2014 and balance sheet analysis as at 31 December 2015 with comparatives relating to 31 December 2014. The abbreviations £m and £bn represent millions and thousands of millions of Pounds Sterling respectively; and the abbreviations $m and $bn represent millions and thousands of millions of US Dollars respectively.

Comparatives have been restated to reflect the implementation of the Group structure changes and the reallocation of elements of the Head Office results under the revised business structure. These restatements were detailed in our Form 6-K filed with the SEC dated 14 July 2014.

References throughout this document to provisions for ongoing investigations and litigation including Foreign Exchange mean provisions held for certain aspects of ongoing investigations involving certain authorities and litigation including Foreign Exchange.

The information in this document does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015, which include certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC to the US SEC (2015 20-F) 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) have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

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.

Strategic Update

On 1 March 2016, Barclays also announced certain strategy updates of the Group, including in relation to reorganisation of operating segments into Barclays UK and Barclays Corporate & International, the intention to reduce the Group s stake in Barclays Africa Group Limited, the contribution of certain assets to the Non-Core segment, revised guidance on future dividends and new Group financial targets. Further information can be found in the Form 6-K regarding the Group Chief Executive Officer Strategy Update filed by Barclays on 1 March 2016, which is incorporated herein by reference.

Certain non-IFRS measures

Barclays management believes that the non-International Financial Reporting Standards (non-IFRS) measures included in this document provide valuable information to readers of its financial statements because 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 measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. As management reviews the adjusting items described below at a Group level, segmental results are presented excluding these items in accordance with IFRS 8; Operating Segments . Statutory and adjusted performance is reconciled at a Group level only.

Key non-IFRS measures included in this document, and the most directly comparable IFRS measures, are:

Adjusted profit before tax is the non-IFRS equivalent of profit before tax as it excludes the impact of own credit, impairment of goodwill and other assets relating to businesses being disposed, provisions for UK customer redress, gain on US Lehman acquisition assets, provisions for ongoing investigations and litigation including Foreign Exchange, losses on sale relating to the Spanish, Portuguese and Italian businesses, Education, Social Housing, and Local Authority (ESHLA) revision of valuation methodology, and gain on valuation of a component of the defined retirement benefit liability. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted profit after tax represents profit after tax excluding the post-tax impact of own credit, impairment of goodwill and other assets relating to businesses being disposed, provisions for UK customer redress, gain on US Lehman acquisition assets, provisions for ongoing investigations and litigation including Foreign Exchange, loss on sale relating to the Spanish, Portuguese and Italian businesses, Education, Social Housing, and Local Authority (ESHLA) revision of valuation methodology, and gain on valuation of a component of the defined retirement benefit liability. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted attributable profit represents adjusted profit after tax less profit attributable to non-controlling interests. The comparable IFRS measure is attributable profit. A reconciliation to IFRS is provided on page 192 for the Group;

Adjusted income and adjusted total income net of insurance claims represents total income net of insurance claims adjusted to exclude the impact of own credit, revision of Education, Social Housing, and Local Authority (ESHLA) valuation methodology and gain on US Lehman acquisition assets. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted net operating income represents net operating income excluding the impact of own credit; the gain on US Lehman acquisition assets and revision of ESHLA valuation methodology. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted total operating expenses represents operating expenses excluding impairment of goodwill and other assets relating to businesses being disposed, provisions for UK customer redress, provisions for ongoing investigations and litigation including Foreign Exchange and gain on valuation of a component of the defined retirement benefit liability. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted litigation and conduct represents litigation and conduct excluding the provisions for UK customer redress and the provision for ongoing investigations and litigation including Foreign Exchange. A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted cost: income ratio represents adjusted operating expenses (defined above) compared to adjusted income (defined above). A reconciliation to IFRS is presented on page 192 for the Group;

Adjusted compensation: net operating income ratio represents compensation costs: net operating income ratio excluding the impact of own credit; and the revision of ESHLA valuation methodology. A reconciliation is provided on page 192 for the Group;

Adjusted compensation: operating income ratio represents compensation costs: operating income ratio excluding the impact of credit impairment charges and other provisions; own credit; gain on US Lehman acquisition and revision of ESHLA valuation methodology. A reconciliation is provided on page 192 for the Group;

Adjusted basic earnings per share represents adjusted attributable profit (page 205) divided by the basic weighted average number of shares in issue. The comparable IFRS measure is basic earnings per share, which represents profit after tax and non-controlling interests, divided by the basic weighted average number of shares in issue. A reconciliation to IFRS is provided on page 192 for the Group;

Adjusted return on average shareholders equity represents annualised adjusted profit after tax for the period attributable to ordinary shareholders, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders equity, excluding non-controlling interests, the impact of own credit on retained earnings, and other equity instruments. The comparable IFRS measure is return on average shareholders equity which represents annualised profit after tax for the period attributable to ordinary shareholders, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders equity, excluding non-controlling interests and other equity instruments. A reconciliation to IFRS is provided on page 192 for the Group;

Adjusted return on average tangible shareholders equity represents annualised adjusted profit after tax for the period attributable to ordinary shareholders, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders equity excluding non-controlling interests, the impact of own credit on retained earnings, and other equity instruments adjusted for the deduction of intangible assets and goodwill.

The comparable IFRS measure is return on average tangible shareholders equity which represents annualised profit after tax for the period attributable to ordinary shareholders, including an adjustment for the tax credit 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. A reconciliation to IFRS is provided on page 192 for the Group;

Barclays Core results are non-IFRS measures because they represent the sum of five Operating Segments, each of which is prepared in accordance with IFRS 8; Operating Segments : Personal and Corporate Banking, Barclaycard, Africa Banking, Investment Bank and Head Office. A reconciliation to IFRS is provided on pages 191 and 192;

Constant currency results are calculated by converting ZAR results into GBP using the average exchange rate for the year ended 31 December 2015 for the income statement and the 31 December 2015 closing exchange rate for the balance sheet to eliminate the impact of movement in exchange rates between the two periods;

Net Stable Funding Ratio (NSFR) is calculated according to the definition and methodology detailed in the standard provided by the Basel Committee on Banking Supervision. The original guidelines released in December 2010 (Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring , December 2010) were revised in October 2014 (Basel III: The Net Stable Funding Ratio , October 2014). The metric is a regulatory ratio that is not yet finalised in local regulations and, as such, represents a non-IFRS measure. This definition and the methodology used to calculate this metric is subject to further revisions ahead of the implementation date and our interpretation of this calculation may not be consistent with that of other financial institutions;

Liquidity Coverage Ratio (LCR) is calculated according to the Commission Delegated Regulation of October 2014 that supplements Regulation (EU) 575/2013 (CRDIV) published by the European Commission in June 2013. The metric is applicable from 01 October 2015 and as such is a binding measure as at 31 December 2015;

Transitional CET1 ratio according to FSA October 2012. This measure is calculated by taking into account the statement of the Financial Services Authority, the predecessor of the Prudential Regulation Authority, on CRD IV transitional provisions in October 2012, assuming such provisions were applied as at 1 January 2014. This ratio is used as the relevant measure starting 1 January 2014 for purposes of determining whether the automatic write-down trigger (specified as a Transitional CET1 ratio according to FSA October 2012 of less than 7.00%) has occurred under the terms of the Contingent Capital Notes issued by Barclays Bank PLC on November 21, 2012 (CUSIP: 06740L8C2) and April 10, 2013 (CUSIP: 06739FHK0). Please refer to page 150 for a reconciliation of this measure to CRD IV CET1 ratio.

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 , continu aim , anticipate , target , projected , expect , estimate , intend , plan , goal , believe , achieve o meaning. Examples of forward-looking statements include, among others, statements regarding the Group s future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, rundown of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; United Kingdom (UK), United States (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 implementation of the strategic cost programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group s control. As a result, the Group s actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group s forward-looking statements. Additional risks and factors which may impact the Group s future financial condition and performance are identified in our filings with the SEC which are available on the SEC s website at http://www.sec.gov.

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

Market and other data

This document contains information, including statistical data, about certain Barclays markets and its competitive position. Except as otherwise indicated, this information is taken or derived from Datastream and other external sources. Barclays cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as Barclays.

Uses of Internet addresses

This document contains inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document.

References to Pillar 3 report

This document contains references throughout to Barclays annual risk report, the Pillar 3. Reference to the aforementioned report is made for information purposes only, and information found in said report is not incorporated by reference into this document.

Contents

Governance

Our corporate governance processes and the role they play in supporting the delivery of our strategy, including reports from the Chairman and each of the Board Committee Chairmen.

Risk review

The management of risk plays a central role in the execution of Barclays strategy and insight into the level of risk across businesses and portfolios and the material risks and uncertainties the Group face are key areas of management focus.

Financial review

A review of the performance of Barclays, including the key performance indicators, and our businesses contribution to the overall performance of the Group.

Financial statements

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Additional information Page

Governance

Contents

Our corporate governance processes and the role they play in supporting the delivery of our strategy, including reports from the Chairman and each of the Board Committee Chairmen.

Governance: Directors report

Who we are

Board of Directors[1]

Board of Directors[a]

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

John McFarlane

Chairman

Age: 68

Appointed:

1 January 2015

Relevant skills and experience

John is a former CEO of Australia and New Zealand Banking Group Limited with extensive financial services experience across retail, commercial and investment banking, gained both globally and in the UK. John has a proven track record of implementing cost reduction, cultural transformation and driving through strategic change; most recently demonstrated during his time as chairman of Aviva plc. He is also an experienced non-executive director and chairman. John became Chairman at the conclusion of the April 2015 AGM. He became Executive Chairman in July 2015 and held this position until 1 December 2015, when he resumed the role of Chairman.

Other principal appointments

Old Oak Holdings Limited; Westfield Corporation;

Chairman, The CityUK

Committees

Nom*

Relevant skills and experience

Jes Staley

Group Chief Executive

Age: 59

Appointed:

1 December 2015

Jes has nearly four decades of extensive experience in banking and financial services. He worked for more than 30 years at JP Morgan, initially training as a commercial banker, and later advancing to the leadership of major businesses involving equities, private banking and asset management, and ultimately heading the company s global investment bank. Most recently, Jes served as managing partner at BlueMountain Capital. These roles have provided him with a vast experience in leadership and he brings a wealth of investment banking knowledge to the Board. Jes joined Barclays as Group Chief Executive on 1 December 2015.

Other principal appointments

None

Committees

None

Sir Gerry Grimstone

Deputy Chairman and

Senior Independent

Director

Age: 66

Appointed:

1 January 2016

Relevant skills and experience

Sir Gerry brings to the Board a wealth of investment banking, financial services and commercial experience gained through his senior roles at Schroders and his various former board positions. Sir Gerry has global business experience across the UK, Hong Kong, the Middle East and the US.

Sir Gerry has significant experience as a non-executive director and chairman. He is currently the chairman of Standard Life plc, independent non-executive board member of Deloitte LLP and the lead non-executive at the Ministry of Defence.

Other principal appointments

Financial Services Trade and Investment Board;

The Shareholder Executive

Committees

Nom, Rep*

Mike Ashley

Non-executive

Age: 61

Appointed:

18 September 2013

Relevant skills and experience

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

Other principal appointments

ICAEW Ethics Standards Committee; European Financial Reporting Advisory Group s Technical Expert Group; Chairman, Government Internal Audit Agency; Charity Commission; International Ethics Standards Board for Accountants

Committees

Aud*, Nom, Ris

Tim Breedon

Non-executive

Age: 58

Appointed:

1 November 2012

Relevant skills and experience

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

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

Other principal appointments

Marie Curie Cancer Care; Chairman, Apax Global

Alpha Limited

Committees

Aud, Nom, Rem, Ris*

Crawford Gillies

Non-executive

Age: 59

Appointed:

1 May 2014

Relevant skills and experience

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

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

Crawford intends to retire from his position at Standard Life plc in 2016.

Other principal appointments

SSE plc; Control Risks Group Holdings Limited

Committees

Aud, Nom, Rem*

Reuben Jeffery III

Non-executive

Age: 62

Appointed:

16 July 2009

Relevant skills and experience

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

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

Other principal appointments

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

Committees

Nom, Ris

[a] Full Director biographies can be found on pages 324 to 327

[1] The composition of the Board is correct as at 29 February 2016.

Wendy Lucas-Bull

Non-executive

Age: 62

Appointed:

19 September 2013

Relevant skills and experience

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

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

Other principal appointments

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

Committees

Rep

Tushar Morzaria

Group Finance

Director

Age: 47

Appointed:

15 October 2013

Relevant skills and experience

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

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

Other principal appointments

None

Committees

None

Dambisa Moyo

Non-executive

Age: 47

Appointed:

1 May 2010

Relevant skills and experience

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

Other principal appointments

SABMiller Plc; Barrick Gold Corporation; Seagate Technology plc

Committees

Rem, Rep

Frits van Paasschen

Non-executive

Age: 54

Appointed:

1 August 2013

Relevant skills and experience

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

Other principal appointments

None

Committees

Rep

Diane de Saint Victor

Non-executive

Age: 61

Appointed:

1 March 2013

Relevant skills and experience

Diane holds the roles of executive director, general counsel and company secretary of ABB Limited, a listed international power and automation technologies company. Diane s legal background, combined with her knowledge of regulatory and compliance requirements, bring a unique perspective to the discussions of the Board and its Committees.

Other principal appointments

None

Committees

Aud, Rep

Diane Schueneman

Non-executive

Age: 63

Appointed:

25 June 2015

Relevant skills and experience

Diane joined Barclays after an extensive career at Merrill Lynch, holding a variety of senior roles. Diane brings a wealth of experience in managing global, cross-discipline business operations, client services and technology in the financial services industry. Diane s experience is a good addition to discussions of the Board and the Board Risk Committee. Diane will also join the Board Audit Committee with effect from 1 March 2016.

Other principal appointments

None

Committees

Ris

Steve Thieke

Non-executive

Age: 69

Appointed:

7 January 2014

Relevant skills and experience

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

Other principal appointments

None

Committees

Rem, Ris

Company Secretary

Lawrence Dickinson

Age: 58

Appointed:

19 September 2002

Relevant skills and experience

Since joining Barclays as a graduate in 1979, Lawrence has worked in a number of roles, including as Chief of Staff to the CEO and as the Private Bank s Chief Operating Officer. Lawrence is a member and Treasurer of the GC100, the Association of General Counsels and Company Secretaries of the FTSE100. In August 2015 Lawrence also became Group Chief of Staff to the Chairman.

Committee membership key

Aud	Board Audit Committee
Nom	Board Nominations Committee
Rem	Board Remuneration Committee
Rep	Board Reputation Committee
Ris	Board Risk Committee
*	Committee Chairman

Governance: Directors report

Who we are

Group Executive Committee[1]

Group Executive Committee[a]

Biographies for Jes Staley, Group Chief Executive, and Tushar Morzaria, Group Finance Director, who are members of the Group Executive Committee, which is chaired by Jes Staley, can be found on pages 324 and 326.

Michael Harte
Chief Operations and Technology Officer

Bob Hoyt
Group General Counsel

Thomas King
Chief Executive, Investment Bank

Robert Le Blanc
Chief Risk Officer

Jonathan Moulds
Group Chief Operating Officer

Maria Ramos
Chief Executive, Barclays Africa Group

Tristram Roberts
Group Human Resources Director

Michael Roemer
Group Head of Compliance

Amer Sajed
Interim Chief Executive, Barclaycard

Ashok Vaswani

Chief Executive,
Personal and
Corporate Banking

[a] Executive Committee biographies can be found on pages 327 to 329
[1] The composition of the Group Executive Committee is correct as at 29 February 2016.

Board diversity

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

Balance of non-executive Directors: executive Directors

1	Chairman	1
2	Executive Directors	2
3	Non-executive Directors	11

Gender balance

Male: Female
10:4

Length of tenure

(Chairman and non-executive Directors)

0-3 years
9

3-6 years
2

>6 years
1

Geographical mix

(Chairman and non-executive Directors)

UK
5

Continental Europe
1

US
4

Other
2

Industry/background experience

(Chairman and non-executive Directors)[a]

Financial Services	10
Political/regulatory contacts	9
Current/recent Chair/CEO	8
Accountancy/financial	2
International (US)	4
International (Europe)	4
International (Rest of the World)	4
Operations and Technology	1
Retail/marketing	1

Note

a Individual Directors may fall into one or more categories

What we did in 2015

Chairman s introduction

The role of any board, and one in which I passionately believe, is to create and deliver long-term, sustainable value.

Dear Fellow Shareholders

I joined Barclays in January 2015 as a non-executive Director and succeeded Sir David Walker as Chairman following the April 2015 Annual General Meeting (AGM). I would like to extend my thanks and appreciation to Sir David for all that he did for Barclays during his tenure.

This is my first report to you as Chairman and is perhaps not quite the report I anticipated writing when I first took up this role. From 17 July to 30 November 2015, I served as Executive Chairman, the Board having asked me to take on this role on an interim basis following its decision to search for a new Group Chief Executive to succeed Antony Jenkins. I welcome the flexibility afforded to us by the UK Corporate Governance Code that allowed us to operate under these revised governance arrangements for a short period of time and ensure continuity of focus and leadership. I was ably supported by my fellow Directors and by the Group Executive Committee during my period as Executive Chairman and thank them for their individual and collective guidance and input. I was delighted that, under the leadership of Sir Michael Rake, we were able to progress the search for a new Group Chief Executive quickly and welcome Jes Staley to the Board in December 2015, at which point I reverted to my role of non-executive Chairman. Jes has a track record as an outstanding leader and I believe he has the skills and experience to take Barclays forward to deliver improved shareholder returns and reclaim its position as the UK s pre-eminent bank. Jes and I are already enjoying a constructive and positive time working together.

The role of the Board

The role of any board, and one in which I passionately believe, is to create and deliver long-term, sustainable value. Barclays is a standout brand and has first-class retail, cards, commercial and investment banking businesses, but this has not translated into shareholder value in recent years. To deliver that value sustainably, we need to be much more focused on what is attractive, what we are good at, and where we are good at it. Put simply, we need to create a tangible and compelling reason for our shareholders to invest in us. This has driven the Board s focus on three priorities during 2015: focus on our core segments and markets; generate shareholder value; and instil a high performance and customer culture, with strong ethical values.

Board appointments, performance and succession planning

One of the key aspects of my role as Chairman, and one which was especially important during my tenure as Executive Chairman, is to ensure that Barclays has an effective and cohesive, yet challenging Board, with the optimum balance of experience, skills, expertise and personal attributes. I have sought to promote a culture of integrity and transparency, enabling Board debate that allows diverse perspectives and constructive challenge. Certainly, the Board did not shy away from difficult conversations and decisions during 2015, always with a focus on what was needed to drive forward execution of the strategy to generate sustainable value for Barclays and its shareholders.

The Barclays Board has undergone a significant amount of change in recent years and saw further changes during 2015. In addition to my own appointment, we welcomed Diane Schueneman to the Board in June 2015 and Jes Staley in December 2015. Diane brings valuable operations and technology experience to the Board. Sir David Walker and Sir John Sunderland left the Board in April 2015, following the AGM, with Antony Jenkins leaving the Board in July 2015. Finally, in October 2015, we announced that Sir Gerry Grimstone would succeed Sir Michael Rake as Deputy Chairman and Senior Independent Director with effect from 1 January 2016. Sir Michael retired from the Board at the end of 2015 and I would like to thank him for his dedicated service and commitment over his eight years as a non-executive Director, including being Senior Independent Director since October 2011 and Deputy Chairman since July 2012. Sir Michael offers his own perspective on governance during 2015 on page 8.

Governance: Directors report

What we did in 2015

Chairman s introduction

I am also delighted to report that we have met the Board diversity target we set back in 2012, which was that 25% of the Board by the end of 2015 should be women. We have now agreed a new diversity target, which is that 33% of the Board by the end of 2020 should be women, although our overriding principle is that all appointments to the Board are made on merit, taking into account the skills and experience that the Board needs now and may need in the future to support delivery of our strategy.

I am on record as saying that Barclays needs to reduce its internal bureaucracy by becoming leaner and more agile and consequently more effective and the Board and its processes are no exception to this. One of the steps I took on becoming Chairman was to review the Board s governance structure, with assistance from the Company Secretary, in order to simplify and streamline the principal Board Committees, in particular those Board Committees with responsibility for oversight of risk. As a result, the Board decided to disband the Board Enterprise Wide Risk Committee, with its responsibilities for oversight of enterprise-wide risk being assumed by the Board as a whole. We also concluded that the Board Financial Risk Committee should assume responsibility for oversight of the capital and financial aspects of operational risk, in addition to financial risk, leaving the Board Conduct, Operational and Reputational Risk Committee to focus on conduct and culture, reputational risk and citizenship. The Board Audit Committee continued to focus on the control aspects of operational risk. The Board Committees have subsequently been renamed to more accurately reflect their responsibilities.

As part of our discussions on Board and Board Committee succession planning, membership of each Committee was also reviewed to ensure that it had the right balance of skills, experience and perspectives and also to ensure that individual Directors were not being over-burdened by Committee responsibilities. Board Committees play a vital role in supporting the Board in its oversight of internal control and financial reporting, risk and risk management and reward and remuneration. Each of the Board Committee Chairmen report below on how their committees discharged their responsibilities during 2015 and the material matters each considered. The Board Nominations Committee has continued to play a role in succession planning for Group Executive Committee and senior leadership roles and, having had the opportunity during 2015, as Executive Chairman, to work even more closely with Group Executive Committee members, I was able to bring some fresh perspectives on the talent pipeline and talent management processes. More detail on the Board Nominations Committee s work on succession planning can be found on page 28.

It is important to periodically obtain an independent perspective on the effectiveness of the Board and particularly so in a year when our conventional Board governance processes were temporarily revised. We have conducted an externally facilitated review of the effectiveness of the Board each year since 2004, and for 2015 we asked Independent Board Evaluation to facilitate that review. I am pleased to advise that the overall outcome of the review was that the Board is operating effectively, although there are some areas that could be enhanced. A report on the evaluation process and the outcomes may be found on pages 33 and 34.

Culture and values

People matter more than anything else in any business: it is a company s people that make it great help it stand out from its competitors and make it an attractive proposition for customers and investors. As a Board, we are responsible for ensuring that Barclays people do things the right things in the right way by setting the tone from the top, by living Barclays culture and values in everything that we do and in the decisions we make, by holding the Group Executive Committee to account for the integrity of our Purpose and Values and by creating a culture in which doing the right thing is integral to the way we operate, globally. In an organisation as large and as complex as Barclays, that can be, and is, a challenge, but we are only too alive to the consequence of getting this wrong. I have personally endorsed our Code of Conduct, The Barclays Way, and the Board Reputation Committee has been monitoring, on behalf of the Board, the progress we are making to embed cultural change.

Shareholder and regulatory engagement

Meaningful engagement with our shareholders and regulators is a key pillar of our approach to corporate governance. We welcome open and constructive discussion with our stakeholders, particularly with regard to governance and succession planning, strategy and remuneration. You can read more about how we have engaged with key stakeholders during 2015 in this report. I also hope to meet with many of our private shareholders at our AGM, which will be held on 28 April 2016. A significant activity during 2015 was our external audit tender, on which we engaged with a number of our major shareholders, and you can read a report from Tim Breedon, who chaired our Audit Tender Oversight Sub-Committee, on page 18.

Looking ahead

2015 has not been without its challenges, but I believe that we now have the leadership in place to take forward execution of our strategy at pace, to deliver on our priorities and generate the long-term sustainable value that will benefit not only Barclays shareholders, but society at large.

John McFarlane

Chairman

29 February 2016

What we did in 2015

Statement from Sir Michael Rake,

Deputy Chairman until 31 December 2015

In asking the Chairman to take on executive responsibilities we were mindful of the need to ensure that our Board governance arrangements remained effective.

Board allocation of time (%)

		2015	2014
1	Strategy formulation and implementation monitoring	**56**	47
2	Finance (incl. capital and liquidity)	**11**	17
3	Governance and Risk (incl. regulatory issues)	**29**	32
4	Other (incl. compensation)	**4**	4

Dear Fellow Shareholders

In early July 2015, we announced the departure of Antony Jenkins as Group Chief Executive and the appointment of John McFarlane as Executive Chairman, pending the appointment of a new Group Chief Executive. The non-executive Directors had reflected long and hard on the issue of Group leadership and had concluded that new leadership, bringing a new set of skills, was required to accelerate the pace of execution going forward. These events were extensively reported at the time and, rather than revisit them, I would simply like to reiterate here the Board s appreciation of Antony s contribution at what was a critical period for Barclays.

In asking the Chairman to take on executive responsibilities, albeit for an interim period, we were mindful of the need to ensure that our Board governance arrangements remained effective and to maintain an appropriate balance of responsibilities on the Board and in the running of the Company until such time as a new Group Chief Executive was appointed. I wanted to give you my perspective on how we approached that and, in particular, how my role as Deputy Chairman and Senior Independent Director evolved during this time.

First, as Executive Chairman, John McFarlane relinquished his membership of the principal Board Committees on which he served, to ensure they continued to be composed solely of non-executive Directors and without any impediment to their ability to provide independent and constructive challenge to executive management. Specifically, John stood down as Chairman of both the Board Nominations Committee and the Board Reputation Committee and I became Chairman of both committees in his place.

Secondly, I took primary responsibility for the search for a new Group Chief Executive, leading the Board Nominations Committee through this process. As the relationship between the Chairman and Group Chief Executive is pivotal to the effectiveness of the Board, John worked closely with me during this process and his insight and guidance on the skills and qualities we needed in the new Group Chief Executive was invaluable. During the search process, I reported regularly to my non-executive colleagues on the Board on progress and on potential candidates, ensuring that they had the opportunity to provide their views and feedback. You can read more about the search for our new Group Chief Executive on page 32. We announced in late October 2015 that Jes Staley would join the Board as Group Chief Executive with effect from 1 December 2015. John subsequently resumed his chairmanship of the Board Nominations Committee, however, I continued to chair the Board Reputation Committee for the remainder of 2015.

Thirdly, my general interaction with our main stakeholders   our major shareholders and our regulators in the UK and US   increased during the period that John served as Executive Chairman.

Finally, I also maintained close contact with both John and members of senior management to ensure there were no significant issues arising from a governance perspective during this period.

2015 was my last year on the Barclays Board. I joined the Board in January 2008 and served through an eventful and difficult period for both Barclays and the financial services industry as a whole. Barclays announced in October 2015 that I would retire from the Board with effect from 31 December 2015 and I have spent time with my successor as Deputy Chairman and Senior Independent Director, Sir Gerry Grimstone, to ensure a smooth handover. I have been proud to serve on the Barclays Board and wish my fellow Directors continuing success for the future.

Sir Michael Rake

Deputy Chairman and Senior Independent Director until

31 December 2015

What we did in 2015

Board Audit Committee report

We have continued to play a role in changing the culture and building a greater sense of personal accountability, not just at a senior level within the Group but throughout the organisation, for maintaining the control environment.

Dear Fellow Shareholders

My report for 2014 emphasised the role the Committee has in ensuring that Barclays operates with a strong control environment and, in particular, the role it is playing in changing the culture and building a greater sense of personal accountability, not just at a senior level within the Group but throughout the organisation, for maintaining that control environment. During 2015, with the agreement of the Board and the Board Risk Committee, the Committee assumed primary responsibility for assessing and tracking the progress of embedding the Enterprise Risk Management Framework (ERMF), which is the way in which Barclays approaches enterprise risk management and is the bedrock of our management of internal risk and control. In particular, the Committee was keen to find ways in which the ERMF could be linked to the Group s assessment of Management s Control Approach (MCA), both to drive the right behaviours and provide a more objective method of assessing MCA. In terms of specific control issues, an area of focus for the Committee during 2015 was operations and technology, where there are a number of material control issues the Group is addressing. In assessing control issues for disclosure, the Committee has applied similar definitions to those used for assessing internal financial

The role of Board Audit Committee Chairman continues to be a full and busy one. During 2015, I had significant interaction with our regulators, meeting with representatives from our UK and US regulators and also participating in trilateral meetings with our auditors and UK regulators. I also took the opportunity to liaise with my fellow audit committee chairmen in other financial services companies, to discuss common issues and share practice, and I met with a group of investors to discuss disclosure issues, in particular with regard to realised profits. I carried on with my practice of meeting with representatives from senior management to discuss specific issues, such as customer complaints or cyber risk, in addition to my regular meetings with the Group Finance Director and Chief Internal Auditor. I also visited Barclays Africa, attending the African chairmen s conference. I held regular private meetings with my fellow Committee members ahead of Committee meetings to ensure I had a good sense of the matters that concerned them most and likewise met regularly with the lead audit partner of the external auditor.

Committee performance

The Committee s performance during 2015 was evaluated as part of the independently facilitated Board effectiveness review and I am pleased to report that the outcomes were positive. The Committee was regarded as effective and considered to be very thorough and detailed. The review commented on the continuing need to balance the demands of a busy agenda and programme of work with the need to cover issues in appropriate detail. We will also be seeking to strengthen the level of technical accounting experience on the controls for the purposes of Sarbanes-Oxley and has concluded that there are no control issues that are considered to be a material weakness, which would therefore merit specific disclosure. Further details may be found in the Risk Management and Internal Control section on page 39. The Committee also continued to address the significant judgements that need to be made in connection with the Group s financial statements, primarily those relating to conduct and litigation provisions and the valuations of specific financial instruments, derivatives assets and portfolios, particularly those where there is a lack of observable market data. More details of the material matters addressed by the Committee are given in the report below. The Committee also spent time carefully considering the requirements of the new viability statement and confirmed that, as indicated in last year s report, three years was the appropriate period, as it accorded with the Group s Medium Term Plan.

A significant activity for the Committee during 2015 was the external audit tender, which was conducted by an Audit Tender Oversight Sub-Committee, chaired by Tim Breedon. As I was until 2013 a partner of KPMG, one of the bidding audit firms, I took no part in the external audit tender process, other than providing input to its initial design. Tim Breedon reports separately on the external audit tender process below.

Committee. You can read more about the outcomes of the Board effectiveness review on pages 33 and 34.

Looking ahead

Barclays continues to face an unprecedented level of change, driven by both internal and external factors and it will be critical to ensure that a culture of strong control is maintained as the Group implements its strategy and also as it positions itself for structural reform. The Committee will continue to seek to ensure that management maintains its focus on building personal accountability for upholding a strong and effective control environment and is supportive of the pilot programme being implemented in 2016 that will require certain business personnel to spend time working in a control function before being promoted. 2016 will also see the Committee focus on the transition to a new auditor, KPMG, who will become Barclays auditor with effect from the 2017 financial year. We will be seeking to ensure that the quality of the audit performed by the existing auditor, PwC, is maintained until the end of its tenure and that KPMG has completed the steps it needs to undertake to ensure it is fully independent of Barclays and has a strong understanding of the business before it takes up office.

Mike Ashley

Chairman, Board Audit Committee

29 February 2016

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. Dambisa Moyo retired from the Committee at the end of August 2015 following a review of Board Committee composition and size by the Board, which resulted in the membership of each Board Committee being refreshed. Diane Schueneman was appointed to the Committee with effect from 1 March 2016. Mike Ashley is the designated financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act. Although each member of the Committee has financial and/or financial services experience, the Board has determined that the Committee would benefit from additional direct accounting and auditing experience and consideration is being given to further appointments to the Committee in order to deepen its expertise in these areas. You can find more details of the experience of Committee members in their biographies on pages 3 and 4.

The Committee met 10 times in 2015 and the chart on page 17 shows how it allocated its time. One meeting was held purely to consider presentations from the three audit firms bidding for the external audit tender and was not attended by Mike Ashley. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, General Counsel and Head of Compliance, as well as representatives from the businesses and other functions. The lead audit partner of the external auditor attended all Committee meetings, except the meeting to evaluate the external audit tender proposals, and the Committee held a number of private sessions with each of the Chief Internal Auditor or the lead audit partner, which were not attended by management.

Member	Meetings attended/eligible to attend
Mike Ashley*	9/10
Tim Breedon	10/10
Crawford Gillies	10/10
Dambisa Moyo (to 31 August 2015)	6/7
Diane de Saint Victor	7/10

* Did not attend the meeting that considered the appointment of a new statutory auditor given that KPMG, where until 2013 he was a partner, was one of the bidding audit firms.
  Unable to attend certain meetings owing to prior business commitments. Input was provided to the Committee Chairman prior to the meeting.

Committee role and responsibilities

The Committee is responsible for:

- assessing the integrity of the Group s financial reporting and satisfying itself that any significant financial judgements made by management are sound

- evaluating the effectiveness of the Group s internal controls, including internal financial controls and

- scrutinising the activities and performance of the internal and external auditors, including monitoring their independence and objectivity.

The Committee s terms of reference are available at

home.barclays/corporategovernance

Governance: Directors report

What we did in 2015

Board Audit Committee report

The Committee s work

The significant matters addressed by the Committee during 2015 are described below.

Significant financial statement reporting issues

Assumptions and estimates or judgements are an unavoidable and significant part of the financial reporting process and are evaluated carefully by the Committee ahead of the publication of Barclays results announcements. The Committee examined in detail the main judgements and assumptions made by management, any sensitivity analyses performed and the conclusions drawn from the available information and evidence, with the main areas of focus during the year set out below. Where appropriate, the Committee sought input and guidance from the external auditor and welcomed its challenge on specific matters. In addition to these main areas of focus, the Committee also covered matters relating to Barclays pension scheme, taxation and accounting policy choices.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Conduct provisions (see Note 27 to the financial statements).	Barclays makes certain assumptions and estimates, analysis of which underpins provisions made for the costs of customer redress, such as for Payment Protection Insurance (PPI), Packaged Bank Accounts (PBA) and rates provided to certain customers on foreign exchange transactions.	In debating Barclays financial results statements, the Committee examined the provisions held for the costs of customer redress. In respect of PPI, the Committee: § analysed the judgements and estimates with regard to the PPI provision, taking into account estimated overturn rates, the estimation policy on missing data, and complaints trend data	The Committee agreed that an additional provision of £150m should be taken at the first quarter but requested a full review of forecasts for PPI redress for the second quarter 2015. Having assessed the outputs of that review, it agreed to increase the provision at the half year by £600m. Following the review at the third quarter, the Committee concluded that no additional provisions were required but asked management to conduct further review and analysis for the 2015 year end to ensure that provisions were within an acceptable range. In deliberating the analyses

§ evaluated Financial Ombudsman Service overturn rates and trends, provisions utilisation, latest flow forecasts and how reasonable high and low end scenarios had been determined in order to assess the range of reasonable possible future costs § debated proposed additional provisions and whether the analysis performed by management was consistent with prior periods § assessed the Group s ability to forecast trends in PPI complaints, discussing the levels of uncertainty in the projections § debated the potential range of outcomes that might arise from the Plevin case (the 2014 UK Supreme Court ruling in Plevin v Paragon Personal Finance Ltd) and the potential impact on the future range of provisions arising from the proposed timebar on claims.	presented by management in connection with the 2015 full year results, and considering in particular the potential impact resulting from the FCA s consultation on introducing a time limit for claims and addressing the Plevin case, the Committee agreed with management s proposal to increase the provision at the year end by £1,450m. The Committee and management will continue to monitor closely any changes in customer or claims management companies behaviour in light of the Plevin case and the proposed timebar.
With regard to PBA redress, the Committee: § debated the practice of providing for future costs where persistent levels of complaints are received § assessed PBA claims experience throughout 2015, examining the level of provisions against forecast volumes and actual claims experience	The Committee endorsed management s recommendation that an expense of £282m for PBA should be provided for in the first half and agreed it should be disclosed as a separate item in the interim results. Having examined claims trend data, it concluded that no further provisions were required during 2015.
§ evaluated management s analysis of complaint levels and trends and the outputs of product reviews.	The Committee agreed with the proposal to make a provision of £290m in the third quarter and that this provision should be separately disclosed. The

In relation to redress to certain customers regarding rates provided on foreign exchange transactions, the Committee:

§ examined the results of the internal review conducted by management on foreign exchange transactions

§ evaluated the Group s proposal for calculating remediation for the customers affected.

remediation is still at an early stage and the Committee noted that there were no significant developments in the fourth quarter. The Committee therefore agreed that no adjustment was required in the provision at the end of 2015.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Legal, competition and regulatory provisions (see Notes 27 and 29 to the financial statements).	Barclays makes judgements in respect of provisions for legal, competition and regulatory matters.	§ Evaluated advice on the status of current legal, competition and regulatory matters. § Assessed management s judgements and estimates of the levels of provisions to be taken and the adequacy of those provisions, based on available information and evidence.	The Committee discussed provisions and utilisation for Foreign Exchange and ISDAFix litigation and agreed that any residual provision should be retained and not released in the first half. Having reviewed the information available to determine what could be reliably estimated, the Committee agreed that the provision at the full year should be set at £1,237m for ongoing investigations and litigation including Foreign Exchange. Further information may be found on pages 266 and 267.
Valuations (see Notes 13 to 18 to the financial statements).	Barclays exercises judgement in the valuation and disclosure of financial instruments, derivative assets and certain portfolios, particularly where quoted market prices are not available, in particular the	§ Debated fair value balance sheet items. This included evaluating a report from the Valuations Committee, analysing social housing bonds credit spread performance and debating the appropriateness of	The Committee concluded that there should be no change to the fair value approach. It also agreed with management s recommendation that an additional prudential valuation adjustment of £300m should be

	Group s Education, Social Housing and Local Authority (ESHLA) portfolio, which during 2015 represented the most material judgement in view of widening credit spreads on social housing bonds and budget changes impacting social housing portfolios.	the valuation model. § Assessed how the ESHLA portfolio might be accounted for under IFRS 9. § Debated uncollateralised derivatives and differences in pricing ranges and the potential impact on the Group s financial statements. § Examined the significant valuation disparity between the Group and a counterparty in relation to a specific long-dated derivative portfolio.	made in respect of the ESHLA portfolio, reflecting an increase in credit uncertainty for social housing sector loans arising from some widening of social housing bond credit spreads. The Committee noted that despite attempts by the front office trading team, the Group Finance Director and the Chairman of the Committee, it had not proved possible to gain a complete understanding of the causes of the valuation disparity from the relevant counterparty. Nonetheless, a significant element was understandable in light of the different underlying positions held and the Committee took further comfort from a third party valuation provided in relation to ongoing consideration of restructuring the trades. The Committee concluded that the Group s valuation methodology was appropriate and also noted that the Group was protected against counterparty credit risk through a collateral escrow arrangement.
Impairment (see Note 7 to the financial statements).	Where appropriate, Barclays models potential impairment performance, allowing for certain assumptions and sensitivities, to agree allowances for credit impairment, including agreeing the timing of the recognition of any impairment and estimating the size, particularly where forbearance has been granted.	§ Assessed impairment experience against forecast and whether impairment provisions were appropriate. § Evaluated the results of the review and stress tests conducted by management of the Group s exposures to the oil and gas sector in light of the reduction in oil prices. § Debated management s	The Committee agreed with the proposed adjustments to emergence and outcome periods and determined that the allowances for credit impairment on loans and advances were appropriate and adequately supported by model outputs. In relation to the oil and gas

analysis of the emergence and outturn periods for the Barclaycard portfolios.

sector, the Committee determined that the proposed provisions were appropriate but noted that further stress was possible in the event of a prolonged period of lower oil prices.

What we did in 2015

Board Audit Committee report

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Going concern (see page 45 for further information).	Barclays is required to confirm that the going concern basis of accounting is appropriate.	§ Assessed a working capital report prepared by Barclays Treasury, covering forecast and stress tested forecasts for liquidity and capital compared to current and future regulatory requirements, while taking into account levels of conduct and litigation provisioning and possible further provisions that may be required.	After examining forecast working capital, along with Barclays ability to generate capital and raise funding in current market conditions, the Committee concluded that Barclays liquidity and capital position remained appropriate, that there were no material uncertainties and that the going concern basis of accounting remained appropriate.
Viability	For the 2015 reporting year onwards, the Directors are required to make a statement in the Annual Report as to the longer-term viability of Barclays.	§ At the request of the Board, evaluated at the year end a report from management that set out the view of Barclays longer-term viability. This report was based on Barclays Medium Term Plan (MTP) and covered forecasts for capital, liquidity and leverage, including forecast performance against regulatory targets, outcomes of the stress test of the MTP and forecast capital and liquidity performance against stress hurdle rates, funding and liquidity forecasts and an assessment of global risk themes and the Group s risk profile.	Taking into account the assessment by the Board Risk Committee of stress testing results and risk appetite, the Committee agreed to recommend the viability statement to the Board for approval, although it emphasised the need for the statement to refer specifically to the key risks to viability, in particular those outside the Group s direct control.

Fair, balanced and understandable reporting (including Country by Country reporting and Pillar 3 reporting).	Barclays is required to ensure that its external reporting is fair, balanced and understandable.	§ At the request of the Board, assessed, via discussion with and challenge of management, whether disclosures in Barclays published financial statements were fair, balanced and understandable, taking into account comments received from investors and others. § Evaluated reports from the Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures. § Sought and obtained confirmation from the Group Chief Executive and Group Finance Director that they considered the disclosures to be fair, balanced and understandable. § Evaluated the outputs of Barclays Turnbull assessments and Sarbanes- Oxley s404 internal control process. § Established via reports from management that there were no indications of fraud relating to financial reporting matters. § Assessed disclosure controls and procedures. § Requested that management report on and evidence the basis on which representations to the external auditors were made.	Having assessed all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of Barclays published financial statements were appropriate in ensuring that those statements were fair, balanced and understandable. In assessing Barclays financial results statements, the Committee requested that certain amendments were made to disclosures on litigation and also provided input on other key disclosure items, including the US Wealth disposal, guidance on Barclays Non-Core, adjusting items, dividends and outlook statements. It also debated the proposed statements to be made by the Chairman and Group Chief Executive, suggesting amendments. The Committee concluded that the disclosures and process underlying the production of the 2015 Annual Report and Financial Statements were appropriate and recommended to the Board that the 2015 Annual Report and Financial Statements are fair, balanced and understandable.

Other significant matters

Other matters addressed by the Committee focused on the effectiveness of Barclays internal controls, the performance and effectiveness of the internal audit function, the performance, objectivity and independence of the external auditor, PricewaterhouseCoopers LLP (PwC) and the arrangements being made to ensure that the incoming auditor, KPMG LLP (KPMG), achieves full independence prior to commencing the Barclays audit. The most significant matters are described below.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Internal control Read more about the Barclays Internal control and risk management processes on page 39.	The effectiveness of the control environment in operations and technology (O&T) and the status and remediation of any material control issues.	§ Evaluated on a regular basis, the O&T control environment, including the status of any open material control issues, emerging risks and closed control issues, taking the opportunity to directly challenge and question functional leaders. § Scrutinised the status of specific material control issues and their associated remediation plans, including in particular those relating to access management, security of secret and confidential data, cyber risk, IT infrastructure and application issues and third party supplier management. § Debated any slippage to remediation programmes and	Having assessed the status of material control issues and their remediation, the Committee suggested that resilience should be elevated as a material control issue and requested a deep dive. The deep dive has been scheduled for early 2016. The Committee also requested further updates on cyber risk and third party supplier management, both of which are scheduled to take place in early 2016. The Committee requested a deep dive on access management control issues, which took place during 2015.

	whether this was a cultural indicator of the Group s approach. § Conducted a deep dive on security of secure and confidential data control issues, discussing in particular the cultural changes that the businesses needed to make. § Assessed the threat presented by cyber risk, including the impact of any confirmed cyber attacks. § Debated the progress of remediation of third party supplier management control issues, including the potential impacts of the Group s focus on cost management and of decentralisation.	
The effectiveness of the business control environment, including the status of any material control issues and the progress of specific remediation plans.	§ Assessed individual reports on the control environment in PCB, Barclaycard, Barclays Africa and US Investment Banking operations, including questioning directly the heads of those businesses. § Debated the importance of maintaining an effective control environment as the Group decentralises certain functional activities.	The Committee requested, and received, an update on decentralisation and its potential impact on the Group s control environment.
The progress being made on embedding the ERMF to support a strong and effective internal control environment.	§ Assessed the results of a self-assessment pilot exercise conducted by the principal business units, as the first line of defence. § Evaluated a proposal for a revised approach to the internal control attestation process to link it to the ERMF.	The Committee suggested to management that the assessment of MCA ratings could be more closely aligned to the ERMF. It subsequently considered and approved a proposal to align the MCA and ERMF, recommending that this be implemented with effect from 1 January 2016. The

- Deliberated on the challenge of embedding conduct risk management as part of the ERMF.
- Debated the effectiveness of the systems being used to support risk and control assessments by the first line of defence.
- Focused on the need for effective challenge by the second line of defence.
- Debated what metrics could be used to provide line of sight to control issues and whether a more objective approach to MCA ratings could be developed.

Committee requested further work on the revised approach to the internal control attestation process, so that the revised approach could be implemented for the 2015 year end attestation. The Committee asked for a further update on the effectiveness of the challenge by the second line of defence once all risk and control assessments had been completed. This update is scheduled to be provided in early 2016.

Governance: Directors report

What we did in 2015

Board Audit Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
	The adequacy of the Group s arrangements to allow employees to raise concerns in confidence without fear of retaliation and the outcomes of any substantiated cases.	§ Debated the enhancements made to the Group s whistleblowing framework, including changes in the team, communications to employees and re-publication of the Raising Concerns Policy. § Evaluated the level of substantiated cases and trends in reporting.	The Committee welcomed the steps that had been taken to strengthen the Group whistleblowing team and to enhance awareness and visibility across the Group of whistleblowing processes and the Raising Concerns Policy. It asked for more granular reporting to be made to the Committee, including ensuring that any cases of retaliation were clearly highlighted and that Barclays Africa incidents were reported to the Committee on the same basis as the rest of the Group. This information is now being received. To enable an assessment of effectiveness, the Committee asked for Barclays processes to be benchmarked against its peers. It was subsequently presented with the results of the benchmarking exercise and concluded that Barclays processes were appropriate.
Internal audit	The performance of internal audit and delivery of the	§ Focused on how to accelerate the remediation of	The Committee supported the approach to enforcing even

internal audit plan, including scope of work performed, the level of resources and the methodology and coverage of the internal audit plan.

any control weaknesses and the importance of having a culture of closing issues effectively, including debating a new approach to audit issues management, which requires issues to be remediated within six months of identification, with any extension to that time period requiring the approval of a member of the Group Executive Committee.

§ Evaluated progress of the internal audit plan for 2015 and debated the plan for 2016, including assessing the proposed internal audit coverage and key control themes identified.

§ Assessed internal audit resources and attrition levels.

§ Debated the outcomes from Barclays Internal Audit s annual self-assessment.

greater accountability and ensuring greater visibility at Group Executive Committee and senior management level of the remediation of control issues and audit issues management. It confirmed its agreement to the key control themes identified by internal audit, although it asked for execution risk to be covered specifically. The Committee approved changes to internal audit s methodology and the approach to audit coverage and issues validation, which has been implemented from 1 January 2016. The Committee asked for internal audit reports to comment as a matter of course on the effectiveness of both first and second lines of defence when evaluating their audit findings. Having assessed internal audit s reports on a regular basis, the Committee confirmed completion of the internal audit plan for the first half of 2015 and approved the plan for the second half of the year, including approving the resources requested. It also approved the plan for the first half of 2016. In view of the Group s focus on cost management, the Committee asked for an assessment of the impact on the internal audit plan of any proposed headcount reductions and for this to be reported to the Committee along with any revised plan. The Committee was content with the outcomes of the self-assessment of internal audit performance, although requested an update on the quality assurance programme, which will be provided in 2016.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
External audit	The work and performance of PwC, including the maintenance of audit quality during the period of transition to a new auditor.	§ Convened a separate session with the key members of the PwC audit team to discuss the 2015 audit plan and agree areas of focus. § Assessed regular reports from PwC on the progress of the 2015 audit and any material issues identified. § Debated the draft audit opinion ahead of 2015 year end.	The Committee approved the audit plan and the main areas of focus, including impairment, valuations, conduct redress provisions, litigation and regulation and IT systems and controls. The Committee asked PwC to comment on the Group s reconciliations processes and how they compared to other financial institutions.
		The Committee was also briefed by PwC on critical accounting estimates, where significant judgement is needed.	**Read more about the Committee s role in assessing the performance, effectiveness and independence of the external auditor and the quality of the external audit below.**
	The external audit tender, which was conducted during 2015, and the arrangements for the transition to a new auditor.	§ Received regular updates from the Audit Tender Oversight Sub-Committee on the progress of the audit tender. § Convened a special meeting to evaluate final presentations from the three audit firms who responded to the request for proposal.	The Committee decided to look further at potential reputation risk before making a recommendation to the Board. Having done so, it concluded on two firms for recommendation to the Board for consideration, indicating its preferred option of KPMG. In July 2015, Barclays announced

§ Assessed and endorsed the proposed process to ensure that KPMG was independent by 1 July 2016.

the appointment of KPMG as its statutory auditor with effect from the 2017 financial year.

Read more about the external audit tender and the processes in place to ensure KPMG s independence below.

The Committee also covered the following matters:

§ ensured it was updated on the implementation of IFRS 9, including the work under way to develop the Group s approach, project status, resourcing and employee training. The Committee requested, and received, a specific briefing session on IFRS 9, covering the key assumptions and judgements that will be required

§ debated the Group s plan for recovery and resolution and the process by which it was developed, including assessing the forward-looking trigger indicators

§ tracked progress of plans to ensure an attestation could be made to the Group s regulators with regard to financial crime controls

§ assessed status reports on the Group s controls around client assets and encouraged management to ensure that complexity, and the associated compliance costs, was taken into account when deciding which products to be offered

§ evaluated regular reports on regulatory issues

§ approved revisions to its terms of reference and recommended them to the Board for approval

§ approved a revised Group Retail Impairment Policy.

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

The Committee is responsible for assessing the effectiveness, objectivity and independence of the Group s auditor, PwC. This responsibility was discharged throughout the year at formal committee meetings, during private meetings with PwC and via discussions with key executive stakeholders. In addition to the matters noted above, during 2015, the Committee:

§ approved the terms of the audit engagement letter and associated fees, on behalf of the Board, having scrutinised the results of Barclays formal evaluation of PwC. More information on the formal evaluation is provided below

§ appraised PwC s approach to key accounting judgements and how they were communicated and agreed with management and the Committee

§ recognising that PwC, and its predecessor firms, has been Barclays external auditor since 1896 and that it had been more than 10 years since the external audit was last tendered, conducted an external audit tender, identified KPMG as the preferred candidate for appointment as Barclays new auditor and made a recommendation to the Board. Details of the audit tender process, which was overseen by the Audit Tender Oversight Sub-Committee, can be found on page 18

§ discussed and agreed revisions to the Group Policy on the Provision of Services by the Group Statutory Auditor and regularly analysed reports from management on the services that PwC provided to Barclays. Following the appointment of KPMG as auditor from 1 January 2017, the Committee also commenced oversight of new non-audit service engagements with KPMG in recognition of the potential threats to independence. Read more about non-audit services below

§ instructed Barclays Internal Audit to undertake a review of a sample of non-audit services provided by PwC to ensure that the final deliverables aligned to the scope of work approved by the Committee. No concerns were identified by this review

§ evaluated and approved revisions to the Group Policy on Employment of Employees from the Statutory Auditor and ensured compliance with the policy by regularly assessing reports from management detailing any appointments made

§ analysed the results of the inspection of PwC by the Financial Reporting Council s Audit Quality Review Team and confirmed support for the actions PwC proposed to take to address areas identified for improvement

§ assessed the draft report to the PRA prepared by PwC regarding its detailed audit work on specific topics, in particular, impairment.

PwC s performance, independence and objectivity during 2015 were formally assessed at the beginning of 2016. A questionnaire incorporating best practice recommendations from a number of professional and governance bodies, and taking account of key findings from the 2014 review, was completed by key stakeholders across the Group. The questionnaire was designed to evaluate PwC s audit process in its entirety and addressed matters including the quality of planning and communication, technical knowledge, the level of scrutiny and challenge applied and PwC s understanding of the business. The subsequent report provided empirical data on which the Committee assessed PwC. It also reflected specific comments made by respondents, giving the Committee a valuable insight into management s views. The Committee was particularly interested in assessing whether audit quality was being maintained throughout the period of transition to a new auditor. The results of the evaluation confirmed that both PwC and the audit process were effective. Having considered the results of the evaluation, the Committee recommended to the Board and to shareholders that PwC should be reappointed as the Group s auditors at the AGM on 28 April 2016, noting that this would be PwC s final year as Group auditor.

Governance: Directors report

What we did in 2015

Board Audit Committee report

Non-audit services

In order to safeguard the auditor s independence and objectivity, Barclays has in place a policy setting out the circumstances in which the auditor may be engaged to provide services other than those covered by the Group audit. The Group Policy on the Provision of Services by the Group Statutory Auditor (the Policy) applies to all Barclays subsidiaries and other material entities over which Barclays has significant influence. The core principle of the Policy is that non-audit services (other than those legally required to be carried out by the Group s auditor) should only be performed by the auditor in certain, controlled circumstances. The Policy sets out those types of services that are strictly prohibited and those that are allowable in principle. Any service types that do not fall within either list are considered by the Committee Chairman on a case by case basis, supported by a risk assessment provided by management.

The Committee has pre-approved all allowable services up to £100,000, or £25,000 for tax advisory services, however, all proposed work, regardless of the fees, must be sponsored by a senior executive and recorded on a centralised online system, with a detailed explanation of the clear commercial benefit arising from engaging the auditor over other potential service providers. The audit firm engagement partner must also confirm that the engagement has been approved in accordance with the auditor s own internal ethical standards and does not pose any threat to the auditor s independence or objectivity.

All requests to engage the auditor are assessed by independent management before work can commence. Requests for allowable service types in respect of which the fees are expected to meet or exceed the above thresholds must be approved by the Chairman of the Committee before work is permitted to begin. Services where the fees are expected to be £250,000 or higher must be approved by the Committee as a whole. All expenses and disbursements must be included in the fees calculation.

During 2015, all engagements where expected fees met or exceeded the above thresholds were evaluated by either the Committee Chairman or the Committee as a whole who, before confirming any approval, assured themselves that there was justifiable reason for engaging the auditor and that its independence and objectivity would not be threatened. Two requests were declined in 2015 (2014: two). On a quarterly basis, the Committee scrutinised details of individually approved and pre-approved services undertaken by the auditor in order to satisfy itself that they posed no risk to the auditor s independence, either in isolation or on an aggregated basis. A breakdown of the fees paid to the auditor for non-audit work can be found in Note 42 on page 296, with non-audit fees representing 23.5% (2014: 25.7%) of the audit fee. Significant categories of engagement undertaken in 2015 included:

§ attest and assurance services required by regulators in connection with reviews of internal controls including reviews of the suitability of design and operating effectiveness of controls related to custody of securities and funds within Barclays Wealth Americas

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

- transaction support on secured funding transactions, including the provision of audits required by the Bank of England and the issue of comfort letters

- provision of advice and market insight in respect of regulatory requirements relating to remuneration structure, incentive funding and risk adjustment and remuneration reporting.

Independence of KPMG

Following the appointment of KPMG as Barclays auditor with effect from 1 January 2017, the Committee was concerned to ensure that KPMG obtained independence from Barclays during 2016, enabling it to familiarise itself with Barclays and receive a structured, formal handover from PwC. In order to ensure KPMG s independence, and to allow the Committee to assess whether any non-audit work being conducted by KPMG in the meantime is appropriate, both in terms of type and scale, Barclays is in the process of exiting any current relationships or assignments that may prevent KPMG obtaining independent status and

has implemented procedures to manage the types of relationships and assignments that KPMG provides going forward. In particular, KPMG is not permitted to provide any service that may continue beyond mid-2016 if it has potential to cause independence issues. Since October 2015, the Committee has required all new engagements to be considered in light of the Policy and is maintaining oversight of them on the same basis as for the current auditor. The Committee has reserved the right to decline any proposed engagement with KPMG.

The fees paid to KPMG for non-audit work during 2015 were £38m. Significant categories of engagement undertaken in 2015 included:

- international tax compliance services for expatriate employees of Barclays, including expatriate tax returns, tax counselling, tax equalisation, international social security and other employment tax issues

- independent approved person review (s.166) of interest rate swaps to small businesses, covering the sale of interest rate hedging products to retail customers

- the building of an internal lean self-sufficiency capability to support end-to-end value stream improvements of core business processes within Group Operations and Technology

- assistance in the establishment and running of the programme management office associated with the African brand migration project

- support in the implementation of the Group conduct risk programme

- support with the development of the anti-money laundering programme and the provision of related advice
- support for Barclaycard in the assessment and restructuring of its pricing model
- review and remediation of know your customer documentation requirements for Barclays politically exposed persons and special focus clients in the US, UK, Switzerland, Monaco, India, Singapore and Hong Kong
- support for the development and embedding of the Basel II-compliant models in Spain.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

Barclays intends to comply with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

Board Audit Committee allocation of time (%)

		2015	2014
1	Control issues	**18**	24
2	Business control environment	**16**	10
3	Financial results	**27**	42
4	Internal audit matters	**7**	8
5	External audit matters (including external audit tender)	**26**	11
6	Other (including governance and compliance)	**6**	5

Governance in Action external audit tender

As indicated in last year s Annual Report, Barclays decided to undertake an external audit tender in 2015, with a view to replacing our external audit firm from the 2017 financial year onwards. This was done to conform with the auditor rotation requirements of the final statutory audit services order published in October 2014 by the UK s Competition and Markets Authority, which took effect in January 2015.

In December 2014, we established an Audit Tender Oversight Sub-Committee, to oversee the external audit. I was asked to chair the Sub-Committee and Crawford Gillies and Colin Beggs, Chairman of the BAGL Audit Committee, were the other members. The tender process completed in summer 2015 and the Board announced in July 2015 that it had appointed KPMG as Barclays Auditor with effect from the 2017 financial year.

One of the Sub-Committee s key objectives was to ensure that the selection process was efficient, fair, effective, open and transparent. It established and published the following weighted key assessment criteria: Audit Quality (50%), Cultural Fit (20%), Corporate Fit (15%) and Experience (15%). No fee information was available to the Board Audit Committee before the recommendation was finalised. Three levels of governance were implemented to manage and support the process.

Timeline and key activities

Governance body	Purpose
Core Audit Tender Team	§ Assist the audit firms to put the best solution forward for consideration. § Conduct a detailed assessment of the audit firms following the design approved by the Audit Tender Oversight Sub-Committee.
Audit Tender Oversight Sub-Committee	§ Agree objectives and desired outcomes for the audit tender. § Approve the design of the audit tender process. § Construct and agree a shortlist of firms to be asked to participate. § Oversee the implementation of the audit tender process.
Board Audit Committee	§ Recommend to the Board, from at least two potential candidates, the preferred firm to be appointed.

A number of firms were invited to participate in the audit tender, including firms outside the Big 4 auditors. We published key information on the tender in a timely manner, including making the request for proposal available on Barclays website. We also wrote to our major shareholders, setting out the process and details of the tendering audit firms, which we considered essential to transparency. Enhanced compliance procedures were established. We then undertook a broad and structured evaluation of each firm through site visits and workshops with the tendering firms, covering all the major businesses of the Group, the control functions and specific audit exercises, which were also attended by members of the Board Audit Committee. Ongoing feedback was provided to the tendering audit firms through a single point of contact in order to ensure that each was given the best chance possible of putting forward a credible proposal to the Board Audit Committee.

At the conclusion of the audit tender process, the Board Audit Committee was able to recommend to the Board the preferred firm to be appointed, from two shortlisted firms. All tendering firms met the minimum thresholds set by the Audit Tender Oversight Sub- Committee and, following a full assessment of the proposals and detailed questioning of the audit firms, KPMG was identified as the preferred firm, based on audit quality, evaluation scores and its extensive experience of auditing banks. Mike Ashley and Sir Michael Rake, both former partners of KPMG, took no part in the evaluation process or the Board Audit Committee s recommendation and both recused themselves when the Board discussed and approved the appointment.

Tim Breedon

Chairman, Audit Tender Oversight Sub-Committee

What we did in 2015

Board Risk Committee report[a]

In 2016 the Committee will continue to supervise the level and deployment of risk appetite, as well as the Group s funding and capital position, as we respond to regulatory requirements and our expectations of continued volatility in external conditions.

Dear Fellow Shareholders

Over the past year, the Board Risk Committee reviewed management s responses to a range of external challenges. These included a slowdown in China and other emerging markets, falling oil and commodity prices, as well as some industry trends toward more aggressive lending terms in certain core markets, including UK property and international leveraged finance. Risk appetite, as well as country, sector and individual exposures, were carefully monitored to ensure that business activity and limits appropriately reflected external risks. We were pleased to see impairment remain broadly flat on 2014 levels and within planning expectations, despite increasingly challenging conditions in some markets.

A key activity for the Committee is recommending risk appetite to the Board and monitoring performance against the agreed appetite on its behalf. The context in which we set our Medium Term Plan (MTP) and risk appetite for 2015 was based on our assessment of our key markets, including risk factors arising from the near term

Another key area of focus during 2015 was the structural reform programme, where the Committee was asked by the Group Chairman to oversee progress of the planning process, particularly with regard to structural options, their capital and liquidity implications and the potential risks for the Group, its customers and for the financial system. Now that the programme has moved into its implementation phase, the Board will directly oversee programme execution, although the Committee will continue to exercise oversight of capital and liquidity aspects, including assessing capital on a legal entity basis. From July 2015, the Committee also assumed oversight responsibility for operational risk, agreeing to focus on the financial and capital aspects of operational risk, while the Board Audit Committee oversees the control aspects.

The role of Board Risk Committee Chairman is not confined to the Committee s regular meetings. During 2015, I continued to have significant interaction with our regulators, meeting regularly with representatives from our UK and US regulators. I held regular meetings with the Chief Risk Officer and members of his senior management team, with Barclays Treasurer and the Chief Operating Officer. I also liaised closely with the Chairman of Board Audit Committee, particularly on those matters where the remit of the two committees might overlap, including with regard to the implementation of the Enterprise Risk Management Framework and operational risk issues.

Committee performance

geopolitical, macroeconomic and market environment and the potential for further conduct and litigation charges. Matters for particular focus were the UK housing market, where new mortgage regulations, a potential rise in interest rates, the growth in the buy-to-let market and ongoing high levels of household debt were expected to have an impact; continuing economic and political uncertainty in Europe; weak economic prospects for South Africa; and the potential effects of ongoing weakness in oil prices. 2015 risk appetite and risk triggers were set to position Barclays conservatively given this environment. During 2015, significant stress in emerging markets and economies became evident, underpinned by a slowing in the Chinese economy and resultant market volatility. Consequently, Barclays took early action to reduce its risk appetite to emerging markets, particularly Africa, and also remained vigilant to the potential impacts arising from a downturn in economic growth, indebtedness generally and further weakness in capital markets.

At the end of 2014, the Committee asked for a review of the Group s process for setting risk appetite and during 2015 approved a revised methodology that takes a scenario-based approach, with stress testing as the basis of the risk appetite framework. This revised methodology was used to set risk appetite for 2016, with the Committee also approving the stress testing themes, the severity of the proposed stress and the financial constraints.

Note

a The name of the Committee changed from the Board Financial Risk Committee in June 2015

The Committee s performance during 2015 was evaluated as part of the independently facilitated annual Board effectiveness review and I am happy to report that the outcomes were positive. The Committee was regarded as effective and as taking a thorough and detailed approach to its responsibilities. The main area identified for improvement was ensuring that the papers presented to the Committee strike the right balance between providing data for information and providing insight and analysis to encourage greater debate and I will be working with the Chief Risk Officer and Barclays Treasurer to address this during 2016. You can read more about the outcomes of the Board effectiveness review on pages 33 and 34.

Looking ahead

The Committee expects its areas of focus for 2016 to be guided by the ongoing level of change faced by the Group as it implements its strategy and executes the structural reform programme, with a particular focus on capital and liquidity management across legal entities. We will also continue to monitor and react to any emerging risks arising in our key markets in the UK, US and South Africa as a consequence of any macroeconomic deterioration or disruption in financial market conditions.

Tim Breedon

Chairman, Board Risk Committee

29 February 2016

Committee composition and meetings

The Committee is comprised solely of independent non-executive Directors. Following a review by the Board during 2015 of Board Committee composition, Dambisa Moyo stepped down from the Committee with effect from 31 August 2015 and Diane Schueneman joined the Committee with effect from 1 September 2015. Details of the skills and experience of the Committee members can be found in their biographies on pages 3 and 4.

The Committee met seven times in 2015, with two of the meetings held in New York. Two additional meetings were held at short notice for the sole purpose of considering and approving revised risk limits in connection with specific transactions and, with the consent of the Committee Chairman, were not attended by all Committee members. The chart on page 23 shows how the Committee allocated its time during 2015. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, Barclays Treasurer and General Counsel, as well as representatives from the businesses. Representatives from the external auditor also attended meetings.

Member	Meetings attended/eligible to attend
Tim Breedon	7/7
Mike Ashley	7/7
Reuben Jeffery III*	5/7
Dambisa Moyo (to 31 August 2015)*	3/5
Diane Schueneman (from 1 Sept 2015)	2/2
Steve Thieke*	5/7

* with the consent of the Chairman did not attend the two meetings held at short notice to consider specific transaction limits

Committee role and responsibilities

The Committee s responsibilities include:

§ recommending to the Board the total level of financial and operational risk the Group is prepared to take (risk appetite) to create long-term shareholder value

§ monitoring financial and operational risk appetite, including setting limits for individual types of risk, e.g., credit, market and funding risk

§ monitoring the Group s financial and operational risk profile

§ ensuring that financial and operational risk is taken into account during the due diligence phase of any strategic transaction and

§ providing input from a financial and operational risk perspective into the deliberations of the Board Remuneration Committee.

The Committee s terms of reference are available at

home.barclays/corporategovernance

The Committee s work

The significant matters addressed by the Committee during 2015 are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Risk appetite, i.e. the level of risk the Group chooses to take in pursuit of its business objectives.	The methodology for calculating the level of risk appetite.	§ Requested a review of the Group s risk appetite process and methodology and debated proposals from management to move to a scenario-based stress testing approach. § Evaluated the proposed MTP stress test, agreeing on a scenario involving a global recession from an economic slowdown in China. § Debated the severity of the scenario and how it would apply across the Group s main markets of the UK, US and South Africa and how it aligned to regulatory stress tests.	The Committee challenged the parameters proposed by management and asked for a parameter to be linked to PBT. It also asked for early consideration to be given to the impact of IFRS 9 on the Group s risk appetite and stress testing assumptions. This work is under way and will be reported to the Committee in the first half of 2016. Given the change in methodology, the Committee requested early sight of the design and outputs as the new risk appetite process was implemented, resulting in a workshop being held in December 2015. All non-executive Directors were invited to attend the workshop.
Stress testing, i.e. testing whether the Group s	The Group s stress testing exercises, including scenario selection and constraints, the	§ Debated proposals from management to move to a scenario-based risk appetite	The Committee approved the stress test results for submission to the BoE. It

financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress.	results and implications of stress tests, including stress tests run by the Bank of England (BoE), and regulatory feedback on the methodology and results.	setting approach and approved a change to the Group s methodology. § Assessed the progress of the BoE stress test and evaluated the preliminary results, including discussing any potential areas of sensitivity.	subsequently evaluated the BoE stress testing results and feedback from the BoE on the stress test.

What we did in 2015

Board Risk Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Structural reform, i.e. the progress of structural reform, including the challenges to execution.	The impact of structural reform on the Group s principal risks, including the impact on capital and liquidity for individual Group legal entities and the potential overall impact on the safety and soundness of the UK financial system.	§ Debated structural reform and the impact on the capital and liquidity flight paths for individual legal entities, in particular, the prospective credit rating of Barclays Bank PLC in the structural reform structure. § Evaluated the respective impacts on capital, liquidity and on the general safeness and soundness of the Group of different ring fence bank (RFB) structures.	The Committee recognised the design and implementation challenges of the programme and supported management in proposing structures and perimeters that best ensured the safety and soundness of all elements of the Group. It requested a workshop on structural reform to provide the Committee with an in-depth view of the key challenges. The workshop was held in December 2015 and all non-executive Directors were invited to attend.
Liquidity and funding, i.e. having sufficient financial resources available to enable the Group to meet its obligations as they fall due.	Compliance with regulatory requirements and internal liquidity risk appetite (LRA).	§ Assessed on a regular basis liquidity performance against requirements. § Debated the credit ratings of Barclays PLC and Barclays Bank PLC and potential market reaction to a ratings downgrade following removal of sovereign support notching. § Questioned the cost of additional liquidity and asked for options to reduce the cost to be considered.	The Committee ensured that management had in place options to manage any impact on liquidity of a ratings downgrade. It agreed that the cost of maintaining surplus liquidity was appropriate.

Capital and leverage, i.e., having sufficient capital resources to meet the Group s regulatory requirements, maintain its credit rating and support growth and strategic options.	The flight path to achieving required regulatory and internal targets and capital and leverage ratios.	§ Debated on a regular basis, capital performance against plan, tracking the capital flight path, any challenges/headwinds and regulatory developments. § Evaluated options to maximise capital and capital ratios in order to meet regulatory and market expectations.	The Committee supported the forecast trajectory and the actions identified by management to manage the Group s capital position.
Country risk, i.e. the levels of risk the Group is prepared to take in specific countries.	The potential impact on the Group s risk profile of political instability and economic weakness in South Africa, one of its main markets.	§ Debated economic conditions in South Africa and the future outlook. § Examined the actions already taken to manage risks, improve controls and asset quality and develop triggers for additional action in the event of further macro deterioration. § Monitored the impact on South Africa of the slowdown in China and the fall in commodity prices.	The Committee sought additional information around the actions that had been taken to manage the risk profile in South Africa, including the impact of the actions taken to date. It requested a deep dive on the risk profile of the South African business, inviting the South African business heads to present on the actions that had been taken and how the business was positioned for a further economic downturn, including the impact of a further country rating downgrade.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Political and economic risk, i.e. the impact on the Group s risk profile of political and economic developments and macroeconomic conditions.	The potential impact on the Group s risk profile of political developments, such as the UK general election and budget statement, the potential exit of countries from the Eurozone, and weakening macroeconomic conditions, such as disruption and volatility in financial markets.	§ Assessed the potential impact of the UK general election and steps that could be taken to manage any market volatility. § Evaluated the potential risks arising from a general macroeconomic slowdown and from financial markets disruption, including the global impact of the economic slowdown in China. § Assessed global consumer indebtedness indicators and the potential impact of rising consumer debt on the Group s risk profile. § Debated the Group s Eurozone exposures in the context of the potential break-up of the Eurozone in the event of a Greek exit and assessed the Group s levels of redenomination risk in the Eurozone.	The Committee asked management to evaluate macroeconomic conditions and market indicators to inform the strategic plan and risk appetite proposals for 2016, so that the Group is positioned appropriately.
Retail credit risk, i.e. UK property market, interest	The potential overheating of the UK housing market, particularly in London and the South East and the Group s risk	§ Debated UK property market indicators and conditions, particularly in the high loan to value (LTV) and the buy-to-let	The Committee encouraged management to continue to take a conservative approach to UK mortgage lending in the

rate risk.	appetite for and management of sectors such as the buy-to-let sector.	markets and potential economic and political risks to that market. § Evaluated the Group s lending criteria and its approach to assessing customers on affordability. § Assessed the potential impact of an increase in interest rates on customers, including how customers had been stress tested and assessed against affordability criteria.	buy-to-let market and emphasised the need to keep risks and exposures within agreed appetite.
Specific sector risk, i.e. the Group s risk profile in sectors showing signs of stress, such as the oil sector.	The Group s exposures to the oil and commodities sectors in light of the price weakness and volatility in these sectors during 2015.	§ Regularly assessed the Group s exposures to the oil sector, including assessing steps taken with regard to the credit strategy for the sector, how the portfolio was performing and whether this was in line with expectations. § Evaluated the Group s exposures to the commodities sector and actions taken to identify any names at risk and reduce exposures.	The Committee supported the actions that had been taken by management to manage the Group s risks and exposures to the oil and commodities sectors. It requested a stress test to assess the impact of further (and longer) oil price weakness on the Group s lending portfolio, including indirect exposure.
Operational Risk From 1 July 2015, the Committee took responsibility for oversight of the capital and financial aspects of operational risk.	The Group s operational risk capital requirements and any material changes to the Group s operational risk profile and performance versus risk appetite.	§ Evaluated operational risk capital and debated the potential for an increase in regulatory operational capital requirements. § Debated whether Barclays advanced status for calculating operational risk capital should be retained. § Tracked operational risk key indicators via regular reports from the Head of Operational Risk.	The Committee focused its oversight of operational risk on the financial and capital implications, debating in particular the potential impact of regulatory operational risk requirements.

What we did in 2015

Board Risk Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Risk governance, i.e. the capability, governance and controls that the Group has over the management of risk.	The development of a scorecard to assist the Committee in assessing risk capability across the Group; further enhancement to the limit framework and governance of leveraged finance; the actions being taken to enhance controls and governance around risk models.	§ Requested development of a risk capability scorecard. § Regularly debated conditions in the leveraged finance market, tracking market indicators and the Group s risk exposures and assessing the limit framework for leveraged finance and underwriting, including proposed changes to the framework to strengthen controls. § Assessed the progress of enhancements to risk models controls and governance, including the role of the Group s Independent Validation Unit. § Evaluated revisions proposed to the ERMF.	The Committee approved the approach to the risk capability scorecard and requested a formal annual assessment of capability, with the option of an external assessment every three years. The Committee approved a revised limit framework for leveraged finance transactions and approved underwriting limits in general. The Committee concluded that good progress had been made on enhancing the controls and governance around risk models and asked management to focus on improving the quality of models and data quality further. The Committee also recommended the revised ERMF to the Board for approval.
Remuneration	The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2015.	§ Evaluated the Risk function s view of performance, which informed remuneration decisions for 2015.	The Committee supported the Risk function s view of 2015 risk performance and endorsed the report that had been submitted to the Board Remuneration Committee.

The Remuneration Report on pages 50 to 83 includes more detail on how risk is taken into account in remuneration decisions.

In addition, the Committee also covered the following matters in 2015:

§ regularly tracked the utilisation of risk appetite and evaluated the Group s risk profile

§ evaluated the impact of the Swiss franc revaluation on the Group s electronic trading systems and asked for any lessons learned to be applied to other electronic platforms

§ debated risk related matters arising from regulatory assessments and the actions needed to address any specific issues raised

§ approved regulatory submissions, including the Individual Capital Adequacy Assessment Process and the Individual Liquidity Adequacy Assessment

§ assessed and debated a report on its own performance during 2014, including considering whether its remit should be revised to cover operational risk and assessing the degree of challenge and support and value it provided to the Risk function

§ discussed and agreed on its own training needs, resulting in two workshops being held in 2015, one on risk appetite and one on structural reform, with a further briefing session on the impact of IFRS 9 planned for 2016

Board Risk Committee allocation of time (%)

		2015	2014
1	Risk profile/risk appetite (including capital and liquidity management)	**43**	57
2	Key risk issues	**31**	19
3	Internal control/risk policies	**11**	11
4	Other (including remuneration and governance issues)	**15**	13

Read more about Barclays risk management on pages 95 to 109 and 336 to 409

- approved amendments to its terms of reference to reflect its revised remit and to ensure they remained in line with best practice and

- discussed and agreed its specific responsibilities for the oversight of operational risk, focusing on the capital and financial impacts, leaving the Board Audit Committee to oversee operational risk control issues.

What we did in 2015

Board Reputation Committee report[a]

The Committee s responsibilities were reshaped during 2015 to focus on three main pillars: conduct and compliance; reputation; and citizenship.

Dear Fellow Shareholders

The Board Reputation Committee underwent a period of change during 2015, in terms of both a reassessment of Board Committee responsibilities and membership. John McFarlane succeeded Reuben Jeffery III as Chairman of the Committee in March 2015 and, following John s appointment as Executive Chairman in July 2015, the Board asked me to assume the role of Committee Chairman, a position I held until my retirement from the Board at the end of December 2015.

The Committee s responsibilities were reshaped during 2015 to focus on three main pillars: conduct and compliance; reputation; and citizenship. Culture and conduct are the bedrock of the organisation and, with the right culture, much of Barclays exposure to conduct risk can be reduced. To this end, the Committee has continued to focus on these issues, assessing progress against plans for

Committee performance

As part of the annual Board effectiveness review the performance of the Board s committees was considered and I am pleased to report that the Committee is considered to be effective. The Committee is relatively new and areas for improvement included continuing to refine its agenda, particularly with regard to compliance and conduct risk, and ensuring that it does not duplicate the work of other Board Committees. Please turn to the report of the Board effectiveness review on pages 33 and 34 for more details.

Looking ahead

My successor, Sir Gerry Grimstone, will be assessing the areas of focus for the Committee in 2016 and I wish him and the Committee well for the future.

Sir Michael Rake

Chairman, Board Reputation Committee until 31 December 2015

Committee composition and meetings

The Committee comprises independent non-executive Directors, with the exception of Wendy Lucas-Bull, who the Board has decided to deem as non-independent for the purposes of the UK Corporate Governance Code, owing to her position as Chairman of Barclays Africa Group Limited. During 2015, there were a number of changes to the membership of the Committee, which are set out in the table embedding our conduct risk programme and implementing cultural change throughout the Group. We assessed deep-dive reports into conduct risk within key businesses, such as Barclays Africa and the Cards business, and evaluated the findings of a report by Air Marshal Sir David Walker, commissioned by management to give an independent view on whether we are making progress with cultural change. I am pleased to report that, although there is more to be done, progress on both has been good and there is strong commitment throughout the Group to embedding the necessary changes.

The Committee also tracked the exposure of Barclays, and the financial sector generally, to reputational risks. Reputational risk is a risk type that is constantly evolving, with potential new risks emerging while we are implementing controls to manage identified risks. Consequently, we have taken a thematic approach to identifying our key reputational risks and have ensured that we look ahead to identify emerging risks enabling us to mitigate them early. You can read more on pages 25 and 26 about the significant matters addressed during the year.

below.

The Committee met four times during 2015 and the chart on page 26 shows how it allocated its time. Committee meetings were attended by management, including the Group Chief Executive, Chief Internal Auditor, Chief Risk Officer, General Counsel, Group Corporate Relations Director and the Heads of Compliance, Conduct Risk and Operational Risk, as well as representatives from the businesses and other functions.

Member	Meetings attended/eligible to attend
Reuben Jeffery III (Chairman and member to 31 March 2015)	1/1
John McFarlane (Chairman from 1 April 2015 16 July 2015)	2/2
Sir Michael Rake (Chairman and member from 17 July 2015 31 December 2015)	2/2
Mike Ashley (to 31 August 2015)	2/2
Tim Breedon (to 31 August 2015)	2/2
Wendy Lucas-Bull	4/4
Dambisa Moyo	4/4
Diane de Saint Victor	4/4
Sir John Sunderland (to 23 April 2015)	1/1
Frits van Paasschen (from 1 September 2015)	2/2

Committee role and responsibilities

The principal purpose of the Committee is to:

§ ensure, on behalf of the Board, the efficiency of the processes for identification and management of conduct and reputational risk and

§ oversee Barclays Citizenship Strategy, including the management of Barclays economic, social and environmental contribution.

Until the end of June 2015, the Committee also had responsibility for oversight of operational risk. Following a review by the Board of its governance arrangements, responsibility for the oversight of the capital and financial aspects of operational risk was reallocated to the Board Financial Risk Committee, which was renamed the Board Risk Committee. The Board Audit Committee oversees the control aspects of operational risk.

The Committee s terms of reference are available at

home.barclays

Note

a Formerly called the Board Conduct, Operational and Reputational Risk Committee

Governance: Directors report

What we did in 2015

Board Reputation Committee report

The Committee s work

The significant matters addressed by the Committee during 2015 are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Conduct risk	Progress on embedding the conduct risk management framework, focus on specific conduct risks and continued reduction of customer complaint levels.	§ Continued its monitoring of the conduct risk programme via quarterly reports from management. § Specifically assessed the status of the conduct risk programmes in Barclays Africa and across the Cards business. § Monitored regulators views of Barclays conduct risk management and reporting via updates from management. § Assessed progress made in reducing numbers of complaints, including those escalated to the Financial Ombudsman Service.	The Committee welcomed the progress made in embedding the conduct risk programme and requested more visibility of the status of specific conduct risks. It encouraged management to continue to apply lessons learned from past events to prevent similar events occurring now or in the future. It was content with the progress made in embedding conduct risk in Barclays Africa, but encouraged greater simplification of the governance structures and communication. It also encouraged management to do more to reduce the number of complaints.
Operational risk **(to July 2015)**	The management of Barclays operational risk profile and exposure to significant operational risks.	§ Monitored Barclays operational risk profile via quarterly reports from management. § Evaluated management s strategy for addressing cyber risk and monitored its progress.	The Committee focused its attention on emerging risks and those to which the Group s exposure was increasing. It supported tactical and strategic actions proposed by management to mitigate the Group s risks, including

		§ Assessed Barclays exposure to technology risk and examined plans to resolve identified control issues by the end of the year.	endorsing management s strategy for addressing cyber risk. The Committee also satisfied itself that progress in managing technology risk was good and there was a healthy focus on embedding the right culture.
Reputational issues	Ensuring that Barclays anticipates, identifies and manages reputational issues that may impact it or the industry now or in the future.	§ Tracked Barclays exposure to reputational risks via twice-yearly management reports. § Examined the effectiveness of the current reputation risk framework, including assessing case studies on specific reputational matters.	The Committee took a thematic approach to its assessment of reputational risks and guided management in its approach to managing them. It satisfied itself as to the effectiveness of the reputation risk framework.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Cultural change	The progress being made on embedding of cultural change.	§ Evaluated the outputs of an independent review by Air Marshal Sir David Walker. § Assessed an industry-wide report by the Group of Thirty (G30) into banking conduct and culture and how Barclays practices benchmarked against the best practices and suggestions outlined in that report.	The Committee endorsed Air Marshal Sir David Walker s report, which confirmed its view that progress had been good but that there was more to do to achieve the cultural change required. It encouraged management to continue to prioritise progress on cultural change. The Committee also concluded that many of the actions Barclays had taken in response to the Salz Review recommendations had aligned its practices with those proposed in the G30 report.
Citizenship	The delivery of the 2015 Citizenship Plan and development of a Shared Growth Plan for 2016-2018.	§ Tracked progress against the current 2015 Citizenship plan via six-monthly reports from management. § With the current Citizenship Plan coming to completion, evaluated the proposed Shared Growth Plan for 2016-2018.	The Committee noted that all targets in the 2015 Citizenship Plan had been met or exceeded, with the exception of our new and renewed household lending target, which had not been possible to achieve owing to market and trading conditions. It endorsed the 2016-2018 Shared Growth Plan, particularly the proposal to link the plan to Barclays core purpose and values and to focus on employability skills.

The Committee also covered the following matters:

§ assessed progress of the programme to implement enhanced controls in the Investment Bank over conflicts of interest between Barclays and third parties

§ evaluated outcomes of regulatory thematic reviews of conduct issues and controls

§ evaluated the levels of attestation by colleagues globally to The Barclays Way, the Group s code of conduct

§ assessed the status of specific remediation programmes being implemented by the business

§ provided input to the Board Remuneration Committee on conduct and reputation issues to be taken into consideration for 2015 remuneration decisions

§ tracked progress against the Compliance function s business plan, including updates on resourcing and attrition levels

§ monitored progress of Barclays plans for compliance with the Volcker Rule (restrictions on proprietary trading and certain fund investments by banks operating in the US)

§ assessed and discussed a report on the Committee s performance during 2014

§ approved revisions to its terms of reference and recommended them to the Board for approval and

Board Reputation Committee allocation of time (%)

		2015	2014
1	Citizenship	**6**	2
2	Reputational issues	**13**	7
3	Culture, conduct and compliance	**57**	52
4	Operational risk	**19**	33
5	Other	**6**	6

Read more about Barclays risk management on

pages 95 to 109 and 336 to 409

§ considered and approved Group Compliance Policies.

What we did in 2015

Board Nominations Committee report[a]

The importance of people as a driving force in sustaining a business over the long term.

Dear Fellow Shareholders

I have often stressed the importance of people as a driving force in sustaining a business over the long term through their expertise, innovation and commitment. This is equally true of your Board, where it is crucially important that we have strong leaders able to make tough, strategic decisions while energising colleagues and galvanising them into action. It is with this in mind that the Committee approached appointments.

During 2015 we announced the appointment of two new non-executive Directors and a new Group Chief Executive. Board Committee membership was refreshed and we also took the opportunity to review the composition and roles of the Board Committees. In addition, we considered the requirements for independent non-executive directors for the boards of our strategically significant subsidiaries, including those that will be formed as the Group implements structural reform. We continued to foster executive succession by supporting new

Looking ahead

We are preparing to implement a new structure in 2016 which will enable us to prepare for structural reform, simplify the organisation and speed up execution of the individual business strategies. These changes give us the opportunity to make sure that we have the right people in senior roles and that we also take action to build strength in each of the business executive teams for the longer term.

John McFarlane

Chairman, Board Nominations Committee

29 February 2016

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. John McFarlane, as Chairman of the Board, is also Chairman of the Committee. Mike Ashley, Tim Breedon, Crawford Gillies, being the Chairmen of each of the other Board Committees, Reuben Jeffery III and Sir Gerry Grimstone, the Deputy Chairman and Senior Independent Director, are also members of the Committee. Details of the skills and experience of the Committee members can be found in their biographies on pages 3 and 4.

During 2015, there were eight meetings of the Committee, including four additional meetings on Group Chief Executive succession. Attendance by members at Committee meetings is shown below. The initiatives and by directly engaging with senior executives, for example, by mentoring individual senior executives, in order to nurture high potential individuals and help build a stronger succession pipeline.

The Committee was pleased that the Board achieved its target of having 25% female representation on the Board by the end of 2015. The target has subsequently been increased to 33% by 2020. While we also achieved our aspiration to reach 23% female representation within our senior leadership population by the end of 2015, we recognise that we need to sustain our focus to attract more senior women to Barclays, and to enable women to grow their careers with us. That will ensure we reach our 2018 goal of 26% women in senior leadership roles. We remain committed to maintaining the momentum of our gender diversity programme.

Committee performance

As part of the annual Board effectiveness review, a separate exercise was conducted to assess the Committee s performance. The assessment found that the Committee is performing effectively. Please see the report on the Board effectiveness review on pages 33 and 34 for more details. I would like to thank my fellow Committee members for their hard work and support during 2015, particularly Sir Michael Rake, who chaired the Committee during the period that I was Executive Chairman, and led the search for a new Group Chief Executive.

chart on page 30 shows how the Committee allocated its time during 2015.

Committee meetings were attended by the Group Chief Executive or Executive Chairman, with the HR Director, the Global Head of Leadership, Learning & Talent, the Global Head of Diversity and Inclusion and representatives from Spencer Stuart presenting on specific items.

Member	Meetings attended/eligible to attend
Sir David Walker (Chairman until 23 April 2015)	2/2
John McFarlane* (Chairman from 24 April 2015 16 July 2015 and from 1 December 2015)*	4/4
Sir Michael Rake (Chairman from 17 July 2015 to 1 December 2015)	8/8
Mike Ashley	8/8
Tim Breedon	7/8
Crawford Gillies (from 24 April 2015)	7/7
Reuben Jeffery III	6/7
Sir John Sunderland (until 23 April 2015)	2/2

* John McFarlane stood down as a member of the Committee during the period 17 July 30 November 2015, when he was Executive Chairman. No Director with executive responsibilities may be a member of the Committee

did not attend one meeting owing to prior business commitments

Note

The Chairman and the Group Chief Executive excuse themselves from meetings when the Committee focuses on the matter of succession to their roles.

Committee role and responsibilities

The principal purpose of the Committee is to:

§ support and advise the Board in ensuring that the composition of the Board and its Committees is appropriate and enables them to function effectively

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

§ provide oversight, at Board level, of the Group s talent management programme and diversity and inclusion initiatives

§ agree the annual Board effectiveness review process and monitor the progress of any actions arising, and

§ keep the Board s governance arrangements under review and make appropriate recommendations to the Board to ensure that they are consistent with best practice corporate governance standards.

You can find the Committee s terms of reference at

home.barclays/corporategovernance

Note

a The name of the Committee changed from the Board Corporate Governance and Nominations Committee in June 2015

The Committee s work

The significant matters addressed by the Committee during 2015 are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Board appointments	The refreshment of Board and Board Committee membership to secure individuals with the desired skills and experience needed on the Board in light of future strategic direction.	§ Conducted a search for successors to Sir Michael Rake and Antony Jenkins. § Evaluated a gap analysis of the skills and experience on the Board and identified the requirement for new non-executive Directors with financial services experience, and the preference to appoint more UK-based Directors given the time commitments associated with Board Committee appointments.	The Committee recommended the appointments of Sir Gerry Grimstone as Deputy Chairman and Senior Independent Director, Jes Staley as Group Chief Executive and Diane Schueneman as a non-executive Director. Please refer to pages 30 and 32 for details of the Board s approach to recruitment of new Directors and the case study of the recruitment of Jes Staley in particular.
Board and Board Committee structure, size and composition	The restructure of the Board and Board Committees to allow the Board to focus on the Group s commercial and strategic performance. The optimum size of the Board, the potential impact of structural reform and the need to constitute subsidiary boards.	§ Reassessed the structure, size and composition of the Board and Board Committees, as well as the current roles and responsibilities of the Board Committees, and recommended a number of changes to the Board. § Requested a working plan for Board succession over the next three years.	The Committee agreed that the size of the Board should be reduced over time and more matters should be delegated to the principal Board Committees. The Committee agreed that non-executive Directors should normally not serve on more than two Board Committees, to avoid being over-stretched, and to reduce the Committees in size over time to a maximum of four

			members, while taking care to ensure appropriate cross-membership. The Committee recommended revised Board-level responsibilities for oversight of risk, including the Board re-taking overall responsibility for enterprise-wide risk, disbanding the Board Enterprise Wide Risk Committee and reallocating responsibility for oversight of the capital and financial aspects of operational risk to the Board Risk Committee.
Succession planning and talent management	The management of Board succession and oversight of the leadership needs of the Group to enable it to meet its strategic aims and its changing make-up resulting from the effects of structural reform.	§ Examined regular reports on succession plans and talent management of the leadership of the Group to address succession planning in the short-term and internal talent development. § Debated options for Directors to engage with members of the Group Executive Committee and senior management to help in nurturing high potential individuals and to support building a stronger succession pipeline.	The Committee agreed a proposal for Committee members to partner high potential senior management. The Committee endorsed the Group s rapid development programme for high potential talent and agreed to support the programme by providing an insight into the role of the Board and its priorities. The Committee also endorsed the introduction of an improved talent assessment process and assessed the efficacy of the Group s external talent acquisition process. The Committee examined the results of internal and external benchmarking exercises, including external benchmarking of senior management roles against similar roles in equivalent companies as part of the work on Group Executive Committee succession.

What we did in 2015

Board Nominations Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Board effectiveness	The 2015 Board effectiveness review of the Board and its Committees. The progress made against the actions identified in the 2014 Board effectiveness review.	§ Considered the effectiveness of the 2014 Board effectiveness review process and agreed the approach to be taken to the 2015 Board effectiveness review. § Regularly examined progress of the action plan arising from the outcomes of the 2014 Board effectiveness review.	The Committee set the criteria for conduct of the 2015 Board effectiveness review, including the appointment of a new external facilitator, Independent Board Evaluation, and agreed an action plan to address the matters arising from the 2014 Board effectiveness review. See pages 33 and 34 for a full description of the process and outputs from the 2014 and 2015 effectiveness reviews.
Governance implications of structural reform	The establishment of governance principles for the Group under structural reform.	§ Scrutinised proposed governance guiding principles for the Group post-structural reform, which set out ultimate decision-making powers, while respecting the rights and responsibilities of the boards of the strategically significant subsidiaries: the ring-fence bank (RFB), Barclays Bank PLC, the US Intermediate Holding Company (IHC) and Barclays Africa Group (BAGL).	The Committee endorsed and supported the governance guiding principles. The Committee provided views on the outline board and committee composition of the RFB and Barclays Bank PLC for the Board s consideration.

		§ Discussed the potential composition of the RFB and Barclays Bank PLC boards in light of regulatory requirements.	
Significant subsidiary board composition	The composition of Barclays US IHC board and associated committees.	§ Determined the required structure and composition of the IHC board. § Endorsed the implementation of measures to allow potential future IHC board candidates the opportunity to build their knowledge of Barclays US businesses ahead of the formal creation of the IHC board in 2016.	The Committee agreed the proposed composition of the IHC board, including the appointments of Steve Thieke as chairman and Diane Schueneman as a non-executive director. It oversaw the establishment of a US Governance Review Board to allow proposed IHC board members to familiarise themselves with Barclays US businesses.

In addition the Committee covered the following matters:

§ the review of non-executive Directors performance, independence and time commitment as part of the Committee s assessment of their eligibility for re-election

§ consideration of a new target for Board diversity beyond the end of 2015 in the Company s Board Diversity Policy and recommended it to the Board for approval

§ updating of the Charter of Expectations and Corporate Governance in Barclays

§ proposals for the 2015 Corporate Governance Report

§ its annual review of the Directors register of interests and authorisations granted and

§ changes to the Committee s terms of reference.

Board Nominations Committee allocation of time (%)

		2015	2014
1	Corporate governance matters	**17**	21
2	Board and Committee composition	**24**	20
3	Succession planning and talent (includging CEO succession)	**47**	43
4	Board effectiveness	**6**	11
5	Other	**6**	5

Appointment and re-election of Directors

The Committee reviews Board and Board Committee composition, including potential new non-executive Directors, at each of its meetings. In addition to seeking successors for known retirements from the Board, the Committee monitors the skills and experience the Group needs to be able to deliver its strategic aims, to govern the Group appropriately, to ensure that risks threatening performance are identified and either addressed or mitigated, and to set the tone from the top in terms of Barclays corporate culture and values. In 2015, the Committee also focused on the need to identify non-executive directors to serve on the boards of the Group s strategically significant subsidiaries.

When considering a new appointment to the Board, the Committee relies on assessments of the current and expected Board and Board Committee composition, in order to assess the timeline for appointments, and a skills matrix that identifies the core competencies, skills, experience and diversity required for the Board to function effectively, with target weightings for each attribute. These assessments are regularly updated to take account of the Group s needs over time.

The approach to recruiting new non-executive Directors is to create an individual specification with reference to the role requirements, including time commitment, the key competencies and behaviours set out in our Charter of Expectations and the desired key skills and experience identified from the skills matrix. The curriculum vitae and references of

potential candidates are assessed by the Committee as a whole, before shortlisted candidates are interviewed by members of the Committee. For certain Board positions, the Committee seeks engagement with key shareholders and Barclays regulators as part of the selection process. Feedback from these parties is taken into account before any recommendation is made to the Board, which is kept informed of progress throughout the selection and recruitment process. An illustration of the rigorous process applied to appointments can be found in the case study and timeline of the process to identify Jes Staley as Group Chief Executive, which is set out on page 32.

Executive search firms MWM Consulting, Egon Zehnder International and Spencer Stuart were instructed to assist with our Director searches in 2015. None of these firms has any other connection with Barclays, other than to provide executive recruitment services. Open advertising for Board positions was not used during 2015, as the Committee believes that targeted recruitment is the optimal way of recruiting for Board positions.

Barclays announced the appointment of two new non-executive Directors during 2015: Diane Schueneman and Sir Gerry Grimstone. In addition, Barclays announced the appointment of Jes Staley as Group Chief Executive. Each of them brings valued skills and experience which contribute to the efficacy of the Board as a whole. As previously reported, Diane Schueneman brings expertise in operations and technology to the Board, which she gained in financial services organisations, as well as wide-ranging experience of implementing change and achieving turnaround in business success and profitability. Sir Gerry Grimstone, who succeeded Sir Michael Rake as Deputy Chairman and Senior Independent Director, is well known, commands great respect within the financial services industry and brings immense experience, integrity and knowledge to his roles at Barclays. Jes Staley has the leadership skills and wide-ranging experience to deliver shareholder value and to take the Group forward strategically and, in particular, possesses a good understanding of corporate and investment banking. Biographical information is provided on pages 3 and 4, with further details available online at home.barclays

Changes in the composition of the Board and the Committee s reassessment of the structure, size and composition of the Board and its Committees resulted in a refresh of the membership of Board Committees, as well as their roles and responsibilities, during 2015. Details of the changes are included in each of the Board Committee reports.

The Directors in office at the end of 2015 were subject to an effectiveness review, as described below. Based on the results of the review, the Board accepted the view of the Committee that each Director proposed for re-election continued to be effective and that they had each demonstrated the level of commitment required in connection with their role on the Board and the needs of the business.

Governance: Directors report

What we did in 2015

Board Nominations Committee report

Diversity statement

The Financial Reporting Council maintains that one of the ways in which constructive board debate can be encouraged is through having sufficient diversity on the board. Barclays agrees with this view and, when it adopted a Board Diversity Policy in 2012, stated the Board s aspirational goal of achieving 25% female representation on the Board by 2015. Female representation on the Board exceeded 25% at the end of 2015, having increased during the year with the appointment of Diane Schueneman. Noting that the latest progress report on *Women on Boards* from the Davies Review has suggested a target of 33% by 2020, Barclays has adopted this new target in its Board Diversity Policy.

The Committee assisted the Board in achieving its target of 25% by ensuring that this was recorded on the Board skills matrix and, in particular, that the search firms were aware of the priority. The Committee also supported a number of initiatives to grow the talent pipeline within the Group and sought opportunities to engage with female members of senior management. Diversity as a whole, including gender, was also taken into account when evaluating the effectiveness of the Board. The comprehensive brief provided to Independent Board Evaluation for this year s review included an evaluation of boardroom dynamics and the effects of diversity. The consultant accordingly assessed the impact of diversity including gender, age, the internationality of the Directors, the breadth of experience, qualifications and skills, concluding that there was a good degree of diversity on the Board with a range of different experiences and outlooks and that the Chairman should continue to nurture inputs from all Directors to derive the benefits of this diversity.

Below Board level, Barclays met its target of 23% female representation among the Managing Director and Director population in 2015. To achieve the target, the Committee endorsed programmes to embed accountability for diversity and inclusion throughout the Group. These efforts included Balanced Scorecard aligned targets for hiring, promotion and attrition set for each business or function, expansion of diversity data to include greater focus, expanding global campaigns to raise awareness and refined communications to drive impact. More details of Barclays diversity and inclusion strategy may be found on pages 47 to 49.

You can find the Board Diversity Policy at

home.barclays/corporategovernance

Review of Board and Board Committee effectiveness

Barclays conducts an externally facilitated review of the effectiveness of the Board, Board Committees, individual Directors and the Chairman each year. For 2015, the effectiveness review was facilitated by Independent Board Evaluation, an independent external consultancy with no other connection with Barclays. The review process involved the consultant, Ffion Hague, attending certain Board and Board Committee meetings in November and December 2015 as an observer, alongside detailed interviews conducted according to a set agenda with Directors, members of the Group Executive Committee, the Company Secretary and other members of the executive and senior management. Feedback was also sought from external stakeholders. Independent Board Evaluation prepared a report for the Board on the findings from the review process, which was presented to the Board in December 2015. In addition, the Chairman was provided with a report and feedback on the performance of each of the Directors and the Senior Independent Director received a report on the Chairman. A similar process was followed for the Board Committees. Independent Board Evaluation provided feedback to each of the Committee Chairmen on the performance of each Committee. The feedback is scheduled to be discussed by each Committee in early 2016.

Having assessed the findings of the effectiveness review, the Directors were satisfied that the Board and each of its Committees operated effectively during 2015. Nonetheless, the Board identified a number of actions to help maintain and improve its effectiveness. These, together with an update on the actions taken following the 2014 review, are set out on pages 33 and 34.

Directors Conflicts of Interest

Barclays requires Directors to declare any potential or actual conflict of interest that could interfere with a Director s ability to act in the best interests of the Group. The Board has adopted procedures for ensuring that its powers to authorise Directors conflicts operate effectively. A register of actual and potential conflicts and of any authorisation of a conflict granted by the Board is maintained by the Company Secretary and reviewed annually by the Board Nominations Committee.

Governance in action: the appointment of

Jes Staley

Role requirements

The Committee, which has responsibility for identifying suitable candidates to join the Board, agreed the desired attributes for a successor to Antony Jenkins as Group Chief Executive (CEO). In addition to strong and motivational leadership qualities, the Committee sought candidates with significant experience of retail and/or commercial and investment banking in large scale, complex organisations and an excellent track record of delivery and credibility with regulators and internal and external stakeholders. Personal attributes sought included strategic thinking and the ability to lead and manage change, especially cultural change.

Process

The Committee directed the selection process. As the Chairman had accepted the role of Executive Chairman until a successor was in place, it was agreed that he would step down from the Committee to ensure that it remained composed of independent non-executive Directors and that I would lead the process. It was also agreed that the Committee as a whole would be involved in shortlisting and interviewing candidates and, once preferred candidates had been agreed, to involve the rest of the Board and key senior executives. Spencer Stuart, an external search consultant, was engaged to assist with the search and selection process.

Search

Having established that there were currently no potential candidates within the Group with the spread and depth of experience required for the role, the Committee examined a long list of candidates produced as a result of the global search and received a presentation from Spencer Stuart covering the prospects for consideration. The Committee identified the most credible prospects to be contacted and invited to interview and requested that the views of the Group s regulators on the preferred type of candidate for the role also be obtained.

I asked Committee members to consider sources for potential candidates that might be approached directly and to recommend potential candidates for the role. In addition, although John McFarlane did not take part in the selection process, he was consulted for his view and insights. I also ensured that Board members were kept up-to-date throughout the process.

Recruitment

As Jes Staley emerged as the preferred candidate and had confirmed his interest in the role, he undertook a series of interviews involving me, the Chairman and members of the Committee. He also met with the remaining members of the Board and the Group Executive Committee.

In addition to the regular communication with Directors, the Board held an additional meeting specifically to discuss the proposed appointment and to allow Directors to share their feedback on Jes Staley before approving his appointment, which was announced on 28 October 2015.

Sir Michael Rake

Governance: Directors report

What we did in 2015

Board Nominations Committee report

Review of Board and Board Committee effectiveness

Board priorities	Exhibiting and upholding the Company s values	Leveraging Board experience in support of executives	Greater awareness of Board Committee work
2014 findings	**2014 findings**	**2014 findings**	**2014 findings**
To refine the Board s priorities for 2015.	To continue the embedding of cultural change across and deeper into the organisation and provide effective oversight of progress.	To continue to build effective relationships between the Board and business and functional heads.	To continue to deepen the Board s focus on the key priorities and main issues facing each of the Board Committees and to ensure that the Board Committee structure remains appropriate and fit for purpose.
Actions taken in 2015	**Actions taken in 2015**	**Actions taken in 2015**	**Actions taken in 2015**
In 2015 the Board re-focused its time on three key themes:	The Board Reputation Committee received reports on the progress of cultural change in 2015.	John McFarlane has, and will continue to, discuss his key priorities as Chairman with senior management.	The Board Committee structure was updated in 2015, following review by the Board Nominations Committee. The revised structure was approved by the Board and implemented from July 2015.
§ focus on core § accelerate earnings growth	Members of senior management completed a survey on cultural change,	Members of the Board Nominations Committee	

§ high performance ethic.

A set of execution priorities was developed for each theme and progress against these priorities was reported to the Board on a regular basis.

2015 findings

To ensure that the Board agenda is optimised, including time for blue-sky discussion of major risks.

Actions to be taken in 2016

We will identify opportunities for more free-ranging Board discussions, including discussion of risk.

A revised set of Board objectives will be agreed in order to track progress.

the results of which were shared with the Board Reputation Committee.

The results of the employee opinion survey and a values survey were shared with the Board.

2015 findings

No specific matters were raised during the 2015 review.

Actions to be taken in 2016

No actions are proposed for 2016.

are mentoring high-potential senior managers.

2015 findings

To continue to ensure that all non-executive Directors have the opportunity to contribute to strategic debate.

Actions to be taken in 2016

We will continue to identify ways in which the skills and experience of individual non-executive Directors may be leveraged, including partnering individual non-executive Directors with members of the Group Executive Committee.

In line with prior years, all non-executive Directors may attend Board Committee meetings on request, with the agreement of the Committee Chairman. All non-executive Directors were invited to attend Board Risk Committee workshops on risk appetite and on structural reform.

2015 findings

To continue to raise awareness across all Board members of the significant issues considered by Board Committees and to continue to refine the remit and scope of the Board Reputation Committee.

Actions to be taken in 2016

We will provide opportunities for Board Committee Chairmen to provide more detailed briefings to non-Committee members on the work of their Committee.

We will review the role and scope of the Board Reputation Committee with its new Chairman.

Improvements to the Board appointment process	Director induction	Effective handling of legacy issues	Dealing more strategically with global regulation
2014 findings	**2014 findings**	**2014 findings**	**2014 findings**
To continue to ensure that the Board has sufficient visibility of executive succession planning and the talent pipeline.	To extend the new Director induction programme to involve senior executives below Group Executive Committee level and to continue to support new Board Committee Chairmen.	To continue to focus on the existing priority of overseeing the resolution of legacy issues.	To continue to focus the Board s time on strategy and strategic options.
Actions taken in 2015	**Actions taken in 2015**	**Actions taken in 2015**	**Actions taken in 2015**
The non-executive Directors attended a briefing on talent management and succession planning in April 2015.	Directors have been offered the opportunity of additional meetings with senior executives as part of their induction programmes.	Work has continued in 2015 to resolve historical legal and conduct risks. Several outstanding issues have been resolved in 2015.	Additional time was allocated to the discussion of business strategy at Board meetings in 2015. In particular, the Investment Bank and structural reform were both covered in depth.
The Board Nominations Committee considered Group Executive Committee succession in October 2015. In November 2015, the HR			The Group s three strategic priorities: focus on core; accelerate

Director attended the Board meeting to provide an update on talent and succession.

earnings growth; and high performance ethic, were developed with the Board s collective input.

Representatives from the Group s UK and US regulators attended Board and Board Committee meetings during the year.

2015 findings

To continue to assess the skills and experience needed on the Board and to ensure that Board composition is balanced between UK and international members.

To enhance Board succession planning, particularly in respect of key roles.

Actions to be taken in 2016

We will develop a revised Board succession plan for discussion by the Board Nominations Committee, including planning for succession to key roles, considering the optimum size of the Board and the balance of UK and overseas Directors.

2015 findings

To enhance the Board training and induction programme, with particular focus on the training needs of Board members from outside the financial services sector.

Actions to be taken in 2016

We will schedule as part of the Board s training programme for 2016 specific briefings for non-executive Directors who do not have a financial services background.

2015 findings

No specific matters were raised during the 2015 review.

Actions to be taken in 2016

No actions are proposed for 2016.

2015 findings

To continue to provide opportunities for Board members to provide early input to thinking on major issues and decisions.

Actions to be taken in 2016

We will continue to allocate sufficient time for Board discussion of strategic priorities and options.

We will schedule additional updates to the Board on talent management and succession planning.			

How we comply

Leadership

The Role of the Board

As members of the Board of Directors, we have a collective responsibility to create and deliver sustainable value for our shareholders, in a manner that is supported by the right culture, values and behaviours throughout the Group. To support our role in determining the strategic objectives and policies of the Group, there exists a well-defined Corporate Governance framework. We aim to achieve long-term and sustainable value and it is our responsibility as the Board to ensure that management effectively delivers on short-term objectives, while promoting the long-term growth of Barclays.

In addition, we have further responsibility for ensuring that management maintains both an effective system of internal control and an effective risk management and oversight process. When carrying out these responsibilities we consider the Group s business and reputation, the materiality of risks that are inherent in the business and the relevant costs and benefits of implementing controls. The Group s internal control system provides assurance of internal financial controls, compliance with law and regulation and effective and efficient operations.

The Board is the decision-making body for those matters that are considered of significance to the Group owing to their strategic, financial or reputational implications or consequences. To retain control of these key decisions, certain matters have been identified that only we as the Board can approve and there is in place a formal schedule of powers reserved to the Board. As Directors we must act in accordance with the Company s constitution and only exercise powers for the purposes for which they have been conferred. A summary of the matters reserved to the Board is available at home.barclays/corporategovernance. These matters include the approval of Barclays strategy, interim and full year financial statements and any major acquisitions, mergers, disposals or capital expenditure.

Specific responsibilities have been delegated to Board Committees and each Committee has its own terms of reference, which are available on home.barclays/corporategovernance. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of Committee meetings are shared with the Board. The main Board Committees are the Board Audit Committee, the Board Nominations Committee, the Board Remuneration Committee, the Board Reputation Committee and the Board Risk Committee.

In addition to the principal Board Committees, the Regulatory Investigations Committee, which was formed in late 2012, focuses on providing Board-level oversight of regulatory investigations. This Committee met six times in 2015. John McFarlane is Chairman of the Committee and the other current Committee members are Mike Ashley, Sir Gerry Grimstone, Diane de Saint Victor and Jes Staley. Antony Jenkins, Sir Michael Rake, Sir John Sunderland and Sir David Walker also served on the Committee during 2015, stepping down when they left the Board.

Attendance

In 2015 we attended both scheduled and additional Board meetings, as disclosed in the table below. The Chairman met privately with non-executive Directors ahead of scheduled Board meetings. If, owing to exceptional circumstances, a Director was not able to attend a Board meeting, he or she ensured that their views were known to the Chairman.

Board attendance	Independent	Scheduled meetings eligible to attend	Scheduled meetings attended	Additional meetings eligible to attend	Additional meetings attended
Group Chairman					
John McFarlane	On appointment	8	8	2	2
Executive Directors					
Tushar Morzaria[a]	Executive Director	8	8	2	1
Jes Staley	Executive Director	1	1	0	0
Non-executive Directors					
Mike Ashley	Independent	8	8	2	2
Tim Breedon	Independent	8	8	2	2
Crawford Gillies	Independent	8	8	2	2
Reuben Jeffery III	Independent	8	7	2	2
Wendy Lucas-Bull[b]	Non-Independent	8	8	2	2
Dambisa Moyo	Independent	8	8	2	1
Frits van Paasschen	Independent	8	8	2	2
Sir Michael Rake	Deputy Chairman, Senior Independent Director	8	7	2	2
Diane de Saint Victor	Independent	8	8	2	2
Diane Schueneman	Independent	5	5	1	1
Steve Thieke	Independent	8	8	2	2
Former Directors					
Sir David Walker	On appointment	3	3	0	0
Antony Jenkins	Executive Director	4	4	1	1
Sir John Sunderland	Independent	3	3	0	0

Secretary

Lawrence Dickinson	8	8	2	2

Notes

a Although eligible to attend, as an executive Director, Tushar Morzaria did not attend the additional meeting held to consider and approve the appointment of the new Group Chief Executive.
b Although we have reached the conclusion that all non-executive Directors exhibit independence of character and judgement, we continue to disclose that, for the purposes of the Code, Wendy Lucas-Bull was not designated as independent owing to her chairmanship of Barclays Africa Group Limited, a 62%-owned subsidiary of Barclays.

How we comply

Board Governance Framework

As a Board we may, under the authority of our Articles of Association and where appropriate, delegate all or any of our powers to an individual Director or to a Committee of Directors. Further information on the operations of each of the Barclays Board Committees can be found on the pages referenced above. Board Committee membership is reviewed regularly by the Board Nominations Committee.

Roles on the Board

As Directors we have established a division of responsibilities between running the Board and running the business of the Group. It is the responsibility of the Chairman to lead the Board and to ensure that it operates effectively, while the responsibility for the day-to-day management of Barclays has been delegated to the Group Chief Executive.

Role profiles setting out the responsibilities of the Chairman, the Group Chief Executive, Deputy Chairman, Senior Independent Director, non-executive Directors, Executive Directors, Committee Chairmen and the Company Secretary can be found in *Barclays Charter of Expectations,* which is available on home.barclays/corporategovernance. *Barclays Charter of Expectations* also sets out high-performance indicators for non-executive Directors.

The Group Chief Executive is supported by the Group Executive Committee, which is responsible for making and implementing operational decisions while running the Group s day-to-day business. Further information on the Group Executive Committee can be found on page 5. The Group Executive Management structure has been designed to support management s decision-making responsibilities, aligned to personal accountability and delegated authority, while embedding risk and control in business decision-making.

Effectiveness

Composition of the Board

The Board Nominations Committee is responsible for reviewing Board composition, considering succession plans for both the Board and senior executives, selecting and appointing new Directors and considering the results of the Board effectiveness review. For more information on the work of this Committee in 2015 please turn to page 27.

Our individual biographies can be found on pages 3 and 4: these include our relevant skills and experience, Board Committee membership and any other principal appointments. Details of changes to the Board in 2015 and year to date are disclosed on page 6.

The Board currently comprises a Chairman, who was independent on appointment, two Executive Directors and 11 non-executive Directors. In line with the Code, independent non-executive Directors form a majority of our Board. Each year we consider the independence of our non-executive Directors, using the guidance set out in the Code and behaviours determined by us as essential in order for a Director to be considered independent. These independence criteria are disclosed in *Corporate Governance in Barclays,* which can be viewed at home.barclays/corporategovernance. Having considered this guidance, we have determined those non-executive Directors who are standing for re-election at the 2016 AGM to be independent.

Executive Directors   service contracts and the letters of appointment for the Chairman and non-executive Directors are available for inspection at the Company   s registered office.

We carry out an annual effectiveness review in order to evaluate our performance as a Board. This evaluation includes an assessment of the effectiveness of Board Committees and individual Directors, to ensure that each of us continues to contribute effectively to the decision-making of the Board. Independence and the existence of any conflicts of interest are considered as part of the effectiveness evaluation. We take the outcomes of the review into account when deciding whether Directors will offer themselves for election or re-election at the AGM.

More information on the Board effectiveness review can be found on page 33 and 34.

Time commitment

In order to effectively discharge our responsibilities, non-executive Directors must commit sufficient time to their role. Set out below is the average time commitment for each non-executive position on the Board. In practice, however, time commitment is agreed on an individual basis and for certain Board positions additional time commitment will often be required in order to fulfil extra responsibilities, such as those of the Deputy Chairman, Senior Independent Director and Committee Chairmen. In addition, in exceptional circumstances, we are expected to commit significantly more time than disclosed below.

Role	Expected time commitment
Chairman	80% of a full-time position
Deputy Chairman	0.5 days a week
Senior Independent Director	As required to fulfil the role
Non-executive Director	30-36 days a year (membership of one Board Committee included, increasing to 40-50 days a year if a member of two Board Committees)
Committee Chairmen	50-60 days (inclusive of non-executive Director time commitment)

It is expected that our Chairman will commit as much time as is necessary to fulfil his duties, with his responsibilities to Barclays taking priority over other business commitments. The Chairman and non-executive Directors are also expected to allocate sufficient time to understanding the business, through meetings with regulators and executives and undergoing training to ensure ongoing business awareness. This time is in addition to that spent preparing for, and attending, Board and Board Committee meetings. When appropriate, a Director joining a Board Committee will be given a specific Board Committee induction programme.

Induction

Following appointment, each Director undergoes a comprehensive induction that has been tailored to individual requirements. The personal induction programme is designed and organised by the Company Secretary in consultation with the Chairman and in doing so they consider how to develop each Director s understanding of how the Group works and the key issues that it faces.

The purpose of the induction programme is to provide Directors with the information they need to become as effective as possible within the shortest practicable time after joining the Board. Typically, a new Director will meet with members of the Group Executive Committee and senior management, allowing an opportunity to familiarise themselves with various businesses and discuss specific matters with senior individuals. When an induction programme is complete, in addition to understanding the Group s business, a new Director should have a clear understanding of Barclays relationships with its shareholders, regulators and customers and clients.

In 2015, John McFarlane and Diane Schueneman both received tailored induction programmes on joining the Board. Feedback was sought from both new Directors to ensure that the induction programme remains effective.

Training and development

In order to ensure that our non-executive Directors have the necessary knowledge and understanding of the Group s business to enable them to contribute effectively at Board and Board Committee meetings they are regularly provided with the opportunity for training and development.

As part of the annual performance evaluation process the individual development needs of each non-executive Director are reviewed and discussed with the Chairman. Training can be provided through one-to-one meetings with senior executives, in order to receive further insight into a particular area of the Group s business, or as part of dedicated training on a particular issue identified by the Directors and the Company Secretary.

Our Directors have a continuing responsibility to fulfil their duties as members of the Board and Board Committees and this is managed through the provision of focused training and development opportunities.

During 2015, non-executive Directors attended briefings on the following subjects:

§ talent management and succession planning

§ Senior Managers Regime, and

§ operational resilience.

Board Committees also undertook specific training and details can be found in the respective Committee Chairmen s reports.

During 2015, individual Directors also attended regular meetings with our regulators, external auditors and major shareholders. In addition, the Board Audit Tender Oversight Sub-Committee carried out site visits as part of the audit tender process.

The following provides more detail of a specific training session that took place in 2015.

Governance in action: training and development

Following the July 2015 Board meeting, the non-executive Directors attended a briefing session on the Senior Managers Regime, led by Barclays Compliance. The Senior Managers Regime commences in March 2016 and, although only certain non-executive Directors will be in scope, there are a number of governance, reporting and conduct requirements that will apply to all Board Directors. The briefing session provided an overview of the Senior Managers Regime, with particular focus on the following:

§ an introduction to Reasonable Steps , including practical examples

§ the roles and responsibilities of non-executive Directors in scope

§ guidance for non-executive Directors who are not in scope, and

§ the Conduct Rules (standards that will be expected of all employees in a regulated firm).

In addition, Barclays Compliance detailed the work needed in order for Barclays to be ready for implementation of the regime in early 2016. This timetable included scheduling individual briefing sessions with in-scope non-executive Directors.

In late 2015/early 2016, Mike Ashley, Tim Breedon, Crawford Gillies and Sir Gerry Grimstone each had individual meetings with Barclays Compliance in order to cover the reasonable steps that, as a result of their particular role on the Board, each of them will be expected to take under the Senior Managers Regime. The session included a review of case studies, which focused on each Director s prescribed responsibilities under the Senior Managers Regime. The Directors were briefed ahead of the meetings and provided with supporting documentation in advance. These meetings were also attended by the Company Secretary and external advisers.

Governance: Directors report

How we comply

Information provided to the Board

As set out in the Code, the Chairman is responsible for ensuring that the Board receives accurate, timely and high quality information about the Company s performance at appropriate intervals and in an appropriate manner to enable it to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Our Company Secretary supports the Chairman in ensuring good information flows between the Board, the Board Committees and the senior executives. In addition to providing dedicated support for the Board, the Company Secretary maintains dialogue with our Directors in order to confirm that the information they require in order to fulfil their responsibilities as a member of the Board is being received. If there is a need for independent and professional advice this can be sought by the Board, via the Company Secretary or directly, at Barclays expense.

Directors expect to be kept informed of key developments in the business by both the Executive Directors and senior management, and take seriously their responsibility to request any further explanations as required. The Board and Board Committee annual forward calendars of business are formulated to ensure that Directors receive regular reports and presentations, in addition to periodic communications advising of any updates to the business of the Company, current events and the regulatory environment.

Accountability

Risk management and internal control

The Directors have responsibility for ensuring that management maintain an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

Effectiveness of internal controls

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

Risk management and internal control framework

The ERMF is the Group s internal control framework. It is refreshed annually with an assessment of operational maturity provided to the Board Audit Committee. In 2015, the Board Audit Committee received quarterly reports on the effectiveness of the control environment: these reports covered risks and controls including financial, operational and compliance risk.

The Board Audit Committee formally reviews the system of internal control and risk management annually. Throughout the year ending 31 December 2015 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the principal risks facing the Group in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council.

The review of the effectiveness of the system of risk management and internal control is achieved through a four-step approach which is centred on reviewing the effectiveness of the *Barclays Guide* and its component parts, including the ERMF.

1. Governance Risk and Control meetings of the business and functional executive committees monitor, review and challenge the effective operation of key risk management and control processes, including the results of audits and reviews undertaken by Barclays Internal Audit (which include assessments of the control environment and management s control approach) and examinations and assessments undertaken by our primary regulators, on an ongoing basis as part of the system of risk management and internal control. The remediation of issues identified within the control environment is regularly monitored by management and the Board Audit Committee.

2. Testing of the Governance Risk and Control meetings held within the executive committees provides assurance that the committees are effectively overseeing the control environment and associated risk management and internal control processes.

3. The owners of the key governance processes which comprise the Barclays Guide undertake a review to confirm that processes have been implemented and are operating effectively.

4. The annual review of the system of risk management and internal control brings together the results of the activities completed in steps 1 to 3 to ensure that each of the key processes has been effectively reviewed.

In 2015, the Board received regular reports covering risks of Group-level significance. Over the year, the Board Risk Committee and the Board Reputation Committee examined reports covering the principal risks (credit risk, market risk, capital risk, liquidity risk, operational risk and conduct risk) as well as reports on risk measurement methodologies and risk appetite. Further details of risk management procedures and potential risk factors are given in the Risk Management section on pages 87 to 93.

Controls over financial reporting

A framework of disclosure controls and procedures is in place to support the approval of the Group s financial statements. The Legal and Technical Review Committee is responsible for examining the Group s financial reports and disclosures to ensure that they have been subject to adequate verification and comply with applicable standards and legislation. The Committee reports its conclusions to the Disclosure Committee. The Disclosure Committee examines the content, accuracy and tone of the disclosures and reports its conclusions to the Board Audit Committee, which debates its conclusions and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Annual Report and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the Group s financial statements and other significant disclosures before they are made public.

Management s report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB). Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed Barclays PLC Group s and Barclays Bank PLC Group s internal control over financial reporting as of 31 December 2015. In making its assessment, management has utilised the criteria set forth by the 2013 COSO framework. Management concluded that, based on its assessment, the internal control over financial reporting was effective as of 31 December 2015. Our independent registered public accounting firm has issued a report on Barclays PLC s internal control over financial reporting, which is set out on page 210.

The system of internal financial and operational controls is also subject to regulatory oversight in the UK and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk review section on pages 177 to 182.

Changes in internal control over financial reporting

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

Remuneration

We have delegated responsibility to the Board Remuneration Committee to determine the remuneration arrangements for the Chairman, our Executive Directors and other senior executives and certain other Group employees, as determined by the Committee. Additional information on the Board Remuneration Committee, including its membership and activities in 2015, can be found on pages 70 and 71 in the Directors remuneration report, which forms part of the corporate governance statement.

Stakeholder engagement

We describe below how we engage with our stakeholders.

Investor engagement

The Board is committed to promoting effective channels of communication with shareholders and upholding good corporate governance as a means of building stronger and more engaged relationships with them. Our comprehensive investor engagement initiatives help us to understand their views about Barclays, which are communicated regularly to the Board. Our shareholder communication guidelines, which underpin all investor engagement, are available on our website at home.barclays/barclays-investor-relations/corporate-governance/shareholder-communication-guidelines.html.

Institutional investors

In 2015, our engagement with institutional investors took place throughout the year, following our quarterly results as well as outside the reporting cycle. This allowed the opportunity for existing and potential investors to engage with us regularly, and promoted dialogue on longer-term strategic developments, as well as about the recent financial performance of the Group.

The Directors, in conjunction with the senior executive team and Investor Relations, participated in varied forms of engagement across multiple geographic locations, reflecting the diverse nature of our equity and debt institutional ownership. Divisional management also presented extensively to investors, promoting greater awareness and understanding of our operational businesses and other functions.

In the past year, discussions with investors focused on the continued execution of our strategic plan outlined in 2014, and the steps taken in 2015 to improve our returns to shareholders, while adapting to the changing regulatory environment and addressing legacy issues. Meetings focused on corporate governance matters also took place throughout the year, covering topics including management changes, remuneration and other AGM-related matters. Following the appointment of Sir Gerry Grimstone as Senior Independent Director on 1 January 2016, our major investors were offered a meeting with him.

During 2015, we held quarterly results briefings, including an in-person presentation for the 2014 results announcement in March 2015, and quarterly breakfast briefings for equity and debt sellside analysts, hosted by the Group Finance Director. For fixed income investors, we held conference calls at our full year and half year results, hosted by our Group Finance Director and Group Treasurer, as well as quarterly briefings for credit analysts.

An independent audit of investor views took place in April 2015. Interviews with a cross-section of institutional shareholders and non-holders, were conducted on specific topics including strategy, business performance and the management team. The findings of the investor audit were presented to the Board.

To enable the effective distribution of information to all investors, transcripts of executive management speeches were uploaded to the investor relations section of the website, alongside associated presentation materials. In 2015, we received the UK Investor Relations Society s award for the Best Use of Digital Communications, reinforcing the importance placed on using our website to engage with the market. For example, we introduced short videos providing a summary of our results from our Chairman, Group Chief Executive and Group Finance Director.

How we comply

Private shareholders

Throughout 2015, we continued to communicate with our private shareholders using our shareholder mailings. Also, shareholders can choose to sign up to Shareview so that they receive information about Barclays and their shareholding directly by email. On a practical level, over 60,000 shareholders did not cash their Shares Not Taken Up (SNTU) cheque following the Rights Issue in September 2013. During 2015, we conducted a tracing process to reunite these shareholders with their SNTU monies together with any unclaimed dividends. By the end of the year, we had returned over £2.2m to our shareholders. In addition, we launched a special share dealing service in October 2015 for shareholders holding 4,000 shares or less. Shareholders could donate their sale proceeds to ShareGift if they wished. Shareholders donated nearly £130,000.

Our Annual General Meeting (AGM)

Our AGM continues to be a key date in the diary for the Board. It affords us our primary opportunity to engage with shareholders, particularly our private shareholders, on the key issues facing the Group and any questions they may have. The majority of Directors, including the Chairman, were available for informal discussion before and after the formal business of our 2015 AGM. All resolutions proposed at the 2015 AGM, which were considered on a poll, were passed with votes for ranging from 88.5% to 99.9% of the total votes cast.

The 2016 AGM will be held on Thursday 28 April 2016 at the Royal Festival Hall in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the AGM and also made available at home.barclays/agm. Voting on the resolutions will again be by poll and the results will be announced via the Regulatory News Service and made available on our website on the same day. We encourage any shareholders who are unable to attend on the day to vote in advance of the meeting via home.barclays/investorrelations/vote or through Shareview (www.shareview.co.uk).

Other statutory information

The Directors present their report together with the audited accounts for the year ended 31 December 2015.

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

Contents	Page

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

	Page

The particulars of important events affecting the Company since the financial year end can be found in Note 29 Legal, competition and regulatory matters.

Profit and dividends

The adjusted profit for the financial year, after taxation, was £3,713m (2014: £3,798m). Statutory profit after tax for 2015 was £623m (2014: £845m). The final dividend for 2015 of 3.5p per share will be paid on 5 April 2016 to shareholders whose names are on the Register of Members at the close of business on 11 March 2016. With the interim dividends totalling 3p per ordinary share, paid in June, September and December 2015, the total distribution for 2015 is 6.5p (2014: 6.5p) per ordinary share. The interim and final dividends for 2015 amounted to £1,081m (2014: £1,057m).

The nominee companies of certain Barclays employees benefit trusts holding shares in Barclays in connection with the operation of the Company s share plans have lodged evergreen dividend waivers on shares held by them that have not been allocated to employees. The total amount of dividends waived during the year ended 31 December 2015 was

£6.4m.

Board of Directors

The names of the current Directors of Barclays PLC, along with their biographical details, are set out on pages 3 and 4 and are incorporated into this report by reference. Changes to Directors during the year are set out below.

Name	Role	Effective date of appointment/ resignation
Diane Schueneman	Non-executive Director	Appointed 25 June 2015
James (Jes) Staley	Executive Director	Appointed 1 December 2015
Sir Gerald (Gerry) Grimstone	Non-executive Director	Appointed 1 January 2016
Sir John Sunderland	Non-executive Director	Retired 23 April 2015
Sir David Walker	Non-executive Director	Retired 23 April 2015
Antony Jenkins	Executive Director	Resigned 16 July 2015
Sir Michael Rake	Non-executive Director	Retired 31 December 2015

John McFarlane succeeded Sir David Walker as Chairman of Barclays with effect from the conclusion of the Barclays PLC AGM in April 2015. John McFarlane held the position of Executive Chairman with effect from 17 July 2015 to 1 December 2015, when Jes Staley took up the position of Group Chief Executive.

Other statutory information

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company s Articles of Association (the Articles), the UK Corporate Governance Code (the Code), the Companies Act 2006 and related legislation.

The Articles may only be amended by a special resolution of the shareholders. The Board has the power to appoint additional Directors or to fill a casual vacancy among the Directors. Any such Director holds office only until the next AGM and may offer himself/herself for election. The Code recommends that all directors of FTSE 350 companies should be subject to annual re-election.

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 2015 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 and 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 2015 for the benefit of the then Directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the Company s activities as Trustee of the retirement fund.

Similarly, qualifying pension scheme indemnities were in force during 2015 for the benefit of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), Barclays Capital Funded Unapproved Retirement Benefits Scheme, and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The Directors of the Trustee are indemnified against the liability incurred in connection with the Company s activities as Trustee of the schemes above.

Political donations

The Group did not give any money for political purposes in the UK, the rest of the EU or outside the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

In accordance with the US Federal Election Campaign Act, Barclays provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by Barclays, and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising employees eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during the calendar year 2015 totalled $79,500 (2014: $103,000).

Environment

Barclays climate action programme focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. The programme focuses on managing our own carbon footprint and reducing our absolute carbon emissions, developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large. We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our credit risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around

issues of potential environmental and social risk.

We have disclosed global greenhouse gas emissions that we are responsible for as set out by the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013. We provide fuller disclosure across our carbon emissions within Barclays Citizenship Data Supplement found on our website home.barclays/citizenship.

	Reporting year[a] 2015	Reporting year[a] 2014	Reporting year[a] 2013	Comparison year[a] 2012
Global GHG emissions[b]				
Total CO_2e (tonnes)[b]	701,600	853,376	1,036,755	1,119,145
Scope 1 CO_2e emissions (tonnes)[c]	65,340	49,939	58,372	47,904
Scope 2 CO_2e emissions (tonnes)[d]	500,086	678,443	791,766	880,995
Scope 3 CO_2e emissions (tonnes)[e]	136,174	124,993	186,616	190,245
Intensity ratio				
Total full time employees (FTE)	129,400	132,300	139,600	139,200
Total CO_2e per FTE (tonnes)	5.42	6.45	7.43	8.04

Notes

a 2015, 2014 and 2013 reporting years cover Q4 from the previous year and Q1, 2, 3 of the reporting year in question. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors report. This report is produced earlier than previous carbon reporting to allow us to report within the year end financial reporting timelines. The 2012 reporting year is the full calendar year (Jan 2012 Dec 2012).

b The methodology used to calculate our CO_2e emissions is the operational control approach on reporting boundaries and carbon emissions methodology as defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Where properties are covered by Barclays consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the Group GHG calculations. For properties where Barclays is the tenant, landlords provide Barclays with utility bills which are included in our emissions reporting.

§ Scope 1 covers direct combustion of fuels and company owned vehicles (from UK and South Africa only, which are the most material contributors).

§ Scope 2 covers emissions from electricity and steam purchased for own use.

§

Scope 3 covers indirect emissions from business travel (global flights and ground transport) from the UK and South Africa. We have improved our coverage for car hire data and now include data from the US and India. Ground transportation data (excluding Scope 1 company cars) covers those countries where this type of transport is material and robust data is available.

In cases where we have collected new data for previously unreported consumption, we have restated the baseline if the new data amounts to a material change greater than 1% of the total consumption. If the change is less than 1%, we have reported consumption from the point at which the data became available. If it is greater than 1%, we have restated the baseline and previous years figures based on actual or estimated figures. Reasons for restatements in data are due to more accurate data being available which led to replacements of estimates with actual data for 2012, 2013 and 2014.

c Fugitive emissions reported in Scope 1 for 2015, 2014 and 2013 cover emissions from UK, Americas, Asia-Pacific and South Africa. Fugitive emission data for 2012 is not available. Business travel reported in Scope 1 covers company cars in the UK and South Africa. This covers the majority of our employees where we have retail operations with car fleets.

d Scope 2 carbon emissions from electricity have been calculated using location based carbon conversion factors as defined by the GHG Protocol 2015. We are mindful of the new location and market based methodology for accounting Scope 2 electricity emissions and these emissions will be reported in future reports.

e Scope 3 is limited to emissions from business travel which covers global flights and ground transport from the UK and South Africa. We have improved our coverage for car hire data and now include data from the US and India. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available.

Research and development

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

Share capital

Share capital structure

The Company has ordinary shares in issue. The Company s Articles also allow for the issuance of sterling, US dollar, euro and yen preference shares (preference shares). No preference shares have been issued as at 26 February 2016 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2015 and as at 26 February 2016 (the latest practicable date for inclusion in this report). Details of the movement in ordinary share capital during the year can be found in Note 31 on page 276.

Voting

Every member who is present in person or represented at any general meeting of the Company, and who is entitled to vote, has one vote on a show of hands. Every proxy present has one vote. The proxy will have one vote for and one vote against a resolution if he/she has been instructed to vote for or against the resolution by different members or in one direction by a member while another member has permitted the proxy discretion as to how to vote. On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his proxy may be counted. If any sum payable remains unpaid in relation to a member s shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Company unless the Board otherwise determine. If any member, or any other person appearing to be interested in any of the Company s ordinary shares, is served with a notice under section 793 of the Companies Act 2006 and does not supply the Company with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Company. The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified excepted transfers). A direction ceases to have effect seven days after the Company has received the information requested, or when the Company is notified that an excepted transfer of all the relevant shares to a third party has occurred, or as the Board otherwise determines.

Transfers

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Secretary and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall be made in accordance with the Companies Act 2006 and CREST Regulations.

The Board is not bound to register a transfer of partly-paid ordinary shares, or fully-paid shares in exceptional circumstances approved by the FCA. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of a single transferee or not more than four joint transferees (except in the case of executors or trustees of a member).

In accordance with the provisions of Section 84 of the Small Business, Enterprise and Employment Act 2015, preference shares may only be issued in registered form. Preference shares shall be transferred in writing in any usual or other form approved by the Secretary and executed by or on behalf of the transferor. The Company s registrar shall register such transfers of preference shares by making the appropriate entries in the register of preference shares. Each preference share shall confer, in the event of a winding up or any return of capital by reduction of capital (other than, unless otherwise provided by their terms of issue, a redemption or purchase by the Company of any of its issued shares, or a reduction of share capital), the right to receive out of the surplus assets of the Company available for distribution among the members and in priority to the holders of the ordinary shares and any other shares in the Company ranking junior to the relevant series of preference shares and pari passu with any other class of preference shares (other than any class of shares then in issue ranking in priority to the relevant series of preference shares), repayment of the amount paid up or treated as paid up in respect of the nominal value of the preference share together with any premium which was paid or treated as paid when the preference share was issued in addition to an amount equal to accrued and unpaid dividends.

Variation of rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them or subsequent to them.

Limitations on foreign shareholders

There are no restrictions imposed by the Articles or (subject to the effect of any economic sanctions that may be in force from time to time) by current UK laws which relate only to non-residents of the UK and which limit the rights of such non-residents to hold or (when entitled to do so) vote the ordinary shares.

Exercisability of rights under an employee share scheme

Employee Benefit Trusts (EBTs) operate in connection with certain of the Group s Employee Share Plans (Plans). The trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustees of the EBTs have informed the Company that their normal policy is to abstain from voting in respect of the Barclays shares held in trust. The trustees of the Global Sharepurchase EBT and UK Sharepurchase EBTs may vote in respect of Barclays shares held in the EBTs, but only as instructed by participants in those Plans in respect of their partnership shares and (when vested) matching and dividend shares. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBTs.

Special rights

There are no persons holding securities that carry special rights with regard to the control of the Company.

Major shareholders[a]

Major shareholders do not have different voting rights from those of other shareholders. Information provided to the Company by major shareholders pursuant to the FCA s Disclosure Rules and Transparency Rules (DTRs) are published via a Regulatory Information Service and is available on the Company s website. As at 31 December 2015, the Company had been notified under Rule 5 of the DTRs of the following holdings of voting rights in its shares.

Person interested	Number of Barclays shares	% of total voting rights

		attaching to issued share capital[a]
The Capital Group Companies Inc[b]	1,172,090,125	6.98
Qatar Holding LLC[c]	813,964,522	6.65
BlackRock, Inc.[d]	822,938,075	5.02
Norges Bank	506,870,056	3.02

Notes

a Significant shareholders for the last 3 years are shown on page 323.
b The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the DTR.
c The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts.
d Qatar Holding LLC is wholly owned by Qatar Investment Authority.
e Total shown includes 1,408,618 contracts for difference to which voting rights are attached. On 25 January 2016, BlackRock, Inc. disclosed, by way of a Schedule 13G filed with the SEC, beneficial ownership of 1,109,026,156 ordinary shares of the Company as of 31 December 2015, representing 6.6% of that class of shares.

Powers of Directors to issue or buy back the Company s shares

The powers of the Directors are determined by the Companies Act 2006 and the Company s Articles. The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2015 AGM. It will be proposed at the 2016 AGM that the Directors be granted new authorities to allot and buy back shares.

Other statutory information

Repurchase of shares

The Company did not repurchase any of its ordinary shares during 2015 (2014: none). As at 26 February 2016 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,650,234,602 ordinary shares.

Change of control

There are no significant agreements to which the Company is a party that are affected by a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Going concern

The Group s business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing the financial risk to which it is exposed and its capital are discussed in the Risk Management section.

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

Disclosure of information to auditor

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

Directors responsibilities

The following statement, which should be read in conjunction with the report of the independent registered public accounting firm set out on page 210, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared group and individual accounts in accordance with IFRS as adopted by the EU. The accounts are required by law and IFRS to present fairly the financial position of the Company and the Group and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 211 to 305, and the additional information contained on pages 111 to 182, 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, understandable, and provide the information necessary for shareholders to assess the Company s position and performance, business model and strategy.

Directors responsibility statement

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

The Directors are responsible for the maintenance and integrity of the Company s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

The Directors, whose names and functions are set out on pages 3 and 4, 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, which is incorporated into the Directors Report on pages 3 to 45, 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

Lawrence Dickinson

Company Secretary

29 February 2016

Barclays PLC

Registered in England, Company No. 48839

Governance

People

During 2015 we have continued our work to enhance support for our colleagues in their careers and to enable them to contribute to the long-term success of Barclays.

Culture, values and learning

We are into our third year of cultural change at Barclays. We have defined a common set of Values and Behaviours and embedded them into our core people processes so that they are recognised and understood by our colleagues. Having set the tone from the top by driving cultural change through our Group Executive Committee and business/ functional senior leaders, we have delivered a number of group-wide initiatives to embed the organisational culture. Our leadership development programme is underpinned by our Values, and ensures all senior management are aware of, and are enabled to role model our Values and Behaviours. Both the Barclays Leadership Academy and the Global Curriculum, which provides colleagues with development resources focused on personal and behavioural skill, are widely available and provide a consistent approach to core and leadership development.

We continue to assess candidate alignment to our Values and Behaviours through our recruitment and promotion processes and we also ensure new joiners attend the Being Barclays Global Induction programme, which provides an in-depth experience of the Values and life at Barclays. All colleagues are required to attest and demonstrate their understanding of expected behaviours through the Global Code of Conduct (The Barclays Way).

Early careers and apprenticeships

Barclays is committed to helping young people achieve their ambitions when they enter the world of work, so our Early Careers proposition includes graduate, internship and apprenticeship programmes which provide structured support to young people. In 2015, we launched our Bolder Apprenticeship Programme, targeting long-term unemployed adults over the age of 24, which is the first of its kind in the UK and underlines our commitment to tackling societal issues and attracting diverse talent.

We provide pathways for progression from apprentice to graduate supported by recognised qualifications and, in doing so, help to create an internal talent pipeline. In 2015, Barclays hired over 1,000 interns, 800 graduates and have created over 2,500 apprenticeships since 2013. During 2015 we increased our gender diversity across our internship programmes by 8% to 42% female representation.

My Career and mentoring tool

Colleague development, both personal and professional, has been a priority in 2015. We launched the My Career online portal which provides a wide range of information and tools to help colleagues understand their potential and make informed career decisions. We recognise the importance of great mentor relationships and have deployed an online tool to match mentors and mentees based on skill sets and experience.

Wellbeing

Our new global wellbeing programme, Be Well launched in 2015, aiming to support employee engagement and improve health and well-being. The programme includes existing health and well-being resources, as well as new investment in areas such as employee health screenings, a global speaker series and a new global portal which acts as a gateway to education materials and events.

Performance management

Colleagues are encouraged to align their objectives to business and team goals and behavioural expectations are set in relation to our Values. Performance is assessed against both what colleagues do and how they do it. The Values in Action framework provides all colleagues with the tools to assess what objectives they achieved and how they achieved them, together with a guide on expected behaviours in line with the Values. Our global recognition plan allows colleagues to recognise the outstanding achievements of those who have demonstrated our Values, with over 188,500 colleagues receiving a Values Thank You in 2015.

Managing change

Where business restructuring has been necessary to support the transformation of our business and cost profile, we have consulted on potential job losses with employee representatives, as well as the impacted individuals. Our aim has been to treat all colleagues with respect and to avoid compulsory redundancies wherever possible. We have placed significant emphasis on both voluntary redundancy programmes as well as internal redeployment via Internals First .

Internals First supports colleagues who have been impacted by change and provides individual support to ensure that we retain talent within Barclays. Internals First is deployed in all our main locations and is managed by a dedicated team. In 2015, 935 colleagues registered for Internals First support and we redeployed 39% of them within Barclays. Throughout 2015, colleagues attended Internals First Career and Networking Events and opted for outplacement support services.

During 2015, we also developed Be Informed , which is available on both desktop and mobile devices. This intuitive support site gives transparent and helpful advice for colleagues who are impacted by change, including how to manage change, further career options available to them and where to go for help and support during periods of uncertainty.

When an employee does leave Barclays as a consequence of restructuring, our commitment is to ensure they are given the best support for the next stage in their career and life. Following an extensive review, a new globally consistent career transition service has been implemented which offers personalised advice and support for all employees placed at risk of redundancy.

Industrial relations

We continue to advocate and practise a partnership approach to industrial relations and value the relationships we have with over 30 trade unions, works councils and staff associations around the world. In particular, our formal partnership with Unite since 2000 is one of the longest standing in the UK. During 2015, we have continued to have regular, constructive dialogue with employee representatives on a wide range of topics that affect employees, facilitated through established regional consultation forums which bring together representatives from across our businesses.

We are confident that through all these established core people processes and others, we have created the right landscape at Barclays to sustain the desired organisational culture. We also believe that while we have a common purpose, Values, and vision, this can mean different things for different parts of our business and so we need to continue to shape our culture in a way that makes sense for each of our business areas. To that end, in 2015, each business CEO was tasked with driving the organisational culture for their business and we supported this by deploying business-specific training academies across the Group. This will continue into 2016.

Governance

People

Your View

Barclays recognises the importance of listening to our colleagues and maintaining open, two-way dialogues between the organisation and colleagues. The views of our colleagues shape the decisions we make, helping us create an environment that colleagues want to work in, which we in turn believe will help drive high performance.

We deployed a global colleague survey, Your View once again in 2015 to seek the views of colleagues. This year s survey was more focused, based on the insights derived from the previous year s survey, and asked for our colleagues views on a range of topics, including our Values, leadership and line management, the working environment, and citizenship. The results showed a near-universal understanding among colleagues of the Values and related behaviours (97% favourable) with 81% agreeing that role modelling the Values is central to creating the right culture at Barclays.

Compared to 2014, colleagues feel an increased sense of job accomplishment and enthusiasm, believe more strongly in Barclays goals, and are more likely to recommend Barclays as a place to work. Sustainable Engagement is at 75%, a 3% increase compared to 2014. This is a strong result, suggesting action taken during 2015 is having an impact, notwithstanding the continued and sustained change we have experienced. We have performed an in-depth review of the results of the survey with all senior leaders, and will continue to focus our efforts on improving employee engagement in 2016.

Barclays regularly updates employees regarding the financial and economic factors affecting the company s performance throughout the year, using a variety of communications channels. These include CEO and senior leader email communications, line manager briefing packs, video interviews and talking points which are distributed to employees every quarter to coincide with Barclays financial reporting calendar. They are all designed to build awareness and understanding of Barclays results and the broader macroeconomic environment, and to drive dialogue around what the figures mean and how employees should respond. We also hold a variety of events for all employees, across each business division and function throughout the year, which provide employees the chance to hear directly from the CEO, ExCo member or leader and to ask them questions. We have also recently introduced an Ask the Experts communication which gives perspectives from across the bank on what Barclays results mean and how they are received by different stakeholders such as investors, politicians and the media.

Flagship campaigns are released to all employees each quarter, covering topics such as wellbeing, recognition and dynamic working. Each quarter, colleagues and managers receive interactive updates to raise awareness of the tools being introduced to help them develop their careers at Barclays and to provide them with the opportunity to understand and engage in employee initiatives. Colleagues are also kept informed through regular intranet and email updates about the progress Barclays is making across activity such as our Diversity and Inclusion agenda, Performance Management and annual Pay and Reward processes.

Employees are invited to share their opinion on what it is like to work at Barclays through regular interactive events with senior leaders. These events provide employees with the opportunity to discuss their perspective on a range of areas to help senior management understand what is working well and where we need to improve. Any changes that are implemented as a result of colleague feedback are communicated through leadership briefings and engagement initiatives at an individual business/function level.

Colleagues are also encouraged to be involved with the company s performance by participating in Barclays all-employee shareplans, which have been running successfully for over 10 years. Further details of our approach to remuneration are included in the Remuneration Report pages 53 and 54.

Diversity and inclusion

Barclays global Diversity and Inclusion (D&I) strategy sets out objectives, and frames our plans for each of five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational. Central to each pillar is building an inclusive culture, which is why we continue to build leadership competency about Unconscious Bias and have had more than 10,000 participants undertake the training. Following our 2014 programme to engage senior leaders, our Everyday Ism s programme has this year opened up dialogue with colleagues more widely focusing on stereotypes, assumptions and bias.

An important aspect of our D&I agenda is ensuring people from all backgrounds have equal opportunity to join, and progress through, our organisation. In support of this, we have established candidate shortlist diversity goals for senior positions to provide focus during talent decisions, and ensure hiring panels are diverse to broaden assessment perspectives.

This ethos begins with our most senior roles. Having achieved the target we set ourselves in 2012 to increase Board level diversity to 25%, we have now challenged ourselves to achieve a minimum of 33% by 2020. To strengthen the pipeline, we have consecutively achieved our year on year goals towards representation of women in senior roles to 26% by 2018. We have more to do, but are pleased when progress towards greater inclusion is recognised. During 2015, respected organisations such as Stonewall in the UK, Working Mother in the US and Community Business in Asia have praised our programmes and achievements, citing our D&I work as innovative and robust.

Gender

Sustaining progress towards our Balanced Scorecard and Board Diversity goals remains a core focus. Our Board membership has increased to four women, with one woman on Group Executive Committee. Our female senior leadership population stood at 23% at the end of 2015 representing a consecutive 1% increase year-on-year since 2011. Women are also leading countries where we operate, for example in Ireland, Brazil, Singapore, Botswana and Gibraltar.

At all levels, our gender pipeline is strengthening thanks to extensive programmes which focus on building capability and fostering gender intelligence. Our internal HeForShe campaign, in partnership with the United Nations, asks colleagues to pledge a specific commitment that will contribute to gender parity. Since launching HeForShe, 60% of new Women s Initiative Network members have been male, and men have also taken active roles as mentors and sponsors.

Also new this year is our Returnship programme which is enabling senior women who needed to pause their career, the opportunity to refresh their skills and confidence in preparation for a return to leadership roles. For the eighth year running, we were pleased to be included in The Times Top 50 Workplaces for Women in the UK, and for the third successive year to be named in Working Mother 100 Best Companies in the US.

Female representation

Above shows the positive change in female representation within Barclays from 2014 (H2) to 2015 (H2)

LGBT

An inclusive culture is vital for colleagues to have the freedom and choice to bring their whole selves to work, and in particular for people to be open about their sexual orientation if they choose to. Our Your View survey saw 5% of global colleagues identifying as being LGBT globally, a 1% increase since 2014. Enabling that culture are our Global Allies colleagues from every region who share our commitment to LGBT equality and who take an active role in shaping an LGBT-inclusive workplace. The Allies programme is led by Spectrum, our employee network for anyone interested in LGBT matters. Since 2001, Spectrum has been an important contributor of insight and innovation and now connects colleagues across the world, with the Spectrum App providing access outside the workplace.

#PrideHeroes was the theme of Pride in London, which we were again the lead sponsors of in 2015. More than 400 colleagues, leaders, friends and family came together for Pride, with many more joining other events across our regions of operation. A specially Pride wrapped DLR train carried the #RidewithPride message across London, with ATM s up and down the UK communicating our support for LGBT equality. ATM messaging also conveyed our advocacy for IDAHOBIT (International Day Against Homophobia, Biphobia and Transphobia). For World AIDS Day, £ for £ matching augmented colleague fundraising for organisations leading on the treatment and prevention of AIDS.

Independent recognition reflects the sustained impact of our global work and further motivates us to continue to shape our culture so that colleagues can be themselves at work. In Singapore, we won best LGBT employee network at this year s ALMA Awards, and Stonewall continue to name us as one of just eight Star Performer organisations that are seen as leaders globally. Colleagues across a range of levels were this year recognised in the Financial Times OUTstanding list of 100 LGBT business leaders, and in the Pride Power List.

Disability

Our aspiration to become the most accessible bank remains firm. Understanding where we need to focus attention is key which is why we value our Disability Listening forums to bring together colleagues who have insight with those who have influence to turn ideas into action. We listen to our customers too, directly and via our external partners from RNIB to Leonard Cheshire as part of our continual improvement ethos. Their feedback contributed to us becoming the first bank to receive an accreditation from AbilityNet for our Mobile Banking app, reflecting its improved accessibility functionality.

In another first, we successfully launched our Return on Disability Exchange Traded Notes (ETNs) on the New York Arca Stock Exchange. The ETNs are a first of a kind investment product, linked to the performance of an index developed in conjunction with The Return on Disability Group. They provide investors with exposure to US based companies that have acted to attract and serve people with disabilities, and their friends and family, as customers and employees.

Continually improving our own workplace is a steadfast aim, and is why we expanded This Is Me from a UK to a global campaign. Originally focused on mental health, through This Is Me colleagues tell their stories as to how disability touches their lives. The stories told via This Is Me included members of our Reach employee network, which connects anyone interested in disability. The inclusive culture enabled by Reach is instrumental in helping us attract people who have a disability, so that they bring their talent to us. Our apprenticeship programme is just one career route that we are ensuring is fully accessible to all.

Awards and recognition from exemplar organisations, including the Business Disability Forum, indicates that we are fast moving towards our own most accessible ambition but we want to share learning with others. To celebrate and recognise the 25th anniversary of the American Disability Act (ADA), we partnered with the New York Mayor s Office to host the only B2B event in the ADA calendar to stimulate thought leadership and encourage partnership. Our

Your view Survey saw over 6% of colleagues identifying as having a disability globally, a 1 percentage point improvement from previous year results.

We recognise ability is multi-faceted. We give full and fair consideration to applications from candidates who may have a disability. Our people processes ensure all colleagues can progress their careers, with comprehensive training and

development, and through tailored and needs-based workplace adjustments where relevant. Employees who become disabled during their employment with us can access a full range of services and support ensuring, where-ever possible, we retain their talent. Ongoing reviews ensure adjustments are updated and relevant to individual requirements, providing the ability for colleagues to move between roles with consistent support.

Multigenerational

We benefit from the diverse perspectives of employees from five generations and need to ensure our workplace is inclusive for all. Work and place are increasingly becoming less co-joined, with shifts in technology and generational expectations requiring us to think and act differently. Dynamic Working, our signature campaign relevant to colleagues every life stages with the strapline of how do your work your life , encourages dialogue about the integration of personal and professional responsibilities through smarter working. With flexibility and agility at the core, more than 12,000 line managers and their teams have participated in workshops, presentations and training to open up discussions about how work could be done differently.

Multigenerational

Above shows the different generations working at Barclays and the percentage change over 2014 (H2) and 2015 (H2)

Changing careers is another important time, which is why our Armed Forces Transitioning, Employment and Rehabilitation (AFTER) programme also continued to see ex-military talent join our company, or be supported to gain relevant work-ready skills. Our LifeSkills programme continue to prepare young people for their first steps into the world of work and our Emerge network ensures new joiners, whatever their career stage, feel connected from the moment they arrive.

In Singapore, we won the Most Empowering Company for Mums award by the National Trades Union Congress while in the US we were included in the 100 Best Companies for Working Mothers . In the UK, our approach to Talent Attraction was recognised by Working Mums as well as by Business In the Community who felt our apprenticeship and LifeSkills programmes were award winning.

Governance

People

Multicultural

Our global footprint covers more than 50 countries, making multicultural inclusion imperative. Fostering cross-cultural connections is enabled by Embrace our multicultural network which brings together all those who share an interest in all aspects of race, ethnicity, nationality and faith. Embrace took an active role in Interfaith week, when leaders hosted discussions to gain insight and ideas for better serving our multicultural customers and clients, and for engaging colleagues across our global community. Embrace also helped us mark important cultural and religious calendar dates throughout 2015 such as Diwali and Eid, creating communications and events to bring to life the rich multicultural diversity of our people. Day-to-day, this diversity is enabled by, for example, a dedicated quiet room in many of our larger sites for prayer and reflection, and by serving halal and kosher food in our canteens.

Ensuring Black, Asian and Minority Ethnic (BAME) female entrepreneurs can sustain and develop their businesses has been a shared focus via our partnership with the UK Women s Business Council, and in 2015 we also supported the Black British Business Awards to celebrate the achievements of BAME leaders in the UK.

Insight from BAME colleagues has been put into practice for our attraction and recruitment processes, including profiling available roles in jobsites dedicated to the diverse job-seeker and targeting high calibre candidates for our apprenticeship programmes. 26% of our Bolder apprentices have been from a BAME background, evidencing our engagement approach is working but we will continue to strive to ensure our workforce is representative of our communities.

Multicultural

Above shows the percentage of underrepresented populations that make up our global and regional populations. Note that underrepresented populations are defined regionally to ensure inclusion with all groups in the workplace

a UK includes Asian, Mixed, Black, Other and Non-disclosed.
b US includes Hispanic/Latino, Asian, Mixed, Black, Other and Non-disclosed.
c South Africa includes African, Indian, Coloured, Other, and Non-disclosed.

FTE by region

	2015	2014	2013
United Kingdom	**49,000**	48,600	54,400
Continental Eurpe	**7,400**	9,900	9,800
Americas	**10,600**	10,900	11,100
Africa and Middle East	**43,600**	44,700	45,800
Asia Pacific	**18,000**	18,200	18,500
Total	**129,400**	132,300	139,600

Governance: Remuneration report

Annual statement from the Chairman of the Board Remuneration Committee

The Committee s priorities are to ensure that Barclays pays for sustainable performance, aligns remuneration with risk and delivers a greater proportion of the income we generate to our shareholders.

Remuneration Committee members

Chairman

Crawford Gillies (member from 1 May 2014,

Chairman from 24 April 2015)

Sir John Sunderland (until 23 April 2015)

Members

Sir David Walker (until 23 April 2015)

Tim Breedon

Steve Thieke

Dambisa Moyo (from 1 September 2015)

Contents Page

The tables marked audited in the report have been audited by PricewaterhouseCoopers LLP

Dear Shareholders

I am pleased to introduce my first Remuneration report as Chairman of the Board Remuneration Committee, having taken over from Sir John Sunderland on 24 April 2015.

The Committee thought carefully about Barclays remuneration philosophy during 2015, and we agreed a revised, simplified statement, which articulates Barclays overarching approach to remuneration. This is set out in full on page 53 and is the background to our 2015 decisions.

The Committee s priorities are to ensure that Barclays pays for sustainable performance, aligns remuneration with risk and delivers a greater proportion of the income we generate to our shareholders.

Performance and pay

The Committee s 2015 pay decisions took full consideration of financial performance, both on an adjusted and a statutory basis, and non-financial performance including progress towards the 2018 targets within the Balanced Scorecard. The Committee also recognised the need to improve returns to shareholders and to accelerate delivery. We are committed to moving this forward in a manner that is consistent with Barclays Values to ensure that legacy events are not repeated.

Although there were improvements in the Core operating businesses, adjusted profit before tax was down 2% to £5,403m for 2015. Statutory profit before tax was down 8% at £2,073m. The Group s capital position has continued to strengthen with a CRD IV fully loaded Common Equity Tier 1 (CET1) ratio of 11.4% and a leverage ratio of 4.5% at the end of the year. Cost targets have been met and Barclays Non-Core has made significant progress in reducing its risk weighted assets.

Against this background, the Group incentive pool for 2015 is again significantly lower than in prior years, down by £191m or 10% in absolute terms at £1,669m compared to the incentive pool of £1,860m for 2014. Similarly, the 2015 Investment Bank incentive pool is down 7%.

Total compensation costs are down 6%, and the compensation to adjusted net income ratio is 37.2%, down from 37.7% in 2014. Compensation to statutory net income ratio is 35.7%, down from 38.5% in 2014. The Core compensation to adjusted net income ratio is also down at 34.7% (2014: 35.7%). For a reconciliation of total incentive awards granted to the relevant income statement charge, see table on page 56.

Risk and conduct

A central feature of our remuneration philosophy is that remuneration must be aligned with risk, and with the conduct expectations of Barclays, our regulators and stakeholders. The Group incentive pool outlined above is after adjustments the Committee has made for both risk and conduct events. In addition to specific risk and conduct events, we also adjusted the incentive pool to take account of an overall assessment of a wide range of future risks, non-financial factors that can support the delivery of a strong conduct culture and other factors including reputation, impact on customers, markets and other stakeholders.

We have a robust process for considering risk and conduct issues as part of individual performance management reviews with outcomes reflected in individual incentive decisions. Individuals who are directly or indirectly accountable for risk and conduct events have had their remuneration adjusted as appropriate. This includes reductions in current year bonus levels and reductions in vesting amounts of deferred awards through the application of malus. Further details can be found on page 56.

Key remuneration decisions for executive Directors

2015 saw a change in Group Chief Executive. All of the associated remuneration decisions were made in accordance with the Directors remuneration policy approved by our shareholders at the 2014 Annual General Meeting (AGM).

We announced on 28 October 2015 that Jes Staley was to become Group Chief Executive with effect from 1 December 2015. He was appointed on a salary of £1,200,000 and Role Based Pay of £1,150,000 commensurate with market pay levels. He was not eligible for a 2015 bonus or a grant under the 2016-2018 long term incentive plan (LTIP) cycle. The Committee approved the grant of a share buy-out award to compensate him for an unvested share award granted to him by a previous employer which was forfeited as a result of him joining Barclays.

Annual statement from the Chairman of the Board Remuneration Committee

The award was made on terms aligned to the forfeited award. Jes Staley satisfied, at the date of joining, the executive Directors shareholding requirement of four times salary through his personal purchase of 2,790,000 Barclays shares.

During the four month period between Antony Jenkins departure as Group Chief Executive and Jes Staley starting in the role, John McFarlane served as Executive Chairman. He indicated to the Committee that he did not wish his remuneration to be increased during that time, and therefore his fee remained unchanged for the period during which he served as Executive Chairman.

The Committee also approved compensation arrangements on Antony Jenkins departure as Group Chief Executive during the year. Further details can be found on page 68.

Bonuses for both of the executive Directors in role at the start of 2015 were determined against the financial, Balanced Scorecard and personal measures set at the beginning of the year. The Committee approved a pro-rated bonus award of £505,000 for Antony Jenkins. A 2015 bonus award of £701,000 was approved for Tushar Morzaria. Tushar Morzaria took on significantly increased executive responsibilities in the second half of 2015 and we regard this bonus as fully deserved in recognition of his strong performance. Further details of the Committee s 2015 decisions for the executive Directors are set out on pages 59 to 61.

During the year, we also reviewed the performance measures of our LTIP to ensure they are appropriate given our strategy and align the interests of executive Directors and shareholders. We have changed the financial measures and given them an increased weighting of 70% for the award to be granted in 2016 and added a comprehensive Risk Scorecard as the new risk measure which will focus on Barclays management of principal risks (including Conduct Risk). Before formal approval, we engaged with shareholders on these changes. Tushar Morzaria is the only participant in this LTIP cycle. Further details are set out on pages 62 and 63.

Regulatory developments

The volume and pace of regulatory change has continued during 2015.

The PRA made revisions to the Remuneration part of its Rulebook (formerly the UK Remuneration Code) which apply from 1 January 2016. These include the seven, five and three year tiered deferral requirements for Senior Managers and different categories of Material Risk Taker (MRT) respectively, and the potential extension of the clawback period to 10 years for Senior Managers (under certain circumstances). These changes, which apply globally to Barclays as a UK-headquartered bank, further emphasise the competitive disadvantages attributable to the lack of a global level regulatory playing field .

Further revisions to the Remuneration part of the PRA Rulebook are expected during 2016 as a consequence of the European Banking Authority s (EBA) final Guidelines on sound remuneration policies. The most significant changes include a prohibition on the payment of dividends on deferred shares and an increase to a one year (from six months) holding period for incentive awards delivered in shares to the large majority of MRTs. The Guidelines apply from 1 January 2017. The application of the Guidelines to UK firms, once confirmed by the PRA and FCA, will contribute to changes to our Directors remuneration policy in 2017.

Agenda for 2016

In line with legal requirements, we will be seeking shareholder approval for our Directors remuneration policy at the 2017 AGM. As a Committee we will review our remuneration policy to ensure that future arrangements are fully aligned to our strategy to accelerate delivery to shareholders in a manner consistent with Barclays Values and also to meet new regulatory requirements. This will be developed over the coming months and we will engage constructively with shareholders and regulators as we do so.

Our Remuneration report

We have provided an At a glance summary of 2015 performance and pay on the next page. The Annual report on Directors remuneration provides further details.

The report has been prepared in accordance with the remuneration disclosures required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Remuneration report (other than the part containing the Directors remuneration policy) will be subject to an advisory vote by shareholders at the 2016 AGM.

On behalf of the Board

Crawford Gillies

Chairman, Board Remuneration Committee

29 February 2016

How did we perform and pay in 2015?

The Committee s 2015 pay decisions took full consideration of financial and non-financial performance. Statutory profit before tax decreased between 2014 and 2015 by 8%, while the absolute reduction in the Group incentive pool was 10%.

Since 2010 the Group incentive pool has declined steadily, from £3,484m in 2010 to £1,669m in 2015 a decrease of more than 50% over five years. Over the same period, Group statutory profit before tax is down 65%.

Group incentive pool

How much were executive Directors paid in 2015?

All of the Committee s 2015 decisions in relation to executive Directors remuneration were made within the parameters of the Directors remuneration policy which was approved at the 2014 AGM.

	Antony Jenkins[a] £000		Tushar Morzaria £000		Jes Staley[b] £000
	2015	2014	**2015**	2014	**2015**
Fixed Pay					
Salary	598	1,100	800	800	100
Role Based Pay (RBP)	516	950	750	750	96
Benefits	89	100	82	95	48
Pension	197	363	200	200	33
Variable pay					
Annual Bonus[c]	505	1,100	701	900	
LTIP[d]	1,494	1,854			
Total pay	3,399	5,467	2,533	2,745	277

Notes

a

The 2015 figures for Antony Jenkins relate to the period to 16 July 2015 when he ceased to be a Director, save in the case of the LTIP which relates to the whole period pursuant to the LTIP rules. In accordance with his contractual entitlements, Antony Jenkins will receive salary, RBP, benefits and pension, in instalments, until 7 July 2016 subject to mitigation. Full details of his leaving arrangements can be found on page 68.

b The 2015 figures for Jes Staley relate to the period from 1 December 2015 when he joined the Board as Group Chief Executive. On joining Barclays, Jes Staley was granted a share award of 896,450 Barclays shares to compensate him for an unvested share award granted to him by JP Morgan. The award will be delivered on 14 March 2016 in line with the vesting date of the original JP Morgan award.

c 2015 bonus awards reflect the formulaic outcome of 2015 performance against the financial measures and the Committee s assessment of progress towards the Balanced Scorecard targets. These resulted in a total of 22.1% (out of 50% maximum) and 15% (out of 35%) of the maximum bonus being payable respectively. Personal objectives were assessed by the Committee on an individual basis.

d Over the 2013-2015 LTIP performance period, a return on risk weighted assets (RoRWA) of 0.21% and a loan loss rate (LLR) of 53 bps resulted in nil (out of 50%) outcome for RoRWA and 30% (out of 30%) for LLR. The Balanced Scorecard assessment was 9% (out of 20%). Therefore 39% of the maximum number of shares will be considered for release in March 2016, subject to an additional two year holding period.

How will executive Directors pay be structured?

2016 Fixed pay

	Salary £000	RBP £000	Pension £000
Jes Staley	1,200	1,150	396
Tushar Morzaria	800	750	200

Salary, RBP, pension and benefits are unchanged from 2015.

Variable pay

2016 Annual Bonus

Maximum 80% of fixed pay

2016 performance measures and weighting:

Financial		
Adjusted profit before tax	20%	
CET1 ratio	20%	
Adjusted costs	10%	
		50%
Balanced Scorecard		35%
Personal objectives		15%

2016-2018 Long term incentive plan

Maximum 120% of fixed pay

2016-2018 cycle performance measures and weighting:

Financial		
Adjusted return on tangible equity (subject to CET1 ratio underpin)	25%	
CET1 ratio	25%	
Cost: income ratio	20%	
		70%

Balanced Scorecard	15%
Risk Scorecard (new Risk measure which will focus on Barclays management of principal risks, including Conduct Risk)	15%

Tushar Morzaria is the only participant in the 2016-2018 LTIP cycle.

Governance: Remuneration report

Remuneration policy for all employees

This section sets out Barclays remuneration policy for all employees, explaining the philosophy underlying the structure of remuneration packages, and how this links remuneration to the achievement of sustained high performance and long-term value creation.

Remuneration philosophy

In October 2015, the Committee formally adopted a revised, simplified remuneration philosophy which articulates Barclays overarching remuneration approach and is set out below.

Barclays Remuneration philosophy

Attract and retain talent needed to deliver Barclays strategy	Long term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent
Align pay with investor interests	Ensure employees interests are aligned with those of investors (equity and debt holders), both in structure and the appropriate balance of returns
Reward sustainable performance	Sustainable performance means making a positive contribution to stakeholders, in both the short and longer term, playing a valuable role in society

Support Barclays Values and culture	Results must be achieved in a manner consistent with our Values. Our Values and culture should drive the way that business is conducted
Align with risk appetite, risk exposure and conduct expectations	Designed to reward employees for achieving results in line with the Bank s risk appetite and conduct expectations
Be clear, transparent and as simple as possible	All employees and stakeholders should understand how we reward our employees. Remuneration structures should be as simple as possible so that everyone can understand how they work and the behaviours they reward

Remuneration and performance

Our remuneration philosophy applies to all employees across the whole of Barclays. It ensures that all employees are aligned with and support the achievement of Barclays Group priorities.

This is achieved by linking remuneration to a broad assessment of performance, based on expected standards of delivery and behaviour, which are discussed with employees at the start of, and throughout, the performance year. Under the Barclays performance management approach, employees are encouraged to align each of their objectives to business and team goals, and behavioural expectations are set in relation to our Values. This ensures that clear expectations are set for not only what employees are expected to deliver, but also how they are expected to go about it.

Individual performance is then evaluated against both the what (performance against objectives) and the how (demonstration of our Values). This evaluation takes into account various factors including:

§ performance against agreed objectives (both financial and non-financial) and core job responsibilities

§ adherence to relevant risk policies and procedures and control frameworks

§ behaviour in line with Barclays Values

§ colleague and stakeholder feedback

§ input from the Risk and Compliance functions where there are concerns about the behaviour of any individuals or the risk of the business undertaken.

There is no specific weighting between the financial and non-financial considerations for employees because all of them are important to the determination of the overall performance assessment.

Linking individual performance assessment and remuneration decisions to both the Barclays business strategy and our Values in this way promotes the delivery of sustainable individual and business performance, and establishes clear alignment between remuneration policy and Barclays strategy.

Remuneration structure

The remuneration structure for employees is aligned with that for executive Directors, set out in detail in the Directors remuneration policy which was approved by shareholders at the 2014 AGM. A full copy of the policy can be found on the Barclays PLC website. An abridged version is at pages 75 to 83 of this Report.

Employees receive salary, pension and other benefits and are eligible to be considered for an annual bonus. Employees in some customer-facing businesses participate in incentive plans including plans based on a balanced scorecard of performance which has good customer outcomes at its centre. The plans also recognise how results have been achieved in line with Barclays Values. Some senior employees receive Role Based Pay (RBP). Remuneration of PRA Material Risk Takers (MRTs) is subject to the 2:1 maximum ratio of variable to fixed pay. A total of 1,523 (2014: 1,277) individuals were MRTs in 2015.

Barclays is a long standing supporter of the Living Wage. As an accredited Living Wage employer, Barclays commits to ensure that all permanent UK employees and those UK employees of third party contractors who provide services to us at our sites, are paid at least the current London or UK Living Wage. This is a commitment which we have also extended to all our UK employed apprentices.

Fixed remuneration

Salary	Salaries reflect individuals skills and experience and are reviewed annually in the context of annual performance assessment. They are increased where justified by role change, increased responsibility or a change in the latest available market data. Salaries may also be increased in line with local statutory requirements and in line with union and works council commitments.
Role Based Pay (RBP)	A small number of senior employees receive a class of fixed pay called RBP to recognise the seniority, breadth and depth of their role.
Pension and benefits	The provision of a competitive package of benefits is important to attracting and retaining the talented staff needed to deliver Barclays strategy. Employees have access to a range of country

specific company funded benefits, including pension schemes, healthcare, life assurance and Barclays share plans as well as other voluntary employee funded benefits. The cost of providing these benefits is defined and controlled. Gracechurch Services Corporation is used to employ US nationals seconded overseas allowing them to retain eligibility to US benefits.

Variable remuneration

Annual bonus

Annual bonuses incentivise and reward the achievement of Group, business and individual objectives, and reward employees for demonstrating individual behaviours in line with Barclays Values.

The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive and mobile market for talent in the financial services sector. The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals.

Bonus deferral levels are significantly in excess of PRA requirements.

The typical deferral structures include:

For MRTs:		For non-MRTs:		For Managing Directors in the Investment Bank:	
Incentive award	Amount deferred	Incentive award	Amount deferred	Incentive award	Amount deferred
< £500,000	40%	Up to £65,000	0%	All values	100%
≥ £500,000	60%	> £65,000	Graduated level of deferral		

Deferred bonuses are generally delivered in equal portions as deferred cash under the Cash Value Plan (CVP) and deferred shares under the Share Value Plan (SVP), each typically vesting in annual tranches over three years subject to the rules of the plans (as amended from time to time) and continued service.

Deferred bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) at its discretion. Events which may lead the Committee to do this include, but are not limited to, employee misconduct or a material failure of risk management.

Clawback applies to any variable remuneration awarded to a MRT on or after 1 January 2015 in respect of years for which they are a MRT. Barclays may apply clawback if, at any time during the seven year period from the date on which variable remuneration is awarded to a MRT: (i) there is reasonable evidence of employee misbehaviour or material error, and/or (ii) the firm or the business unit suffers a material failure of risk management, taking account of the individual s proximity to and responsibility for that incident.

Share plans

Alignment of senior employees with shareholders is achieved through deferral of incentive pay into the SVP. We also encourage wider employee shareholding through the all employee share plans. 82% of the global employee population (excluding Africa) are eligible to participate.

2015 incentives

This section provides details of how 2015 total incentive award decisions were made.

2015 pay and performance headlines

The key performance considerations which the Committee took into account in making its remuneration decisions for 2015 are highlighted below:

§ Group adjusted profit before tax was down 2% to £5,403m (2014: £5,502m) while the Investment Bank adjusted profit before tax was up 17% at £1,611m (2014: £1,377m)

§ Group statutory profit before tax was down 8% at £2,073m (2014: £2,256m)

§ the CET1 ratio was up to 11.4% (2014: 10.3%)

§ the leverage ratio was up to 4.5% (2014: 3.7%)

§ Balanced Scorecard progress has been made against the Balanced Scorecard in respect of 2018 targets.

The pay outcomes and decisions can be summarised as follows:

§ the Group compensation to adjusted net income ratio improved to 37.2% (2014: 37.7%). The Core compensation to adjusted net income ratio also improved to 34.7% (2014: 35.7%)

§ the Group compensation to statutory net income ratio improved to 35.7% (2014: 38.5%)

§ total compensation costs decreased 6% to £8,339m (2014: £8,891m). Total compensation costs in the Investment Bank were down 5% at £3,423m (2014: £3,620m)

- total incentive awards granted were £1,669m, down 10% on 2014. Investment Bank incentive awards granted were £976m, down 7% on 2014

- there has been strong differentiation on the basis of individual performance to allow the Group to more effectively manage compensation costs

- average value of incentive awards granted per Group employee is £12,900 (2014: £14,100) and the average value of incentive awards granted per Investment Bank employee is £46,500 (2014: £51,400)

- levels of bonus deferral continue to significantly exceed the minimum requirements in the Remuneration part of the PRA Rulebook and are expected to remain among the highest deferral levels globally. 2015 bonuses awarded to Managing Directors in the Investment Bank were again 100% deferred.

2015 pay   Questions and answers

How do you justify a 2015 incentive pool of £1,669m?

The Committee remains focused on aligning pay to performance and setting pay at a level which is no more than necessary but is motivational to ensure that we accelerate the delivery of shareholder value.

In line with our financial performance, the final 2015 incentive pool at £1,669m is down 10% on 2014.

The following chart illustrates the reduction in variable remuneration over the period from 2010.

Barclays incentive pools

Notes

a 2013 Investment Bank incentive pool has been restated from £1,574m to reflect the business reorganisation. The 2010, 2011 and 2012 Investment Bank incentive pools have not been restated.
b Part of the reduction in incentive pools in 2014 was due to the introduction of Role Based Pay.
c For a reconciliation of total incentive awards granted to the relevant income statement charge, see table on page 56.

What have you done in terms of conduct adjustments in 2015?

A key feature of our revised remuneration philosophy is the alignment of remuneration with risk appetite and with the conduct expectations of Barclays, our regulators and stakeholders. The Committee takes risk and conduct events very seriously and ensures that there are appropriate adjustments to individual remuneration and, where necessary, the incentive pool.

The Remuneration Review Panel, which reports to the Committee, supports the Committee in this process. The Panel is chaired by the Chief Risk Officer and includes senior representatives from the key control functions of Risk, Compliance, Internal Audit, Legal and HR. It sets the policy and processes and is responsible for assessing and recommending to the Committee compensation adjustments for risk and conduct events.

We have a robust process for considering risk and conduct as part of individual performance management reviews with outcomes reflected in individual incentive decisions. When considering individual responsibility, a variety of factors are taken into account such as:

§ whether the individual was solely responsible for the event or whether others were also responsible, if not directly involved,

§ whether the individual was aware (or could reasonably have been expected to be aware) of the failure,

§ whether the individual took or missed opportunities to take adequate steps to address the failure, and

§ whether the individual, by virtue of seniority, could be deemed indirectly responsible, including staff who drive the Group s culture and set its strategy.

Individuals who were directly or indirectly accountable for an event have had their remuneration adjusted as appropriate. This includes reductions in current year bonus levels and reductions in vesting amounts of deferred awards through the application of malus. In addition, a number of employees have been terminated for responsibility and accountability for risk and conduct events resolved during the year. The Committee fully acknowledges the impact such risk and conduct events have on shareholders and believes it is wholly appropriate that this should be reflected in incentive decisions for those whose performance and conduct falls short of Barclays standards.

The Committee recognises that conduct events continue to weigh on Group performance, impacting profitability and returns, so in addition to reductions to individuals incentive outcomes, material adjustments have also been made to the incentive pool for conduct. These included, but were not limited to, the settlement reached with the New York State Department of Financial Services in respect of its investigation into electronic trading of Foreign Exchange, the settlements reached with the US Securities and Exchange Commission and New York State Attorney General in respect of those agencies investigations relating to the operation of LX (an alternative trading system), and the settlement reached with the FCA following an investigation into whether Barclays carried out the appropriate due diligence in connection with a transaction it executed in 2012.

The Committee also made a further adjustment in respect of the settlements reached with a number of authorities in May 2015 in relation to investigations into certain sales and trading practices in the Foreign Exchange market and the setting of the US Dollar ISDAFIX benchmark, over and above the substantial adjustments made in 2014 as part of the Committee s prudent approach towards incentive funding. The Committee took a similar prudent approach in determining 2015 incentive funding.

The overall impact on the incentive pool resulting from both the direct financial impact on performance and the additional adjustments applied by the Committee is a reduction in excess of £600m.

We have also, in addition to the adjustment for specific risk and conduct issues, adjusted the incentive pool to take account of an overall assessment of a wide range of future risks (including Conduct), non-financial factors that can support the delivery of a strong conduct culture and other factors including reputation, impact on customers, markets and other stakeholders.

Total incentive awards granted current year and deferred (audited)

	Barclays Group			Investment Bank		
	Year ended 31.12.15 £m	Year ended 31.12.14 £m	% change	**Year ended 31.12.15 £m**	Year ended 31.12.14 £m	% change
Total current year bonus	839	885	5	367	381	4
Total deferred bonus	661	757	13	579	634	9
Bonus pool	**1,500**	**1,642**	**9**	**946**	**1,015**	**7**
Commissions, commitments and other incentives	169	218	22	30	38	21
Total incentive awards granted	**1,669**	**1,860**	**10**	**976**	**1,053**	**7**
Proportion of bonus that is deferred	44%	46%		61%	62%	
Total employees (full time equivalent)	129,400	132,300	2	21,000	20,500	(2)
Average bonus per employee	£12,900	£14,100	9	£46,500	£51,400	10

Deferral levels vary according to the incentive award quantum. With reductions in incentive award levels, this has reduced the proportion of the bonus that is deferred.

Deferred bonuses are delivered, subject to the rules, and only once an employee meets certain conditions, including continued service. This creates a timing difference between the communication of the bonus pool and the charges that appear in the income statement which are reconciled in the table below:

Reconciliation of total incentive awards granted to income statement charge (audited)

	Barclays Group			Investment Bank		
	Year ended 31.12.15 £m	Year ended 31.12.14 £m	% change	**Year ended 31.12.15 £m**	Year ended 31.12.14 £m	% change
Total incentive awards for 2015	1,669	1,860	10	976	1,053	7
Less: deferred bonuses awarded in 2015	(661)	(757)	13	(579)	(634)	9
Add: current year charges for deferred bonuses from previous years	874	1,067	18	736	854	14
Other[a]	2	(108)		51	12	
Income statement charge for performance costs	**1,884**	**2,062**	**9**	**1,184**	**1,285**	**8**

Note

a Difference between incentive awards granted and income statement charge for commissions, commitments and other incentives

2015 incentives

- Employees only become eligible to receive payment from a deferred bonus once all of the relevant conditions have been fulfilled, including the provision of services to the Group.

- The income statement charge for performance costs reflects the charge for employees actual services provided to the Group during the relevant calendar year (including where those services fulfil conditions attached to previously deferred bonuses). It does not include charges for deferred bonuses where conditions have not been met.

- As a consequence, the 2015 incentive awards granted decreased 10% compared to 2014, while the income statement charge for performance costs decreased by 9%.

Income statement charge (audited)

	Barclays Group			Investment Bank		
	Year ended 31.12.15 £m	Year ended 31.12.14 £m	% change	**Year ended 31.12.15 £m**	Year ended 31.12.14 £m	% change
Deferred bonus charge	874	1,067	18	736	854	14
Current year bonus charges	839	885	5	367	381	4
Commissions, commitments and other incentives	171	110	(55)	81	50	(62)
Performance costs	**1,884**	**2,062**	**9**	**1,184**	**1,285**	**8**
Salaries[a]	4,954	4,998	1	1,847	1,749	(6)
Social security costs	594	659	10	248	268	7
Post retirement benefits[b c]	545	624	13	112	120	7
Allowances and trading incentives	147	170	14	56	64	13
Other compensation costs	215	378	43	(24)	134	
Total compensation costs[d]	**8,339**	**8,891**	**6**	**3,423**	**3,620**	**5**
Other resourcing costs						
Outsourcing	1,034	1,055	2	15	9	(67)
Redundancy and restructuring	134	358	63	84	239	65
Temporary staff costs	697	530	(32)	248	176	(41)
Other	185	171	(8)	51	42	(22)

Total other resourcing costs	**2,050**	**2,114**	**3**	**398**	**466**	**15**
Total staff costs	**10,389**	**11,005**	**6**	**3,821**	**4,086**	**6**
Compensation as % of adjusted net income	**37.2%**	**37.7%**		**45.5%**	**47.6%**	
Compensation as % of statutory net income	**35.7%**	**38.5%**		**45.5%**	**47.6%**	
Compensation as % of adjusted income	**34.0%**	**34.6%**		**45.2%**	**47.7%**	
Compensation as % of statutory income	**32.8%**	**35.2%**		**45.2%**	**47.7%**	

Notes

a Salaries include Role Based Pay and fixed pay allowances.
b Post retirement benefits charge includes £246m (2014: £242m) in respect of defined contribution schemes and £(130)m credit (2014: £382m) in respect of defined benefit schemes.
c 2015 post-retirement benefits have been adjusted to exclude the impact of a £429m (2014: nil) gain on valuation of a component of the defined benefit liability. Including the gain would result in a compensation: adjusted net income ratio of 35.3% and a compensation: adjusted income ratio of 32.3%. The aforementioned gain is already included in the statutory ratios.
d In addition, £236m of Group compensation (2014: £250m) was capitalised as internally generated software.

§ Total staff costs decreased 6% to £10,389m, principally reflecting a 9% decrease in performance costs and a 63% decrease in redundancy and restructuring charges.

§ Performance costs decreased 9%, reflecting a 18% decrease in the charges for deferred bonuses, a 5% decrease in the bonus charge partially offset by an increase in other performance charges.

§ Redundancy and restructuring charges decreased 63% to £134m, predominantly due to the non-recurrence of the 2014 restructuring costs in the Investment Bank.

Deferred bonuses awarded are expected to be charged to the income statement in the years outlined in the table that follows.

Year in which income statement charge is expected to be taken for deferred bonuses awarded to date[a]

	Actual		Expected[b]	
	Year ended 31.12.14 £m	**Year ended 31.12.15 £m**	Year ended 31.12.16 £m	2017 and beyond £m
Barclays Group				
Deferred bonuses from 2012 and earlier bonus pools	488	117	13	
Deferred bonuses from 2013 bonus pool	579	293	111	17
Deferred bonuses from 2014 bonus pool		464	194	100
Deferred bonuses from 2015 bonus pool			**370**	**247**
Income statement charge for deferred bonuses	**1,067**	**874**	**688**	**364**
Investment Bank				
Deferred bonuses from 2012 and earlier bonus pools	398	101	11	
Deferred bonuses from 2013 bonus pool	456	239	93	13
Deferred bonuses from 2014 bonus pool		396	167	80
Deferred bonuses from 2015 bonus pool			341	217
Income statement charge for deferred bonuses	**854**	**736**	**612**	**310**

Bonus pool component	Expected grant date	Expected payment date(s)[c]	Year(s) in which income statement charge arises[d]
Current year cash bonus	§ March 2016	§ March 2016	§ 2015
Current year share bonus	§ March 2016	§ March 2016	§ 2015
Deferred cash bonus	§ March 2016	§ March 2017 (33.3%) § March 2018 (33.3%) § March 2019 (33.3%)	§ 2016 (48%) § 2017 (35%) § 2018 (15%) § 2019 (2%)
Deferred share bonus	§ March 2016	§ March 2017 (33.3%) § March 2018 (33.3%) § March 2019 (33.3%)	§ 2016 (48%) § 2017 (35%) § 2018 (15%) § 2019 (2%)

Notes

[a] The actual amount charged and payments made are subject to all conditions being met prior to the expected payment date and will vary compared with the above expectation. In addition, employees receiving a deferred cash bonus may be awarded a service credit of 10% of the initial value of the award at the time that the final instalment is made, subject to continued employment. Dividend equivalent shares may also be awarded under SVP awards.

[b] Does not include the impact of grants which will be made in 2016 and 2017.

[c] Share awards may be subject to an additional holding period.
[d] The income statement charge is based on the period over which conditions are met.

Annual report on Directors remuneration

This section explains how our Directors remuneration policy was implemented during 2015.

Executive Directors

Executive Directors: Single total figure for 2015 remuneration (audited)

The following table shows a single total figure for 2015 remuneration in respect of qualifying service for each executive Director together with comparative figures for 2014.

	Salary £000		Role Based Pay £000		Taxable benefits £000		Annual bonus £000		LTIP £000		Pen £0
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**
Antony Jenkins[a]	598	1,100	516	950	89	100	505	1,100	1,494	1,854	197
Tushar Morzaria	800	800	750	750	82	95	701	900			200
Jes Staley[b]	100		96		48						33

Notes

a The 2015 figures for Antony Jenkins relate to the period to 16 July 2015 when he ceased to be a Director, save in the case of the LTIP which relates to the whole performance period. Details of his leaving arrangements are provided on page 68.

b The 2015 figures for Jes Staley relate to the period from 1 December 2015 when he joined the Board as Group Chief Executive.

John McFarlane was appointed Executive Chairman from 17 July 2015 pending the appointment of a new Group Chief Executive. At his request, he received no increase in fees. Details of his fees are provided on page 67. John McFarlane is not eligible to participate in Barclays cash, share or long-term incentive plans or pension plans.

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

Salary

Jes Staley commenced employment as Group Chief Executive on 1 December 2015 on a salary of £1,200,000 per annum. Tushar Morzaria was paid a salary of £800,000 per annum as Group Finance Director. Antony Jenkins was paid a salary of £1,100,000 per annum.

Role Based Pay (RBP)

Executive Directors receive RBP which is delivered quarterly in shares, subject to a holding period with restrictions lifting over five years (20% each year). The value shown is of shares at the date awarded.

Taxable benefits

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

Annual bonus

Annual bonuses are discretionary and are typically awarded in Q1 following the financial year to which they relate. The 2015 bonus awards reflect the Committee s assessment of the extent to which the executive Directors achieved their Financial (50% weighting) and Balanced Scorecard (35% weighting) performance measures, and their personal objectives (15% weighting). More information on the performance measures and the outcomes for the 2015 bonuses is set out on pages 60 and 61. Jes Staley was not eligible for a 2015 bonus.

60% of each executive Director s 2015 bonus will be deferred in the form of a share award under the Share Value Plan vesting over three years with one third vesting each year. 20% will be paid in cash and 20% delivered in shares. All shares (whether deferred or not deferred) are subject to a further six month holding period from the point of release. 2015 bonuses are subject to clawback provisions and, additionally, unvested deferred 2015 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

LTIP

The LTIP amount included in Antony Jenkins 2015 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2013 in respect of performance period 2013-2015. As Tushar Morzaria and Jes Staley were not participants in this cycle, the LTIP figure in the single figure table is shown as zero for them. Release is dependent on, amongst other things, performance over the period from 1 January 2013 to 31 December 2015. The performance achieved against the performance targets is as follows.

Performance measure	Weighting	Threshold	Maximum vesting	Actual	% of award vesting
Return on risk weighted assets (RoRWA)	50%	13% of award vests for average annual RoRWA of 1.1%	Average annual RoRWA of 1.6%	0.21%	0%
Loan loss rate	30%	10% of award vests for average annual loan loss rate of 75bps	Average annual loan loss rate of 60bps or below	53bps	30%
Balanced Scorecard	20%	Performance against the Balanced Scorecard was assessed by the Committee to determine the percentage of the award that may vest between 0% and 20%. Each of the 5Cs in the Balanced Scorecard has equal weighting.		See below	9%
Total					**39%**

A summary of the Committee s assessment against the Balanced Scorecard performance measure over the three year performance period is provided below.

Category	Performance	Vesting out of maximum 4% for each C
Customer and Client	The Customer and Client Relationship metrics remained stable at 4th place as a strong performance in corporate banking, combined with improvements in Barclaycard UK and Barclays current accounts, was offset by the impact of reshaping the Wealth business and competitive challenges in South Africa. The Client Franchise Rank remained stable at 5th place in challenging market conditions.	2%
Colleague	There has been continued advancement towards Barclays 2018 gender goal of 26% women in senior leadership roles; at 23% by the end of 2015. Sustained Engagement is currently 75%, a positive result in light of the on-going change the organisation has experienced in 2015. Further work is required to achieve the 2018 target.	2%
Citizenship	In Citizenship Plan, 10 out of 11 metrics on target shows Barclays is having a positive impact on the communities in which it operates, with lending to households the only initiative to lose momentum primarily as a result of market and trading conditions.	3%
Conduct	While Conduct reputation as measured by the YouGov survey improved over the period, the Committee nevertheless determined that, by reference to the material conduct events that crystallised during the performance period, nil vesting was appropriate.	0%
Company	There has been a significant strengthening in the CET1 ratio, which is ahead of 2018 target, however there is plenty of work to do to deliver an acceptable return to shareholders, with adjusted RoE slightly down on 2014.	2%
Total		**9%**

The LTIP award is also subject to a discretionary underpin whereby the Committee must be satisfied with the underlying financial health of the Group based on profit before tax. The Committee was satisfied that this underpin was met, and accordingly determined that the award should be considered for release to the extent of 39% of the maximum number of shares under the total award. The shares are scheduled to be released in March 2016. After release, the shares are subject to an additional two year holding period.

Pension

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

2015 Annual bonus outcomes

The Committee considered each of the eligible executive Directors performance against the financial and non-financial measures which had been set to reflect the strategic priorities for 2015. Performance against their individual personal objectives (15% weighting overall) is assessed on an individual basis. The Committee may exercise its discretion to amend the formulaic outcome of assessment against the targets.

Financial (50% weighting)

The approach taken to assessing financial performance against each of the financial measures is based on a straight line outcome between 25% for threshold performance and 100% applicable to each measure for achievement of maximum performance.

The formulaic outcome from 2015 performance against the financial measures gave a total of 22.1% out of 50% being payable attributable to those measures. A summary of the assessment is provided in the following table.

Financial performance measure	Weighting	Threshold 25%	Maximum 100%	2015 Actual	2015 Outcome
Adjusted profit before tax	20%	£5,801m	£7,022m	£5,403m	0.0%
Adjusted costs (ex CTA)	10%	£16,780m	£15,182m	£16,205m	5.2%
CET1 ratio	10%	10.47%	11.34%	11.4%	10.0%
Leverage ratio	10%	4.17%	4.72%	4.5%	6.9%
Total Financial	**50%**				**22.1%**

Balanced Scorecard (35% weighting)

Progress in relation to each of the five Cs of the Balanced Scorecard was assessed by the Committee. The Committee took an approach based on a three-point scale in relation to each measure, with 0% to 3% for below target, 4% or 5% for a met target, and 6% or 7% for above target progress against a particular Balanced Scorecard component.

Based on this approach to assessing performance against 2015 Balanced Scorecard milestones, the Committee agreed a 15% outcome out of a maximum of 35%. A summary of the assessment is provided in the following table.

Balanced Scorecard 5 Cs	Weighting	Metric	2015 Target	2015 Actual	2015 Assessment by the Committee	2015 Outcome out of maximum 7% for each C
Customer and Client	7%	PCB, Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score v peer sets	4th	4th	Met target	4.0%
		Client Franchise Risk	5th	5th	Met target	
Colleague	7%	Sustained engagement of colleagues score	82-88%	75%	Below target	
		% women in senior leadership	23%	23%	Met target	2.0%
Citizenship	7%	Citizenship Plan initiatives	11/11	10/11	Below target	3.0%
Conduct	7%	Conduct Reputation (You Gov Survey)	5.6/10	5.4/10	Below target	3.0%
Company	7%	Adjusted return on equity	5.9%	4.9%	Below target	
		CET1 ratio	11.0%	11.4%	Above target	3.0%
Total Balanced Scorecard	**35%**					**15.0%**

Individual outcomes including assessment of personal objectives

Performance against each of the executive Directors individual personal objectives (15% weighting overall) was assessed by the Committee on an individual basis.

(i) Antony Jenkins

A summary of the assessment for Antony Jenkins against his specific performance measures is provided in the following table.

Performance measure		Weighting	Outcome
Financial	See table on page 60	50%	22.1%
Balanced Scorecard 5Cs	See table above	35%	15.0%
Personal objectives	Judgemental assessment see below	15%	11.0%
Total		100%	48.1%
Final outcome approved by the Remuneration Committee			48.1%

The Committee determined at the time of his departure that he would remain eligible for a pro rated 2015 bonus for the part of the year in which he was Group Chief Executive, subject to an assessment post year end of the relevant performance measures and the general discretion of the Committee. Although it was deemed the appropriate time for Barclays to change Group Chief Executive in mid-2015, the Committee recognised that during the first half of the year Antony Jenkins showed full commitment to continuing to embed a customer and client focused culture backed by the Barclays Values and to delivering on financial commitments with particular focus on capital accretion, reducing costs and continuing the run-down of Non-Core. He was also responsible for ensuring that the Conduct Risk Framework was embedded into the business. Given Antony Jenkins overall personal performance in the first half of the year, the Committee judged that 11% of a maximum of 15% was appropriate.

In aggregate, the performance assessment resulted in an overall formulaic outcome of 48.1% of maximum bonus opportunity being achieved. The resulting 2015 bonus, pro rated for service, is £505,000.

(ii) Tushar Morzaria

A summary of the assessment for Tushar Morzaria against his specific performance measures is provided in the following table.

Performance measure		Weighting	Outcome
Financial	See table on page 60	50%	22.1%
Balanced Scorecard 5Cs	See table above	35%	15.0%
Personal objectives	Judgemental assessment see below	15%	13.0%
Total		100%	50.1%
Final outcome approved by the Remuneration Committee			50.1%

The Committee concluded that Tushar Morzaria had delivered a strong personal performance throughout the year, and noted that during the second half of the year (pending Jes Staley s arrival) this was achieved while discharging considerably increased executive responsibilities. During 2015, Tushar Morzaria continued to drive transformational change, encouraging focus on the simplification of the operating model, including improved process and technology. He managed external relationships very effectively, in particular with shareholders, investors and regulators. He personally worked hard on improving colleague engagement and diversity and actively participated in supporting and promoting Barclays Citizenship agenda. He has managed risk effectively and embedded a positive risk culture. He has also fully embedded the Conduct Risk Framework into the activities of Group Finance, Tax and Treasury. The Committee, in particular, recognised Tushar Morzaria s role in the significant improvement in the Bank s capital position and in driving further focus on close and effective cost management during 2015. Given this strong personal performance, the Committee judged that 13% of a maximum of 15% attributable to individual objectives was appropriate.

As a result, the formulaic outcome for Tushar Morzaria would be 50.1% of maximum bonus opportunity. The resulting 2015 bonus is £701,000.

Executive Directors: other LTIP awards

The Directors remuneration reporting regulations require inclusion in the single total figure of only the value of the LTIP awards whose last year of performance ends in the relevant financial year and whose vesting outcome is known. For 2015, this is the award to Antony Jenkins under the 2013-2015 LTIP cycle and further details are set out on page 59. This section sets out other LTIP cycles in which the executive Directors participate, the outcome of which remains dependent on future performance.

LTIP awards to be granted during 2016

The Committee decided to make an award under the 2016-2018 LTIP cycle to Tushar Morzaria with a face value at grant of 120% of his fixed pay at 31 December 2015. Jes Staley is not eligible for a grant under the 2016-2018 LTIP cycle.

The 2016-2018 LTIP award will be subject to the following performance measures.

Performance measure	Weighting	Threshold	Maximum vesting
Adjusted return on tangible equity (RoTE)	25%	6.25% of award vests for average adjusted RoTE of 7.5%	average adjusted RoTE of 10.0%
		CET1 ratio must remain at or above an acceptable level for any of this element to vest. The threshold will be reviewed and set annually based on market conditions and regulatory requirements (11% as at 31 December 2016).	
CET1 ratio as at 31 December 2018	25%	6.25% of award vests for CET1 ratio of 11.6%	CET1 ratio of 12.7%
Cost:income ratio	20%	5% of award vests for average cost:income ratio of 66%	average cost:income ratio of 58%
Risk Scorecard	15%	Performance against the Risk Scorecard is assessed by the Committee, with input from the Group Risk function, Board Risk Committee and Board Reputation Committee as appropriate, to determine the percentage of the award that may vest between 0% and 15%. The Risk Scorecard measures performance against three broad categories Risk Profile (including Conduct), Control Environment and Risk Capability using a combination of quantitative and qualitative metrics. Specific targets within each of	

		the categories are deemed to be commercially sensitive. Retrospective disclosure of performance will be made in the 2018 Remuneration report subject to commercial sensitivity no longer remaining.
Balanced Scorecard	15%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. Each of the 5Cs in the Balanced Scorecard has equal weighting. Assessment will be made against progress towards the 2018 targets.

Straight line vesting applies between the threshold and maximum points in respect of the financial measures.

The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

Outstanding LTIP awards

(i) LTIP awards granted during 2014

The performance measures for the awards made under the 2014-2016 LTIP cycle are shown below.

Performance measure	Weighting	Threshold	Maximum vesting
Return on risk weighted assets (RoRWA)	50%	23% of award vests for average annual RoRWA of 1.08%	Average annual RoRWA of 1.52%
Loan loss rate	20%	7% of award vests for average annual loan loss rate of 70bps	Average annual loan loss rate of 55bps or below
Balanced Scorecard	30%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2016 Remuneration report subject to commercial sensitivity no longer remaining.	

Straight line vesting applies between the threshold and maximum points in respect of the RoRWA and loan loss rate measures. If the Committee is satisfied with the underlying financial health of the Group based on profit before tax, depending on the extent of its satisfaction, the percentage of Barclays shares that may be considered for release by the Committee under the RoRWA measure can be increased or decreased by 10% of the total award, subject always to a maximum of 50% of the award. Performance outcome will be determined at the end of the performance period. For Antony Jenkins, the resulting number of shares will then be pro-rated to his termination date.

(ii) LTIP awards granted during 2015

Awards were made on 16 March 2015 under the 2015-2017 LTIP cycle at a share price on the date of grant of £2.535, in accordance with our remuneration policy to the executive Directors. This is the price used to calculate the face value below.

	% of fixed pay	Number of shares	Face value at grant	Performance period

Antony Jenkins	120%	1,142,248	£2,895,599	2015-2017
Tushar Morzaria	120%	828,402	£2,099,999	2015-2017

The performance measures for the 2015-2017 LTIP awards are as follows:

Performance measure	Weighting	Threshold	Maximum vesting
Net generated equity[a]	30%	7.5% of award vests for Net Generated Equity of £1,363m	Net Generated Equity of £1,844m
Core return on risk weighted assets (RoRWA) excluding own credit	20%	5% of award vests for average annual Core RoRWA of 1.34%	Average annual Core RoRWA of 1.81%
Non-Core drag on adjusted return on equity (RoE)	10%	2.5% of award vests for Non-Core drag on adjusted RoE of 4.02%	Non-Core drag on adjusted RoE of 2.97%
Loan loss rate	10%	2.5% of award vests for average annual loan loss rate of 70bps	Average annual loan loss rate of 55bps or below
Balanced Scorecard	30%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2017 Remuneration report subject to commercial sensitivity no longer remaining.	

Note

a Net generated equity is a metric which converts changes in the CET1 ratio into an absolute capital equivalent measure. For remuneration purposes, Net generated equity will exclude inorganic actions such as rights issues, as determined by the Committee.

Straight line vesting applies between the threshold and maximum points in respect of the financial and risk measures. The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group. For Antony Jenkins, the resulting number of shares will then be pro-rated to his termination date.

Executive Directors: pension (audited)

Jes Staley and Tushar Morzaria receive cash in lieu of pension. The 2015 cash in lieu of pension shown below for Jes Staley is for the period 1 December 2015 to 31 December 2015.

Antony Jenkins left the UK pension scheme in April 2012, and then started receiving cash in lieu of pension. He has benefits in both the final salary 1964 section and in the cash balance Afterwork section. The accrued pension shown below relates to his 1964 section pension only. The other pension entries relate to his benefits in both sections. Antony Jenkins ceased to be an executive Director on 16 July 2015. The 2015 cash in lieu of pension shown below is for the period 1 January 2015 to 16 July 2015.

	Accrued pension at 31 December 2015 £000	Increase in value of accrued pension over year net of inflation £000	Normal retirement date	Pension value in 2015 from DB Scheme £000	2015 Cash in lieu of pension £000	2015 Total £000
Antony Jenkins	4	0	11 July 2021	0	197	197
Tushar Morzaria					200	200
Jes Staley					33	33

Executive Directors: Statement of implementation of remuneration policy in 2016

The introduction of new deferral and LTIP requirements in the Remuneration part of the PRA Rulebook and EBA Guidelines will require some structural changes as to how the approved Directors remuneration policy will be implemented in 2016. It is therefore our intent to consult with shareholders over proposed changes once formulated. This section explains how the approved Directors remuneration policy would be implemented in 2016 under the current framework.

	Jes Staley	Tushar Morzaria	Comments
Salary	£1,200,000	£800,000	No change from 2015.
RBP	£1,150,000	£750,000	Delivered quarterly in shares subject to a holding period with restrictions lifting over five years. No change from 2015.
Pension	33% of salary	25% of salary	Fixed cash allowance in lieu of participation in pension plan. No change from 2015.
Maximum bonus	80% of fixed pay	80% of fixed pay	Variable remuneration for the executive Directors is delivered through bonus and LTIP, both of which are currently deferred over three years. Variable remuneration for the 2016 performance year will be delivered in line with the requirements of the Remuneration part of the PRA Rulebook, including the vesting requirements. Awards under the LTIP will be delivered in shares. The performance and holding periods will be determined before the awards are made in Q1 2017. Vesting will be dependent on performance over the performance period and subject to a further holding period after vesting.
Maximum LTIP	120% of fixed pay	120% of fixed pay	

Total Fixed Pay

The Directors remuneration policy sets out the policy on RBP for executive Directors. Following the EBA Guidelines, published in December 2015, and despite the formal power to reduce RBP in the Directors remuneration policy, the Committee has agreed, as they also did in 2015, that total fixed pay (salary and RBP elements) will not be reduced in 2016. The Committee will review the structure of RBP in light of the change in regulation and any changes will be reflected in the Directors remuneration policy which will be presented to shareholders for approval at the 2017 AGM.

Clawback and malus

Clawback applies to any variable remuneration awarded to the executive Directors on or after 1 January 2015. Barclays may apply clawback if at any time during the seven year period from the date on which any variable remuneration is awarded: (i) there is reasonable evidence of individual misbehaviour or material error, and/or (ii) the firm suffers a material failure of risk management, taking account of the individual s proximity to and responsibility for, that incident. For variable remuneration awards granted to executive Directors in respect of 2016 onwards, the clawback period may be extended to 10 years in circumstances where the Company or a regulatory authority has commenced an investigation which could potentially lead to the application of clawback.

As set out in the Directors remuneration policy, malus provisions will continue to apply to unvested deferred awards.

Deferral

A seven year deferral period (with no vesting prior to the third anniversary of award, and vesting no faster than on a pro rata basis between the third and seventh year), will apply to any deferred variable remuneration awarded to the executive Directors in respect of the 2016 performance year onwards.

2016 Annual bonus performance measures

Performance measures with appropriately stretching targets have been selected to cover a range of financial and non-financial goals that support the key strategic objectives of the Company. The performance measures and weightings are shown below.

Financial (50% weighting)	§ Adjusted profit before tax (20% weighting)
	§ Adjusted costs (10% weighting)

A performance target range has been set for each financial measure.	§ CET1 ratio (20% weighting)
Balanced Scorecard (35% weighting)	Progress towards the five year Balanced Scorecard targets will be assessed by the Committee at the year end. Each of the 5Cs in the Balanced Scorecard will have equal weighting
Personal (15% weighting)	The executive Directors have the following joint personal objectives for 2016: § structure the business effectively, ensuring it is focused on a sustainable core proposition with a simpler performing portfolio, with the majority of restructuring completed in 2016 § make significant progress in exiting Non-Core by the end of 2016 § deliver on financial commitments with particular focus on improvement in cost and productivity, as evidenced by an improved profit and a lower cost:income ratio § manage risk and conduct effectively and make significant progress in ensuring that legacy events are both resolved expediently and not repeated. In addition, individual personal objectives for 2016 are as follows: Jes Staley: § implement the new management structure to support structural reform, including a new operating model designed to improve efficiency § make substantive progress towards a higher performing culture in line with our Values, while strengthening employee engagement at all levels § foster an externally focused and customer-centric culture. Tushar Morzaria: § demonstrate effective management of external relationships and reputation § strengthen the performance ethic and employee engagement in Group Finance, Tax and Treasury, while also improving productivity.

Detailed calibration of the Financial and Balanced Scorecard targets is commercially sensitive and it is not appropriate to disclose this information externally on a prospective basis. Disclosure of achievement against the targets will be made in the 2016 Annual Report subject to the targets no longer being commercially sensitive. The Committee may exercise its discretion to amend the formulaic outcome of assessment against the targets. Any exercise of discretion will be disclosed and explained.

Illustrative scenarios for executive Directors remuneration

The charts below show the potential value of the executive Directors 2016 remuneration in three scenarios: Minimum (i.e. fixed pay only), Maximum (i.e. fixed pay and the maximum variable pay that may be awarded) and Mid-point (i.e. fixed pay and 50% of the maximum variable pay that may be awarded). For the purposes of these charts, the value of benefits is based on an estimated annual value. The scenarios do not reflect share price movement between award and vesting. LTIP is included at face value; the amount received and included in the single total figure for remuneration will depend on performance over the performance period.

A significant proportion of the potential remuneration of the executive Directors is variable and is therefore performance related. It is also subject to deferral, malus and clawback.

Total remuneration opportunity: Group Chief Executive (£000)

Total remuneration opportunity: Group Finance Director (£000)

In the above illustrative scenarios, benefits include regular contractual benefits. Additional ad hoc benefits may arise, for example, overseas relocation of executive Directors, but will always be provided in line with the Directors remuneration policy.

Performance graph and table

The performance graph below illustrates the performance of Barclays over the financial years from 2009 to 2015 in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. The index has been selected because it represents a cross-section of leading UK companies.

In addition, the table below provides a summary of the total remuneration of the relevant Group Chief Executive over the same period as the previous graph. For the purpose of calculating the value of the remuneration of the Group Chief Executive, data has been collated on a basis consistent with the single figure methodology.

Year	2009	2010	2011	2012	2012	2013	2014	2015	2015
Group Chief Executive	John Varley	John Varley	Bob Diamond	Bob Diamond[a]	Antony Jenkins[b]	Antony Jenkins	Antony Jenkins	Antony Jenkins[b]	John McFarlane[c]
Group Chief Executive single figure of total remuneration £000s	2,050	4,567	11,070[e]	1,892	529	1,602	5,467[f]	3,399	305
Annual bonus against maximum opportunity %	0%	100%	80%	0%	0%	0%	57%	48%	N/A
Long-term incentive vesting against maximum opportunity %	50%	16%	N/A[f]	0%	N/A[g]	N/A[g]	30%	39%	N/A[g]

Notes

a Bob Diamond left the Board on 3 July 2012.
b Antony Jenkins became Group Chief Executive on 30 August 2012 and left the Board on 16 July 2015.
c John McFarlane was Executive Chairman from 17 July 2015 to 30 November 2015. His fees, which remained unchanged, have been pro-rated for his time in the position. He was not eligible to receive a bonus or LTIP.
d Jes Staley became Group Chief Executive on 1 December 2015.
e This figure includes £5,745k tax equalisation as set out in the 2011 Remuneration report. Bob Diamond was tax equalised on tax above the UK rate where that could not be offset by a double tax treaty.
f Antony Jenkins 2014 pay is higher than in earlier years since he declined a bonus in 2012 and 2013 and did not have LTIP vesting in those years.

g Not a participant in a long-term incentive award which vested in the period.

Percentage change in Group Chief Executive s remuneration

The table below shows how the percentage change in the Group Chief Executive s salary, benefits and bonus between 2014 and 2015 compares with the percentage change in the average of each of those components of pay for UK based employees.

	Salary	Role Based Pay	Benefits	Annual bonus
Group Chief Executive[a]	0.0%	0.0%	20.0%[b]	(15.6%)
Average based on UK employees[c]	3.0%	12.2%[d]	0.0%	(8.0%)

Notes

a The 2015 figures for the Group Chief Executive are based on former Group Chief Executive, Antony Jenkins, and are annualised in order to provide a meaningful comparison of the year on year change in remuneration for the Group Chief Executive and UK based employees.

b The percentage change in benefits for the Group Chief Executive represents an increase in the cost to Barclays of existing benefits. There was no change in actual benefit provision to the former Group Chief Executive from 2014 to 2015.

c Certain populations were excluded to enable a meaningful like for like comparison.

d The majority of the increase was due to the introduction of Role Based Pay to certain populations, including new MRTs required to comply with PRA/EBA requirements.

We have chosen UK based employees as the comparator group as it is the most representative group for pay structure comparisons.

Relative importance of spend on pay

A year on year comparison of the relative importance of pay and distributions to shareholders is shown below. 2015 Group compensation costs have reduced by 6% and dividends to shareholders have increased 2% from 2014.

Group Compensation Costs (£m)

Dividends to Shareholders (£m)

Governance: Remuneration report

Annual report on Directors remuneration

Chairman and non-executive Directors

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

Chairman and non-executive Directors: Single total figure for 2015 fees (audited)

	Fees		Benefits		Total	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Chairman						
John McFarlane[a]	628		11		639	
Sir David Walker[b]	285	750	6	19	291	769
Non-executive Directors						
Mike Ashley	207	213			207	213
Tim Breedon	232	240			232	240
Crawford Gillies[c]	178	91			178	91
Reuben Jeffery III	135	160			135	160
Wendy Lucas-Bull[d]	358	367			358	367
Dambisa Moyo	152	151			152	151
Frits van Paasschen	88	80			88	80
Sir Michael Rake[e]	250	250			250	250
Diane de Saint Victor	135	135			135	135
Diane Schueneman[f k]	74				74	
Sir John Sunderland[g]	60	190			60	190
Steve Thieke[h k]	184	131			184	131
Fulvio Conti[i]		37				37
Simon Fraser[j]		47				47
Total	**2,966**	**2,842**	**17**	**19**	**2,983**	**2,861**

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

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

Notes

a

John McFarlane joined the Board as a non-executive Director with effect from 1 January 2015 and as Chairman from 24 April 2015. The total includes non-executive Director fees of £78,000 for the period from 1 January 2015 to 24 April 2015.

b Sir David Walker retired from the Board with effect from 23 April 2015.

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

d The 2014 figure has been updated to include fees received by Wendy Lucas-Bull for her role as Chairman of Barclays Africa Group Limited. The 2015 figure includes fees received by her in 2015 for that role.

e Sir Michael Rake retired from the Board with effect from 31 December 2015.

f Diane Schueneman joined the Board as a non-executive Director with effect from 25 June 2015.

g Sir John Sunderland retired from the Board with effect from 23 April 2015.

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

i Fulvio Conti retired from the Board with effect from 24 April 2014.

j Simon Fraser retired from the Board with effect from 24 April 2014.

k Diane Schueneman and Steve Thieke both served in 2015 on the US Governance Review Board, which is an advisory board set up as the forerunner of the board of our US intermediate holding company which will be established during 2016. The 2015 figures for Diane Schueneman and Steve Thieke include fees of $37,500 and $75,000 for these roles respectively.

Chairman and non-executive Directors: Statement of implementation of remuneration policy in 2016

2016 fees, subject to annual review in line with policy, for the Chairman and non-executive Directors are shown below.

	1 January 2016 £000	1 January 2015 £000	Percentage Increase
Chairman[a]	800[b]	750	
Deputy Chairman[a]	250	250	0
Board member	80	80	0
Additional responsibilities			
Senior Independent Director	30	30	0
Chairman of Board Audit or Board Remuneration Committee	70	70	0
Chairman of Board Risk Committee	60	60	0
Chairman of Board Reputation Committee	50	50	0
Membership of Board Audit or Board Remuneration Committee	30	30	0
Membership of Board Reputation or Board Risk Committee	25	25	0
Membership of Board Nominations Committee	15	15	0

Notes

a The Chairman and Deputy Chairman do not receive any other additional responsibility fees in addition to the Chairman and Deputy Chairman fees respectively.

b John McFarlane was appointed Chairman on 24 April 2015 on fees of £800,000.

Payments to former Directors

Former Group Chief Executive: Antony Jenkins

Antony Jenkins ceased to be Group Chief Executive on 16 July 2015. In accordance with his contractual entitlements, Antony Jenkins will receive base salary, RBP, benefits and pension until 7 July 2016 (the Termination Date). These payments are being made in instalments and are subject to mitigation in the event that Antony Jenkins brings his termination date forward.

The Committee carefully considered the circumstances of Antony Jenkins departure, taking into account his contribution in bringing the Group to a much stronger position during a difficult period for the Group. Against that background, the Committee agreed to exercise its discretion to treat Antony Jenkins as an eligible leaver for the purposes of his variable pay in accordance with the Directors remuneration policy approved by shareholders at the 2014 AGM. The Committee agreed that:

§ Antony Jenkins would remain eligible for an annual bonus in respect of 2015, pro-rated to 16 July 2015

§ Antony Jenkins 260,355 deferred shares will be considered for release in full on the scheduled release dates. After release, the shares will be subject to an additional 6 month holding period

§ the unvested LTIP awards granted to Antony Jenkins in 2014 and 2015 will be considered for release on the scheduled release dates subject to achievement of the applicable performance measures and time pro-rated to the Termination Date. The maximum number of shares (subject to the achievement of the applicable performance measures) after reduction for time pro-rating are LTIP 2014-2016: 1,418,805 shares and LTIP 2015-2017: 475,937 shares. After vesting, the shares will be subject to an additional two year holding period

§ all outstanding unvested deferred awards are subject to malus provisions

The Company has paid £106k in respect of outplacement services and legal costs in connection with Antony Jenkins termination of employment in line with the approved Directors remuneration policy on terminations.

Former Group Finance Director: Chris Lucas

In 2015, Chris Lucas continued to be eligible to receive life assurance cover, private medical cover and payments under the Executive Income Protection Plan (EIPP). Full details of his eligibility under the EIPP were disclosed in the 2013 Directors Remuneration report (page 91 of 2013 Form 20-F). Chris Lucas did not receive any other payment or benefit in 2015.

Other policy information

Outside appointments

During the period while he was Executive Chairman, John McFarlane retained fees in respect of external directorships at Westfield Corporation Limited of $62k and at Old Oak Holdings Limited of £37k.

Directors shareholdings and share interests

Executive Directors shareholdings and share interests

The chart below shows the value of Barclays shares held beneficially by Jes Staley and Tushar Morzaria as at 26 February 2016 that count towards the shareholding requirement of, as a minimum, Barclays shares worth four times salary. The current executive Directors have five years from their respective date of appointment to meet this requirement. At close of business on 26 February 2016, the market value of Barclays ordinary shares was £1.6910.

Jes Staley (£000)

Tushar Morzaria (£000)

Governance: Remuneration report

Annual report on Directors remuneration

The table below shows shares owned beneficially by all the Directors and shares over which executive Directors hold awards which are subject to either deferral terms or performance measures. The shares shown below, that are subject to performance measures, are based on the maximum number of shares that may be released (before pro-rating for Antony Jenkins).

Interests in Barclays PLC shares (audited)

		Unvested			
	Owned outright	Subject to performance measures	Not subject to performance measures	Total as at 31 December 2015 (or date of retirement from the Board, if earlier)	Total as at 26 February 2016
Executive Directors					
Antony Jenkins[a]	5,540,236	4,579,983	260,355	10,380,574	
Tushar Morzaria	931,310	2,204,213	741,829	3,877,352	3,877,352
Jes Staley[b]	2,812,997		896,450	3,709,447	3,709,447
Chairman					
John McFarlane[c]	11,995			11,995	11,995
Sir David Walker[d]	151,455			151,455	
Non-executive Directors					
Mike Ashley	23,547			23,547	23,547
Tim Breedon	19,196			19,196	19,196
Crawford Gillies	58,856			58,856	58,856
Reuben Jeffery III	184,988			184,988	184,988
Wendy Lucas-Bull	14,672			14,672	14,672
Dambisa Moyo	40,696			40,696	40,696
Frits van Paasschen	17,184			17,184	17,184
Sir Michael Rake[e]	75,670			75,670	
Diane de Saint Victor	21,579			21,579	21,579
Diane Schueneman[f]	2,000			2,000	2,000
Sir John Sunderland[g]	139,081			139,081	
Steve Thieke	23,123			23,123	23,123
Sir Gerry Grimstone[h]					97,045

Notes

a Antony Jenkins left the Board with effect from 16 July 2015.
b Jes Staley joined the Board as Group Chief Executive with effect from 1 December 2015.
c John McFarlane joined the Board as a non-executive Director with effect from 1 January 2015 and as Chairman with effect from 24 April 2015. He was Executive Chairman from 17 July 2015 to 30 November 2015.
d Sir David Walker retired from the Board with effect from 23 April 2015.
e Sir Michael Rake retired from the Board with effect from 31 December 2015.
f Diane Schueneman joined the Board as a non-executive Director with effect from 25 June 2015.
g Sir John Sunderland retired from the Board with effect from 23 April 2015.
h Sir Gerry Grimstone joined the Board as Senior Independent Director and Deputy Chairman with effect from 1 January 2016. On appointment, he held 97,045 Barclays PLC shares.

Barclays Board Remuneration Committee

The Board Remuneration Committee is responsible for overseeing Barclays remuneration as described in more detail below.

Terms of Reference

The role of the Committee is to:

§ set the overarching principles and parameters of remuneration policy across the Group;

§ consider and approve the remuneration arrangements of the Chairman, the executive Directors, other senior executives and those employees whose total annual compensation exceeds an amount determined by the Committee from time to time (currently £2m or more)

§ exercise oversight for remuneration issues.

The Committee also considers and approves buy-outs of forfeited rights for new hires of £2m or more, and packages on termination where the total discretionary value is £1m or more. It reviews the policy relating to all remuneration plans including pensions, and considers and approves measures to promote the alignment of the interests of shareholders and employees. It is also responsible for the selection and appointment of its independent remuneration adviser.

The Terms of Reference can be found at home.barclays/corporategovernance or from the Company Secretary on request.

Chairman and members

The Chairman and members of the Committee are as follows:

§ Crawford Gillies, Committee member since 1 May 2014 and Chairman since 24 April 2015

§ Tim Breedon, Committee member since 1 December 2012

§ Steve Thieke, Committee member since 6 February 2014

§ Dambisa Moyo, Committee member since 1 September 2015

Former Chairman and members

Members who left the Committee during 2015 were as follows:

§ Sir John Sunderland, Committee member since 1 July 2005 and Committee Chairman from 24 July 2012 to 23 April 2015

§ Sir David Walker, Committee member from 1 September 2012 to 23 April 2015

All current members are considered independent by the Board.

Remuneration Committee attendance in 2015

	Number of meetings eligible to attend	Number of meetings attended
Crawford Gillies	7	7
Tim Breedon	7	7
Steve Thieke	7	7
Dambisa Moyo	4	4
Sir John Sunderland	1	1
Sir David Walker	1	1

The performance of the Committee is reviewed each year as part of the Board Effectiveness Review. The December 2015 review concluded that Board members have confidence in the effectiveness of the Committee. Full details of the Board Effectiveness review can be found on pages 33 and 34.

Advisers to the Remuneration Committee

During 2015, the Committee was advised by Towers Watson (now known as Willis Towers Watson. The Committee is satisfied that the advice provided by Towers Watson to the Committee is independent. Towers Watson is a signatory to, and its appointment as adviser to the Committee is conditional on adherence to, the voluntary UK Code of Conduct for executive remuneration consultants.

Towers Watson s work in 2015 included advising the Committee and providing the latest market data on compensation and trends when considering incentive levels and remuneration packages. A representative from Towers Watson attends Committee meetings. When requested by the Committee, Towers Watson is available to advise and meet with the Committee members separate from management.

Fees for Committee work are charged on a time/cost basis and Towers Watson was paid a total of £195,000 (excluding VAT) in fees for its advice to the Committee in 2015 relating to the executive Directors (either exclusively or along with other employees within the Committee s Terms of Reference).

Towers Watson provides pensions advice, advice on health and benefits provision, assistance and technology support for employee surveys and performance management, and remuneration data to the Group. Towers Watson also provides pensions advice and administration services to the Barclays Bank UK Retirement Fund.

The Committee regularly reviews the objectivity and independence of the advice it receives from Towers Watson.

In the course of its deliberations, the Committee considers the views of the Group Chief Executive, Group Human Resources Director and the Group Reward and Performance Director. The Group Finance Director and Chief Risk Officer provide regular updates on Group and business financial performance and the Group s risk profile respectively.

No Barclays employee or Director participates in discussions with, or decisions of, the Committee relating to his or her own remuneration. No other advisers provided significant services to the Committee in the year.

Remuneration Committee activities in 2015

The following provides a summary of the Committee s activities during 2015 and at the January and February 2016 meetings when 2015 remuneration decisions were finalised.

Meeting	Fixed and variable pay issues	Governance, risk and other matters
February 2015	§ Approved executive Directors and senior executives 2015 fixed pay	§ Risk adjustment and malus review
	§ Approved 2015 executive Directors annual bonus performance measures	§ Approved 2014 Remuneration report
	§ Approved group salary and RBP budgets for 2015	§ Review of 2014 reward communications strategy
	§ Approved final 2014 incentive funding	§ Finance and Risk updates
	§ Approved proposals for executive Directors and senior executives 2014 bonuses and 2015 LTIP awards for executive Directors	
May 2015	§ 2015 early incentive funding projections	§ Consideration of the outcomes of the 2014 Board Committees effectiveness review
		§ Update on EBA consultation on draft revised remuneration guidelines

		§ Employee compensation adjustment review
		§ Barclays remuneration approach review
July 2015		§ Review of Committee activity and Terms of Reference
		§ Consideration of process for appointment of Committee s independent adviser from April 2016
		§ Update on July 2014 PRA consultation and resulting changes to the Remuneration part of the PRA Rulebook
		§ Scope of remuneration philosophy review
		§ Employee compensation adjustment review
October 2015 (Two meetings)	§ Approved Jes Staley s remuneration arrangements	§ Remuneration philosophy review
November 2015	§ 2015 incentive funding projections	§ Finance and Risk updates including ex ante risk adjustment
	§ 2016 LTIP performance measures	§ Updates on headcount and attrition
		§ 2015 payround shareholder engagement planning
		§ Employee compensation adjustment review
December 2015	§ Initial considerations on senior executives 2016 fixed pay	§ Review of draft 2015 Remuneration report

	§ 2015 incentive funding proposals and initial proposals for senior executives 2015 bonuses	§ Finance and Risk updates including ex ante risk adjustment § Updates on headcount and attrition
January 2016	§ 2015 incentive funding proposals	§ Finance and Risk updates
February 2016 (Two meetings)	§ Approved executive Directors and senior executives 2016 fixed pay § Approved 2016 executive Directors annual bonus performance measures § Approved Group fixed pay budgets for 2016 § Approved final 2015 incentive funding § Approved proposals for executive Directors and senior executives 2015 bonuses and 2016 LTIP awards for executive Directors	§ Approved 2015 Remuneration report § Finance and Risk updates including ex ante risk adjustment § Appointment of Committee independent adviser § Updates on headcount and attrition

Regular items: market and stakeholder updates including PRA/FCA, US Federal Reserve and other regulatory matters; updates from Remuneration Review Panel meetings; operation of the Committee s Control Framework on hiring, retention and termination; and LTIP performance updates.

Statement of voting at Annual General Meeting

The table below shows the voting result in respect of our remuneration arrangements at the AGM held on 23 April 2015 and the last policy vote at the AGM held on 24 April 2014:

	For	Against	Withheld

	% of votes cast Number	% of votes cast Number	Number
Advisory vote on the 2014 Remuneration report	97.50%	2.50%	
	11,385,216,004	291,926,107	63,613,057
Binding vote on the Directors remuneration policy	93.21%	6.79%	
	9,936,116,114	723,914,712	154,598,278

Governance: Remuneration report

Additional remuneration disclosures

This section contains voluntary disclosures about levels of remuneration for our eight most highly paid senior executive officers and levels of remuneration of employees in the Barclays Group.

2015 total remuneration of the eight highest paid senior executive officers below Board level

The table below shows remuneration for the eight highest paid senior executive officers below Board level who were Key Management Personnel in 2015.

Eight highest paid senior executive officers below Board level

	1	2	3	4	5	6	7	8
	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000	2015 £000
Fixed Pay (salary and RBP)	3,150	1,500	1,700	1,300	2,050	1,192	878	661
Current year cash bonus		600	320	320	100	140	180	204
Current year share bonus		600	320	320	100	140	180	204
Deferred cash bonus	3,150	900	480	480	150	210	270	306
Deferred share bonus	3,150	900	480	480	150	210	270	306
Total remuneration	**9,450**	**4,500**	**3,300**	**2,900**	**2,550**	**1,892**	**1,778**	**1,681**

Total remuneration of the employees in the Barclays Group

The table below shows the number of employees in the Barclays Group in 2014 and 2015 in bands by reference to total remuneration. Total remuneration comprises salary, RBP, other allowances, bonus and the value at award of LTIP awards.

Total remuneration of the employees in the Barclays Group

	Number of employees	
Remuneration band	**2015**	2014
£0 to £25,000	71,886	72,262
£25,001 to £50,000	31,804	33,760
£50,001 to £100,000	21,196	20,491

£100,001 to £250,000	9,903	9,000
£250,001 to £500,000	2,266	2,323
£500,001 to £1,000,000	761	871
£1,000,001 to £2,500,000	268	301
£2,500,001 to £5,000,000	50	55
Above £5m	5	3

Barclays is a global business. Of those employees earning above £1m in total remuneration for 2015 in the table above, 55% are based in the US, 34% in the UK, and 11% in the rest of the world.

The number of employees paid above £1m has reduced from 359 in 2014 to 323 in 2015.

Governance: Remuneration report

Additional remuneration disclosures

Outstanding share plan and long-term incentive plan awards (audited)

Plan	Number of shares under award at 1 January 2015 (maximum)	Number of shares awarded in year (maximum)	Market price on award date	Number of shares released
Antony Jenkins				
Barclays LTIP 2012-2014	1,139,217		£1.81	332,286
Barclays LTIP 2012-2014	1,371,280		£1.86	400,030
Barclays LTIP 2013-2015	1,545,995		£3.06	
Barclays LTIP 2014-2016	1,891,740		£2.31	
Barclays LTIP 2015-2017		1,142,248	£2.54	
Share Value Plan 2012	332,377		£2.53	332,377
Share Value Plan 2012	1,079,970		£1.86	1,079,970
Share Value Plan 2015		260,355	£2.54	
Tushar Morzaria				
Barclays LTIP 2014-2016	1,375,811		£2.31	
Barclays LTIP 2015-2017		828,402	£2.54	
Share Value Plan 2013	733,877		£2.51	411,437
Share Value Plan 2014	309,557		£2.31	103,185
Share Value Plan 2015		213,017	£2.54	
Jes Staley				
Share Value Plan 2015		896,450	£2.34	

The interests shown in the table above are the maximum number of Barclays shares that may be received under each plan (be
Antony Jenkins). Executive Directors do not pay for any share plan or long-term incentive plan awards. Antony Jenkins receiv
shares from Share Value Plan (SVP) and LTIP awards and Tushar Morzaria received 19,669 dividend shares from SVP awards

The SVP 2015 award granted to Jes Staley was made in respect of awards he forfeited as a result of accepting employment at B
was made in line with the Barclays recruitment policy and was made on no more favourable terms than those forfeited awards

Outstanding Cash Value Plan (CVP) awards (audited)

Plan	Value under award at 1 January 2015	Value paid in year £000

	(maximum)	
	£000	
Antony Jenkins		
Cash Value Plan 2012	750	750

A service credit was added, on the final vesting date, to the third and final vesting amount which, for the award shown, was 10% of the original award amount. Antony Jenkins received the CVP award as part of his 2011 bonus, which was awarded in respect of performance in his role as CEO of Retail and Business Banking.

Number of shares lapsed in 2015	Number of shares under award at 31 December 2015 (maximum)	Value of release £000	End of performance period or first scheduled release date	Last sched release
806,931		887		
971,250		1,068		
	1,545,995		31/12/2015	14/03/
	1,891,740		31/12/2016	06/03/
	1,142,248		31/12/2017	05/03/
		844		
		2,743		
	260,355		14/03/2016	05/03/
	1,375,811		31/12/2016	06/03/
	828,402		31/12/2017	05/03/
	322,440	1,045	17/03/2014	05/03/
	206,372	262	16/03/2015	06/03/
	213,017		14/03/2016	05/03/
	896,450		14/03/2016	14/03/

Directors remuneration policy (abridged)

Barclays forward looking remuneration policy for Directors was approved at the 2014 AGM held on 24 April 2014 and applies for three years from that date. The full policy can be found on pages 76 to 86 of the 2013 Form 20-F or at home.barclays/annualreport.

This section sets out an abridged version of the Directors remuneration policy and is provided for information only.

This remuneration policy sets out the framework for how the Committee s remuneration strategy will be executed for the Directors over the three years beginning on the date of the 2014 AGM. This is to be achieved by having a remuneration policy that seeks to:

§ provide an appropriate and competitive mix of fixed and variable pay which, through its short and long-term components, incentivises management and is aligned to shareholders;

§ provide direct line of sight with Barclays strategy through the incentive programmes; and

§ comply with and adapt to the changing regulatory landscape.

Remuneration policy for executive Directors

Element and purpose	Operation	Maximum value and performance measures
A. Fixed pay		

Salary To reward skills and experience appropriate for the role and provide the basis for a competitive remuneration package	Salaries are determined with reference to market practice and market data (on which the Committee receives independent advice), and reflect individual experience and role. Executive Directors salaries are benchmarked against comparable roles in the following banks: Bank of America, BBVA, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, HSBC, JP Morgan, Lloyds, Morgan Stanley, RBS, Santander, Société Générale, Standard Chartered and UBS. The Committee may amend the list of comparator companies to ensure it remains relevant to Barclays or if circumstances make this necessary (for example, as a result of takeovers or mergers). Salaries are reviewed annually and any changes are effective from 1 April in the financial year.	Salaries for executive Directors are set at a point within the benchmark range determined by the Committee taking into account their experience and performance. Increases for the current executive Directors over the policy period will be no more than local market employee increases other than in exceptional circumstances where the Committee judges that an increase is needed to bring an executive Director s salary into line with that of our competitors. In such circumstances Barclays would consult with its major shareholders.
Role Based Pay To enable competitive remuneration opportunity in recognition of the breadth and depth of the role	Paid quarterly in shares which are subject to a holding period with restrictions lifting over five years (20% each year). As the executive Directors beneficially own the shares, they will be entitled to any dividends paid on those shares. RBP will be reviewed and fixed annually and may be reduced or increased in certain circumstances. Any changes are effective from 1 January in the relevant financial year.	The maximum RBP for executive Directors is set at £950,000 for the Group Chief Executive, Antony Jenkins, and £750,000 for the Group Finance Director, Tushar Morzaria. It is not pensionable (except where required under local law). These amounts may be reduced but are at the maxima and may not be increased above this level. There are no performance measures.
Pension To enable executive Directors to build long-term retirement savings	Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement.	The maximum annual cash allowance is 33% of salary for the Group Chief Executive and 25% of salary for the Group Finance Director and any other executive Director.

Benefits To provide a competitive and cost effective benefits package appropriate to role and location	Executive Directors benefits provision includes private medical cover, annual health check, life and ill health income protection, tax advice, car cash allowance, and use of a company vehicle and driver when required for business purposes. Additional benefits may be offered that are minor in nature or are normal market practice in a country to which an executive Director relocates or from which an executive Director is recruited. In addition to the above, if an executive Director were to relocate, additional support would be provided for a defined and limited period of time in line with Barclays general employee mobility policy including provision of temporary accommodation, payment of removal costs and relocation flights. Barclays will pay the executive Director s tax on the relocation costs but will not tax equalise and will also not pay the tax on his or her other employment income.	The maximum value of the benefit is determined by the nature of the benefit itself and costs of provision may depend on external factors, e.g. insurance costs.

Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
B. Variable Pay		
Annual bonus To reward delivery of short-term financial targets set each year, the individual performance of the executive Directors in achieving those targets, and their contribution to delivering Barclays strategic objectives While financial objectives are important, the Balanced Scorecard (which also includes Group financial targets) plays a significant role in bonus determination, to ensure alignment with Barclays strategy	**Determination of annual bonus** Individual bonuses are discretionary and decisions are based on the Committee s judgement of executive Directors performance in the year, measured against Group and personal objectives. **Delivery structure** Executive Directors are Code Staff and their bonuses are therefore subject to deferral of at least the level applicable to all Code Staff, currently 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000). The Committee may choose to defer a greater proportion of any bonus awarded to an executive Director than the minimum required by the PRA Remuneration Code. At least half the non-deferred bonus is delivered in shares or share-linked instruments. Deferred bonuses for executive Directors may be delivered in a combination of shares or other deferral	The maximum annual bonus opportunity is 80% of fixed pay. The performance measures by which any executive Director bonuses are assessed include Group, business and personal measures, both financial and non-financial. Financial measures may include, but are not restricted to such measures as net income, adjusted profit before tax, return on equity, CET1 ratio and return on risk weighted assets. Non-financial measures are based on the Balanced Scorecard. Personal objectives may include key initiatives relating to the role of the Director or in support of Barclays strategic objectives. The Balanced Scorecard may be updated from time to time in line

Deferred bonuses encourage long-term focus and retention. Delivery substantially or fully in shares with a holding period increases alignment with shareholders. Deferred bonuses are granted by the Committee (or an authorised sub-committee) at its discretion, subject to the relevant plan rules	instruments. Participants may, at the Committee s discretion, also receive the benefit of any dividends paid between the award date and the relevant release date in the form of dividend shares. **Operation of risk and conduct adjustment and malus** Any bonus awarded will reflect appropriate reductions made to incentive pools in relation to risk events. Individual bonus decisions may also reflect appropriate reductions in relation to specific risk and conduct events. All unvested deferred bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) for any reason. These include, but are not limited to: § A participant deliberately misleading Barclays, the market and/or shareholders in relation to the financial performance of the Barclays Group § A participant causing harm to Barclays reputation or where his/her actions have amounted to misconduct, incompetence or negligence § A material restatement of the financial statements of the Barclays Group or the Group or any business unit suffering a material down turn in its financial performance § A material failure of risk management in the Barclays Group	with the Group s strategy. In making its assessment of any bonus, the Committee will consider financial factors to guide 50% of the bonus opportunity, the Balanced Scorecard 35%, and personal objectives 15%. Any bonus is discretionary and any amount may be awarded from zero to the maximum value.

§ A significant deterioration in the financial health of the Barclays Group

Timing of receipt

Non-deferred cash components of any bonus are paid following the performance year to which they relate, normally in February. Non-deferred share bonuses are awarded normally in March and are subject to a six-month holding period.

Deferred share bonuses normally vest in three equal portions over a minimum three-year period, subject to the provisions of the plan rules including continued employment and the malus provisions (as explained above). Should the deferred awards vest, the shares are subject to an additional six-month holding period (after payment of tax).

Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
B. Variable Pay continued		
Long Term Incentive Plan (LTIP) award To reward execution of Barclays strategy and growth in shareholder value over a multi-year period	**Determination of LTIP award** LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Group Chief Executive s LTIP award) and by the Group Chief Executive (for other executive Directors LTIP awards).	The maximum annual LTIP award is 120% of fixed pay. Vesting is dependent on performance measures and service.
Long-term performance measurement, holding periods and the malus provisions discourage excessive risk-taking and inappropriate behaviours, encourage a long-term view and align executive Directors interests with those of shareholders Performance measures balance incentivising management to deliver strong risk-adjusted	**Delivery structure** LTIP awards are granted subject to the plan rules and are satisfied in Barclays shares (although they may be satisfied in other instruments as may be required by regulation). For each award, performance measures are set at grant and there is no retesting allowed of those conditions. The Committee has, within the parameters set out opposite, the flexibility to vary the weighting of performance measures and calibration for each award prior to its grant.	Following determination of the financial measures applicable to an LTIP cycle, if the Committee is satisfied with the underlying financial health of the Barclays Group (based on profit before tax) it may, at its discretion, adjust the percentage of shares considered for release up or down by up to 10% (subject to the maximum % for the award calibrated against financial performance measures).

financial returns, and delivery of strategic progress as measured by the Balanced Scorecard. Delivery in shares with a further two-year holding period increases alignment with shareholders

The Committee has discretion, and in line with the plan rules approved by shareholders, in exceptional circumstances to amend targets, measures, or number of awards if an event happens (for example, a major transaction) that, in the opinion of the Committee, causes the original targets or measures to be no longer appropriate or such adjustment to be reasonable. The Committee also has the discretion to reduce the vesting of any award if it deems that the outcome is not consistent with performance delivered, including to zero.

Participants may, at the Committee s discretion, also receive the benefit of any dividends paid between the award date and the relevant release date in the form of dividend equivalents (cash or securities).

Operation of risk adjustment and malus

The achievement of performance measures determines the extent to which LTIP awards will vest. Awards are also subject to malus provisions (as explained in the Annual bonus paragraphs above) which enable the Committee to reduce the vesting level of awards (including to nil).

Timing of receipt

Barclays LTIP awards have a five-year period in total from grant to when all restrictions are lifted. This will include a minimum three-year vesting period and an additional two-year holding period once vested (after payment of tax)

Performance measures will be based on financial performance (e.g. measured on return on risk weighted assets), risk metrics (e.g. measured by loan loss rate) and the Balanced Scorecard which also includes financial measures. The Committee has discretion to change the weightings but financial measures will be at least 50% and the Balanced Scorecard will be a maximum of 30%. The threshold level of performance for each performance measure will be disclosed annually as part of the implementation of remuneration report.

Straight line vesting applies between threshold and maximum for the financial and risk measures.

Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
C. Other		
All employee share plans To provide an opportunity for Directors to voluntarily invest in the Company	Executive Directors are entitled to participate in: (i) Barclays Sharesave under which they can make monthly savings over a period of three or five years linked to the grant of an option over Barclays shares which can be at a discount of up to 20% on the share price set at the start. (ii) Barclays Sharepurchase under which they can make contributions (monthly or lump sum) out of pre-tax pay (if based in the United Kingdom) which are used to acquire Barclays shares.	(i) Savings between £5 and the maximum set by Barclays (which will be no more than the HMRC maximum) per month. There are no performance measures. (ii) Contributions of between £10 and the maximum set by Barclays (which will be no more than the HMRC maximum) per tax year which Barclays may match up to HMRC maximum (current match is £600). There are no performance measures.
Previous buy out awards	Tushar Morzaria currently holds an unvested buy-out award under the Barclays Joiners Share Value Plan which was granted to him in respect of awards he forfeited as a result of accepting employment at Barclays. This award was made in line with the Barclays recruitment policy.	The award was no more generous than and mirrored as far as possible the expected value and timing of vesting of the forfeited awards granted by JP Morgan.

Shareholding requirement To further enhance the alignment of shareholders and executive Directors interests in long-term value creation	Executive Directors must build up a shareholding of 400% of salary over five years from the later of: (i) the introduction of the new requirement in 2013; and (ii) the date of appointment as executive Director. They have a reasonable period to build up to this requirement again if it is not met because of a share price fall. Shares that count towards the requirement are beneficially owned shares including any vested share awards subject only to holding periods (including vested LTIPs, vested deferred share bonuses and RBP shares). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement.	Barclays shares worth a minimum of 400% of salary must be held within five years.
Outside appointments To encourage self-development and allow for the introduction of external insight and practice	Executive Directors may accept one board appointment in another listed company. Chairman s approval must be sought before accepting appointment. Fees may be retained by the executive Director. None of the executive Directors currently hold an outside appointment.	Not applicable.

Governance: Remuneration report

Directors remuneration policy (abridged)

Notes to the table on pages 75 to 78:

Performance measures and targets

The Committee selected the relevant financial and risk based performance measures because they are key to the bank s strategy and are important measures used by the executive Directors to oversee the direction of the business. The Balanced Scorecard has been selected as it demonstrates the performance and progress of Barclays as measured across the following dimensions (5Cs): Customers & Clients, Colleagues, Citizenship, Conduct and Company. Each of the 5Cs in the Balanced Scorecard will have equal weighting. All targets are set to be stretching but achievable and aligned to enhancing shareholder value.

The Committee is of the opinion that the performance targets for the annual bonus and Balanced Scorecard element of the LTIP are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them before the start of the relevant performance period. The performance against those measures will be disclosed after the end of the relevant financial year in that year s remuneration report subject to the sensitivity no longer remaining.

Differences between the remuneration policy of the executive Directors and the policy for all employees of the Barclays Group

The structure of total remuneration packages for executive Directors and for the broader employee population is similar. Employees receive salary, pension and benefits and are eligible to be considered for a bonus and to participate in all employee share plans. The broader employee population typically does not have a contractual limit on the quantum of their remuneration and does not receive RBP which is paid only to some, but not all, Code Staff. Executive Director RBP is determined on a similar basis to other Code Staff.

The Committee approaches any salary increases for executive Directors by benchmarking against market data for named banks. Incremental annual salary increases remain more common among employees at less senior levels.

As with executive Directors, bonuses for the broader employee population are performance based. Bonuses for executive Directors and the broader employee population are subject to deferral requirements. Executive Directors and other Code Staff are subject to deferral at a minimum rate of 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000) but the Committee may choose to operate higher deferral rates. For non-Code Staff, bonuses in excess of £65,000 are subject to a graduated level of deferral. The terms of deferred bonus awards for executive Directors and the wider employee population are broadly the same, in particular the vesting of all deferred bonuses (subject to service and malus conditions).

The broader employee population is not eligible to participate in the Barclays LTIP.

How shareholder views and broader employee pay are taken into account by the Committee in setting policy and making remuneration decisions

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is critical that we listen to and take into account their views. Accordingly, a series of meetings are held each year with major shareholders and shareholder representative groups (including the Association of British Insurers, National Association of Pension Funds and ISS). The Committee Chairman attends these meetings, accompanied by senior Barclays employees (including the Reward and Performance Director and the Company Secretary). The Committee notes that shareholder views on some matters are not always unanimous, but values the insight and engagement that these interactions and the expression of sometimes different views provide. This engagement is meaningful and helpful to the Committee in its work and contributes directly to the decisions made by the Committee.

The Committee takes account of the pay and employment conditions of the broader employee base when it considers the remuneration of the executive Directors. The Committee receives and reviews analysis of remuneration proposals for employees across all of the Group s businesses. This includes analysis by corporate grade and by performance rating and information on proposed bonuses and salary increases across the employee population and individual proposals for Code Staff and highly paid individuals. When the Committee considers executive Director remuneration, it therefore makes that consideration in the context of a detailed understanding of remuneration for the broader employee population and uses the all employee data to compare remuneration and ensure consistency throughout the Group. Employees are not consulted directly on the Directors remuneration policy.

Executive Directors policy on recruitment

Element of remuneration	Commentary	Maximum value
Salary	Determined by market conditions, market practice and ability to recruit.	In line with policy.
	For a newly appointed executive Director, whether through external recruitment or internal promotion, if their salary is at a level below the desired market level, the Committee retains the discretion to realign their salary over a transitional period which may mean that annualised salary increases for the new appointee are higher than that set out in the salary section of the remuneration policy.	
Role Based Pay	Determined by role, market practice and ability to recruit. Percentage may decrease or increase in certain circumstances subject to maximum value.	100% of salary.
Benefits	In line with policy.	In line with policy.
Pension	In line with policy.	33% of salary (Group Chief Executive), 25% of salary (Group Finance Director) and 25% if another executive Director is appointed.

Annual Bonus	In line with policy.	80% of fixed pay.
Long Term Incentive Plan	In line with policy.	120% of fixed pay.
Buy out	The Committee can consider buying out forfeited bonus opportunity or incentive awards that the new executive Director has forfeited as a result of accepting the appointment with Barclays, subject to proof of forfeiture where applicable. As required by the PRA Remuneration Code, any award made to compensate for forfeited remuneration from the new executive Director s previous employment may not be more generous than, and must mirror as far as possible the expected value, timing and form of delivery, the terms of the forfeited remuneration and must be in the best long-term interests of Barclays. Barclays deferral policy shall however apply as a minimum to any buy out of annual bonus opportunity.	The value of any buy out is not included within the maximum incentive levels above since it relates to a buy out of forfeited bonus opportunity or incentive awards from a previous employer.

Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to his or her appointment may still be honoured in accordance with the terms of the relevant commitment including vesting of any pre-existing deferred bonus or long-term incentive awards.

Directors remuneration policy (abridged)

Executive Directors policy on payment for loss of office (including a takeover)

The Committee s approach to payments in the event of termination is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the deferred bonus plans and long-term incentive plans in which the executive Director participates.

Standard provision	Policy	Details
Notice periods in executive Directors service contracts	12 months notice from the Company. 6 months notice from the executive Director.	Executive Directors may be required to work during the notice period or may be placed on garden leave or if not required to work the full notice period may be provided with pay in lieu of notice (subject to mitigation where relevant).
Pay during notice period or payment in lieu of notice per service contracts	12 months salary payable and continuation of pension and other contractual benefits while an employee.	Payable in phased instalments (or lump sum) and subject to mitigation if paid in instalments and executive Director obtains alternative employment during the notice period or while on garden leave. In the event of termination for gross misconduct neither notice nor payment in lieu of notice is given.

Treatment of Role Based Pay	Ceases to be payable from the executive Director s termination date. Therefore, RBP will be paid during any notice period and/or garden leave, but not where Barclays elects to make a payment in lieu of notice (unless otherwise required by local law).	Shares to be delivered on the next quarterly delivery date shall be pro rated for the number of days from the start of the relevant quarter to the termination date. Where Barclays elects to terminate the employment with immediate effect by making a payment in lieu of notice, the executive Director will not receive any shares that would otherwise have accrued during the period for which the payment in lieu is made (unless required otherwise by local law).
Treatment of annual bonus on termination	No automatic entitlement to bonus on termination, but may be considered at the Committee s discretion and subject to performance measures being met and pro rated for service. No bonus would be payable in the case of gross misconduct or resignation.	
Treatment of unvested deferred bonus awards	Outstanding deferred bonus awards would lapse if the executive Director leaves by reason of resignation or termination for gross misconduct. However in the case of death or if the Director is an eligible leaver defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the executive Director ceasing to be part of the Group or in circumstances where Barclays terminates the employment (other than in cases of cause or gross misconduct), he or she would continue to be eligible to be considered for unvested portions of deferred awards, subject to the rules of the relevant plan unless the Committee determines otherwise in exceptional circumstances. Deferred awards are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).	In an eligible leaver situation, deferred bonus awards may be considered for release in full on the scheduled release date unless the Committee determines otherwise in exceptional circumstances. After release, the awards may be subject to an additional holding period of six months.
	In the event of a takeover or other major corporate event, the Committee has absolute discretion to	

determine whether all outstanding awards would vest early or whether they should continue in the same or revised form following the change of control. The Committee may also determine that participants may exchange existing awards for awards over shares in an acquiring company with the agreement of that company.

Executive Directors policy on payment for loss of office (including a takeover) continued

Standard provision	Policy	Details
Treatment of unvested awards under the LTIP	Outstanding unvested awards under the LTIP would lapse if the executive Director leaves by reason of resignation or termination for gross misconduct. However, in line with the plan rules approved by shareholders, in the case of death or if the Director is an eligible leaver defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the executive Director ceasing to be part of the Group (or for any other reason if the Committee decides at its discretion), he or she would continue to be entitled to be considered for an award. Awards are also subject to malus provisions which enable the Committee to reduce the vesting level of awards (including to nil).	In an eligible leaver situation, awards may be considered for release on the scheduled release date, pro rated for time and performance, subject to the Committee s discretion to determine otherwise in exceptional circumstances. After release, the shares (net of deductions for tax) are subject to an additional holding period of two years.
	In the event of a takeover or other major corporate event (but excluding an internal reorganisation of the Group), the Committee has absolute discretion to determine whether all outstanding awards vest subject to the achievement of any performance conditions. The Committee has discretion to apply a pro rata reduction to reflect the unexpired part of the vesting period. The Committee may also determine that participants may exchange awards for awards over shares in an acquiring company with the agreement of that company. In the event of an internal reorganisation, the Committee may determine that outstanding awards will be exchanged for equivalent awards in another company.	

Repatriation	Except in a case of gross misconduct or resignation, where a Director has been relocated at the commencement of employment, the Company may pay for the Director s repatriation costs in line with Barclays general employee mobility policy including temporary accommodation, payment of removal costs and relocation flights. The company will pay the executive Director s tax on the relocation costs but will not tax equalise and will also not pay tax on his or her other income relating to the termination of employment.
Other	Except in a case of gross misconduct or resignation, the Company may pay for the executive Director s legal fees and tax advice relating to the termination of employment and provide outplacement services. The Company may pay the executive Director s tax on these particular costs.

Directors remuneration policy (abridged)

Remuneration policy for non-executive Directors

Element and purpose	Operation
Fees Reflect individual responsibilities and membership of Board Committees and are set to attract non-executive Directors who have relevant skills and experience to oversee the implementation of our strategy	The Chairman and Deputy Chairman are paid an all-inclusive fee for all Board responsibilities. The Chairman has a minimum time commitment equivalent to at least 80% of a full-time role. The other non-executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board. Fees are reviewed each year by the Board as a whole against those for non-executive Directors in companies of similar scale and complexity. Fees were last increased in May 2011. The first £30,000 (Chairman: first £100,000) after tax and national insurance contributions of each non- executive Director s basic fee is used to purchase Barclays shares which are retained on the non-executive Director s behalf until they retire from the Board.
Benefits For Chairman only	The Chairman is provided with private medical cover subject to the terms of the Barclays scheme rules from time to time, and is provided with the use of a Company vehicle and driver when required for business purposes. No other n on-executive Director receives any benefits from Barclays. Non-executive Directors are not eligible to join Barclays pension plans.
Bonus and share plans	Non-executive Directors are not eligible to participate in Barclays cash, share or long-term incentive plans.

Notice and termination provisions	Each non-executive Director s appointment is for an initial six year term, renewable for a single term of three years thereafter and subject to annual re-election by shareholders. **Notice period:** Chairman: 12 months from the Company (six months from the Chairman). Non-executive Directors: six months from the Company (six months from the Non-executive Director). **Termination payment policy** The Chairman s appointment may be terminated by Barclays on 12 months notice or immediately in which case 12 months fees and contractual benefits are payable in instalments at the times they would have been received had the appointment continued, but subject to mitigation if they were to obtain alternative employment. There are similar termination provisions for non-executive Directors based on six months fees. No continuing payments of fees (or benefits) are due if a non-executive Director is not re-elected by shareholders at the Barclays Annual General Meeting.

In accordance with the policy table above, any new Chairman and Deputy Chairman would be paid an all-inclusive fee only and any new non-executive Director would be paid a basic fee for their appointment as a Director, plus fees for their participation on and/or chairing of any Board committees, time apportioned in the first year as necessary. No sign-on payments are offered to non-executive Directors.

Discretion

In addition to the various operational discretions that the Committee can exercise in the performance of its duties (including those discretions set out in the Company s share plans), the Committee reserves the right to make either minor or administrative amendments to the policy to benefit its operation or to make more material amendments in order to comply with new laws, regulations and/or regulatory guidance. The Committee would only exercise this right if it believed it was in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in General Meeting.

Risk review

Contents

The management of risk plays a central role in the execution of Barclays strategy and insight into the level of risk across businesses and portfolios and the material risks and uncertainties the Group face are key areas of management focus.

For a more detailed breakdown of our Risk performance and Risk management contents please see pages 336-409.

Contents

The Pillar 3 report of Barclays published on 1 March 2016 contains additional information on Barclays risk as well as capital management. Readers may access the complete Pillar 3 report at the Barclays investor relations web site. The Pillar 3 report is not incorporated by reference into and is not part of the 2015 20-F.

Material existing and emerging risks

This section describes the material risks which senior management is currently focused on and believe could cause the Group s future results of operations, financial condition and prospects to differ materially from current expectations.

For more information about the major risk policies which underlie risk exposures, see the consolidated policy-based qualitative information in the Barclays PLC 2015 Pillar 3 Report. A summary of this information may also be found in this report in the Risk management section between pages 336 to 409.

Material existing and emerging risks to the Group s future performance

This section describes the material risks to which senior management pays particular attention, which they believe could cause the future results of the Group s operations, financial condition and prospects to differ materially from current expectations. These expectations include the ability to pay dividends, maintain appropriate levels of capital and meet capital and leverage ratio targets, and achieve stated commitments. In addition, risks relating to the Group that are not currently known, or that are currently deemed immaterial, may individually or cumulatively have the potential to materially affect the future results of the Group s operations, financial condition and prospects.

Material risks and their impact are described below in two sections: i) risks which senior management believes are likely to impact a single Principal Risk; and ii) risks which senior management believes are likely to affect more than one Principal Risk. Certain risks below have been classified as an emerging risk , which is a risk that has the potential to have a significant detrimental effect on the Group s performance, but currently the outcome and the time horizon for the crystallisation of its possible impact is more uncertain and more difficult to predict than for other risk factors that are not identified as emerging risks.

More information on the management of risks may be found in Barclays Approach to Managing Risk in the Barclays PLC 2015 Pillar 3 Report.

Material existing and emerging risks by Principal Risk

Credit risk

The financial condition of the Group s customers, clients and counterparties, including governments and other financial institutions, could adversely affect the Group.

The Group may suffer financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. The Group may also suffer loss when the value of its investment in the financial instruments of an entity falls as a result of that entity s credit rating being downgraded. In addition, the Group may incur significant unrealised gains or losses due to changes in the Group s credit spreads or those of third parties, as these changes affect the fair value of the Group s derivative instruments, debt securities that the Group holds or issues, and loans held at fair value.

i) Deterioration in political and economic environment

The Group s performance is at risk from deterioration in the economic and political environment which may result from a number of uncertainties, including the following:

a) Specific regions

Political instability, economic uncertainty or deflation in regions in which the Group operates could weaken growth prospects and have an adverse impact on customers ability to service debt and so result in higher impairment charges for the Group. These include:

China (emerging risk)

Economic uncertainty in China continues to affect a number of emerging economies, particularly those with high fiscal deficits and those reliant on short-term external financing and/or material reliance on commodity exports. Their vulnerability has been further impacted by the fall, and sustained volatility in oil prices, the strong US dollar and the winding down of quantitative easing policies by some central banks. The impact on the Group may vary depending on the vulnerabilities present in each country, but the impact may result in increased impairment charges through sovereign defaults, or the inability or unwillingness of clients and counterparties in that country to meet their debt obligations.

South Africa

The negative economic outlook in South Africa continues, with a challenging domestic and external environment. Recent political events including changes to leaders in the Finance Ministry have added to the domestic challenges. Real GDP growth remains low as a result of declining global demand, in particular China, prices for key mineral exports, a downturn in tourism, persistent power shortages and slowing

house price growth. In the retail sector, concerns remain over the level of consumer indebtedness and affordability as the slowdown in China impacts the mining sector with job losses increasing. Emerging market turmoil has added further pressure on the Rand, which has continued to depreciate against major currencies. The decline in the economic outlook may impact a range of industry sectors in the corporate portfolio, with clients with higher leverage being impacted most.

b) Interest rate rises, including as a result of slowing of monetary stimulus, could impact consumer debt affordability and corporate profitability

To the extent that central banks increase interest rates in certain developed markets, particularly in our main markets, the UK and the US, they are expected to be small and gradual in scale during 2016, albeit following differing timetables. The first of these occurred in the US with a quarter point rise in December 2015. While an increase may support Group income, any sharper than expected changes could cause stress in the loan portfolio and underwriting activity of the Group, particularly in relation to non-investment grade lending, leading to the possibility of the Group incurring higher impairment. Higher credit losses and a requirement to increase the Group s level of impairment allowance would most notably occur in the Group s retail unsecured and secured portfolios as a result of a reduction in recoverability and value of the Group s assets, coupled with a decline in collateral values.

Interest rate increases in developed markets may also negatively impact emerging economies, as capital flows to mature markets to take advantage of the higher returns and strengthening economic fundamentals.

ii) 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 provides examples of areas of uncertainties to the Group s portfolio which could have a material impact on performance.

a) UK property

With UK property representing the most significant portion of the overall PCB 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 levels reaching record levels; average house prices as at the end of 2015 were more than seven times average earnings. A fall in house prices, particularly in London and the South East of the UK, would lead to higher impairment and negative capital impact as loss given default (LGD) rates increase. Potential losses would likely be most pronounced in the higher loan to value (LTV) segments.

The proposal on BTL properties announced by the UK Chancellor of the Exchequer in 2015, changing both the level of tax relief on rental income and increasing levels of stamp duty from April 2016, may cause some dislocation in the BTL market. Possible impacts include a reduced appetite in the BTL market and an influx of properties for sale causing downward pricing pressure, as well as reduced affordability as increased tax liabilities reduce net retail yields. As a consequence this may lead to an increase in BTL defaults at a time when market values may be suppressed, with the potential that, while the Group carefully manages such exposures, it may experience increased credit losses and impairment from loans with high LTV ratios.

b) Natural Resources (emerging risk)

The risk of losses and increased impairment is more pronounced where leverage is higher, or in sectors currently subject to strain, notably oil and gas, mining and metals and commodities. Sustained oil price depression continues and is driven by ongoing global excess supply. While the positioning of these portfolios is relatively defensive and focuses on investment grade customers or collateralised positions, very severe stress in this market does have the potential to significantly increase credit losses and impairment.

c) Large single name losses

The Group has large individual exposures to single name counterparties. 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.

d) Leverage Finance underwriting

The Group takes on significant sub-investment grade underwriting exposure, including single name risk, particularly focused in the US and Europe and to a lesser extent in South Africa and other regions. The Group is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for the Group or an increased capital requirement should there be a need to hold the exposure for an extended period.

Market risk

The Group s financial position may be adversely affected by changes in both the level and volatility of prices leading to lower revenues, or reduced capital:

i) Concerns of major unexpected changes in monetary policy and quantitative easing programmes, foreign exchange movements or slowdown in emerging market economies spilling over to global markets (emerging risk)

The trading business model is focused on client facilitation in wholesale markets, involving market making activities, risk management solutions and execution.

The Group s trading business is exposed to a rapid unwinding of quantitative easing programmes and deterioration in the macro environment driven by concerns in global growth. An extremely high level of volatility in asset prices could affect market liquidity and cause excess market volatility, impacting the Group s ability to execute client trades and may also result in lower income or portfolio losses.

A sudden and adverse volatility in interest or foreign currency exchange rates also has the potential to detrimentally impact the Group s income from non-trading activity.

This is because the Group has exposure to non-traded interest rate risk, arising from the provision of retail and wholesale non-traded banking products and services, including, products which do not have a defined maturity date and have an interest rate that does not change in line with base rate movements, e.g. current accounts. The level and volatility of interest rates can impact the Group s net interest margin, which is the interest rate spread earned between lending and borrowing costs. The potential for future volatility and margin changes remains in key areas such as in the UK benchmark interest rate to the extent such volatility and margin changes are not fully addressed by hedging programmes.

The Group is also at risk from movements in foreign currency exchange rates as these impact the sterling equivalent value of foreign currency denominated assets in the banking book, exposing it to currency translation risk.

ii) Adverse movements in the pension fund

Adverse movements between pension assets and liabilities for defined benefit pension schemes could contribute to a pension deficit. 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 risk-free yields and credit spreads. Therefore, the Group s defined benefits scheme valuation would be adversely affected by a prolonged fall in the discount rate or a persistent low rate 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 expectation. However in the long term, inflation and rates risk tend to be negatively correlated and therefore partially offset each other.

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage), liquidity and other regulatory requirements.

The Group may not be able to achieve its business plans due to: i) being unable to maintain appropriate capital ratios; ii) being unable to meet its obligations as they fall due; iii) rating agency methodology changes resulting in ratings downgrades; and iv) adverse changes in foreign exchange rates on capital ratios.

i) Inability to maintain appropriate prudential ratios

Should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: an inability to support business activity; a failure to meet regulatory capital requirements including the requirements of regulator set stress tests; increased cost of funding due to deterioration in credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen the Group s capital or leverage position. While the requirements in CRD IV are now in force in the UK, further changes to capital requirements could occur, whether as a result of (i) further changes to EU legislation by EU legislators (for example, implementation of Bank of International Settlements (BIS) regulatory update recommendations), (ii) relevant binding regulatory technical standards updates by the European Banking Authority (EBA), (iii) changes to UK legislation by the UK government, (iv) changes to PRA rules by the PRA, or (v) additional capital requirements through Financial Policy Committee (FPC) recommendations. Such changes, either individually and/or in aggregate, may lead to further unexpected additional requirements in relation to the Group s regulatory capital.

Additional prudential requirements may also arise from other regulatory reforms, including UK, EU and the US proposals on bank structural reform and current proposals for Minimum Requirement for own funds and Eligible Liabilities (MREL) under the EU Bank Recovery and Resolution Directive (BRRD). Included within these reforms are the BoE proposals on MREL requirements for UK banks which were published in December 2015. The BoE stated its intentions to communicate MREL requirements to UK banks during 2016. Many of the proposals are still subject to finalisation and implementation and may have a different impact when in final form. The impact of these proposals is still being assessed. Overall, it is likely that these changes in law and regulation will have an impact on the Group as they are likely, when implemented, to require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased prudential requirements may also constrain the Group s planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group s costs, impact on the Group s earnings and restrict the Group s ability to pay dividends. Moreover, during periods of market dislocation, as currently seen, or when there is significant competition for the type of funding that the Group needs, increasing the Group s capital resources in order to meet targets may prove more difficult and/or costly.

ii) Inability to manage liquidity and funding risk effectively

Failure to manage its 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, or no longer be a going concern.

iii) Credit rating changes and the impact on funding costs

A credit rating assesses the creditworthiness of the Group, its subsidiaries and branches and is based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance. Any adverse event to one or more of these attributes may lead to a downgrade, which in turn could result in contractual outflows to meet contractual requirements on existing contracts.

Risk review

Material existing and emerging risks

Material existing and emerging risks to the Group s future performance

Furthermore, outflows related to a multiple notch credit rating downgrade are included in the LRA stress scenarios and a portion of the liquidity pool held against this risk. There is a risk that any potential downgrades could impact the Group s performance should borrowing costs and liquidity change significantly versus expectations.

For further information, please refer to Credit Ratings in the Liquidity Risk Performance section on page 166.

iv) Adverse changes in foreign exchange rates on capital ratios

The Group has capital resources and risk weighted assets denominated in foreign currencies. Therefore changes in foreign currency exchange rates may adversely impact the sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group s regulatory capital ratios are sensitive to foreign currency movements, and a 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 ratios. The impact is difficult to predict with any accuracy, but it may have a material adverse effect on the Group if capital and leverage ratios fall below required levels.

Operational risk

The operational risk profile of the Group may change as a result of human factors, inadequate or failed internal processes and systems, or external events.

The Group is exposed to many types of operational risk. This includes: fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group s business); systems failures or an attempt, by an external party, to make a service or supporting infrastructure unavailable to its intended users, and the risk of geopolitical cyber threat activity which destabilises or destroys the Group s information technology, or critical infrastructure the Group depends upon but does not control. The Group is also subject to the risk of business disruption arising from events wholly or partially beyond its control, for example, natural disasters, acts of terrorism, epidemics and transport or utility failures, which may give rise to losses or reductions in service to customers and/or economic loss to the Group. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers. The operational risks that the Group is exposed to could change rapidly and there is no guarantee that the Group s processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks to avoid the risk of loss.

i) Cyber attacks (emerging risk)

The risk posed by cyber attacks continues to grow. The proliferation of online marketplaces trading criminal services and stolen data has reduced barriers of entry for criminals to perpetrate cyber attacks, while at the same time increasing motivation.

Attacker capabilities continue to evolve as demonstrated by a marked increase in denial of service attacks, and increased sophistication of targeted fraud attacks by organised criminal networks. We face a growing threat to our information (whether it is held by us or in our supply chain), to the integrity of our financial transactions, and to the availability of our services. All of these necessitate a broad intelligence and response capability.

Given the level of increasing global sophistication and scope of potential cyber attacks, future attacks may lead to significant breaches of security which jeopardise the sensitive information and financial transactions of the Group, its clients, counterparties, or customers, or cause disruption to systems performing critical functions. Failure to adequately manage cyber threats and to continually review and update processes in response to new threats could result in increased fraud losses, inability to perform critical economic functions, customer detriment, regulatory censure and penalty, legal liability and reputational damage.

ii) Infrastructure and technology resilience

As the dependency on digital channels and other technologies grows, the impact of technology issues can become more material and immediate. This is also the case in many other industries and organisations but particularly impactful in the banking sector.

The Group s technology, real-estate and supplier infrastructure is critical to the operation of its businesses and to the delivery of products and services to customers and clients and to meet our market integrity obligations. Sustained disruption to services provided by Barclays, either directly or through third parties, could have a significant impact to customers and to the Group s reputation and may also lead to potentially large costs to rectify the issue and reimburse losses incurred by customers, as well as possible regulatory censure and penalties.

iii) Ability to hire and retain appropriately qualified employees

The Group requires a diverse mix of highly skilled and qualified colleagues to deliver its strategy and so is dependent on attracting and retaining appropriately qualified individuals. Barclays ability to attract and retain such talent is impacted by a range of external and internal factors.

External regulatory changes such as the introduction of the Individual Accountability Regime and the required deferral and claw back provisions of our compensation arrangements may make Barclays a less attractive proposition relative to both our international competitors and other industries. Similarly, meeting the requirements of structural reform may increase the competitiveness in the market for talent. Internally, restructuring of our businesses and functions, and an increased focus on costs may all have an impact on employee engagement and retention.

Failure to attract or prevent the departure of appropriately qualified employees who are dedicated to overseeing and managing current and future regulatory standards and expectations, or who have the necessary skills required to deliver the Group strategy, could negatively impact our financial performance, control environment and level of employee engagement.

iv) Losses due to additional tax charges

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at the EU level, and is impacted by a number of double taxation agreements between countries. There is risk that the Group could suffer losses due to additional tax charges, other financial costs or reputational damage due to a range of possible factors. This includes a failure to comply with, or correctly assess the application of, relevant tax law, a failure to deal with tax authorities in a timely and effective manner or an incorrect calculation of tax estimates for reported and forecast tax numbers. Such charges, or the conduct of any dispute with a relevant tax authority, could lead to adverse publicity, reputational damage and potentially to costs materially exceeding current provisions, which could have an adverse effect on the Group s operations, financial conditions and prospects.

v) 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 provisions for conduct and legal, competition and regulatory matters, fair value of financial instruments, credit impairment charges for amortised cost assets, impairment and valuation of available for sale investments, calculation of current and deferred tax and accounting for pensions and post-retirements benefits. 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.

As part of the assets in the Non-Core business, the Group holds a UK portfolio of generally longer term loans to counterparties in ESHLA sectors, which are measured on a fair value basis. The valuation of this portfolio is subject to substantial uncertainty due to the long dated nature of the portfolios, the lack of a secondary market in the relevant loans and unobservable loan spreads. As a result of these factors, the Group may be required to revise the fair values of these portfolios to reflect, among other things, changes in valuation methodologies due to changes in industry valuation practices and as further market evidence is obtained in connection with the Non-Core asset rundown and exit process. For further information refer to Note 18 Fair value of assets and liabilities of the Group s consolidated financial statements.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. The introduction of the impairment requirements of IFRS 9 Financial Instruments will result in impairment being recognised earlier than is the case under IAS 39 because it requires expected losses to be recognised before the loss event arises. Measurement will involve increased complexity and judgement including estimation of probabilities of defaults, losses given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is expected to have a material financial impact, but it will not be practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

For more information please refer to Note 1 Significant accounting policies on pages 218 to 220.

vi) Legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and financial crime may negatively affect the Group s results, reputation and ability to conduct its business.

The Group conducts diverse activities in a highly regulated global market and is therefore 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, vigorously pursued alleged breaches and imposed heavy penalties on financial services firms. This trend is expected to continue. In relation to financial crime, a breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure and other sanctions in the jurisdictions in which it operates, particularly in the UK and 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 material legal, competition and regulatory matters to which the Group is currently exposed are set out in Note 29 Legal, competition and regulatory matters. In addition to those material ongoing matters, the Group is engaged in various other legal proceedings in the UK and a number of 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. 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, operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the period.

The outcome of material, legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, it is likely that in connection with any such matters the Group will incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Group to any of the following: substantial monetary damages and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group s business 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 investor confidence and/or dismissal or resignation of key individuals.

There is also a risk that the outcome of any legal, competition or regulatory matters in which the Group is involved may give rise to changes in law or regulation as part of a wider response by relevant law makers and regulators. An adverse decision in any one matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group.

vii) Risks arising from regulation of the financial services industry

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group s business, financial performance, capital and risk management strategies. For further information on regulations affecting the Group, including significant regulatory developments, see the section on Supervision and Regulation.

a) Regulatory change

The Group, in common with much of the financial services industry, remains subject to significant levels of regulatory change and increasing scrutiny in many of the countries in which it operates (including, in particular, the UK and the US). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements. As a result, regulatory risk will remain a focus for senior management and consume significant levels of business resources. Furthermore, this more intensive approach and the enhanced requirements, uncertainty and extent of international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect the Group s business, capital and risk management strategies and/or may result in the Group deciding to modify its legal entity structure, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

b) Changes in prudential requirements, including changes to CRD IV

The Group s results and ability to conduct its business may be negatively affected by changes to, or additional supervisory expectations.

In July 2015, the Financial Policy Committee (FPC) of the BoE published a policy statement directing the PRA to require all major UK banks and building societies to hold enough Tier 1 capital to satisfy a minimum leverage ratio of 3% and a countercyclical leverage ratio buffer of 35% of the institution-specific countercyclical capital buffer rate. The FPC also directed that UK G-SIBs and domestically systemically important banks should meet a supplementary leverage buffer ratio of 35% of corresponding risk-weighted capital buffer rates. The PRA published a policy statement, finalised rules and a supervisory statement implementing the FPC s directions in December 2015 and the new leverage ratio framework came into force on 1 January 2016.

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, which will take effect in 2019. Barclays continues to monitor the potential effects on its capital position arising from these rules and from (i) revisions to the BCBS s standardised rules for credit risk, counterparty credit risk, CVA volatility risk and operational risk; and (ii) the BCBS considering the position regarding the limitation of the use of internal models in certain areas (for example, removing the Advanced Measurement Approach for operational risk) and applying RWA floors based on the standardised approaches.

Changes to, or additional supervisory expectations, in relation to capital and/or leverage ratio requirements either individually or in aggregate, may lead to unexpected enhanced requirements in relation to the Group s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. This may result in a need for further management actions to meet the changed requirements, such as: increasing capital or liquidity resources, reducing leverage and risk weighted assets; modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Group); changing the Group s business mix or exiting other businesses; and/or undertaking other actions to strengthen the Group s position.

Risk review

Material existing and emerging risks

Material existing and emerging risks to the Group s future performance

c) Market infrastructure reforms

The derivatives markets are subject to extensive and increasing regulation in many of the Group s markets, including, in particular, Europe pursuant to the European Market Infrastructure Regulation (EMIR) and in the US under the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). Certain of these increased regulatory requirements have already come into force, with further provisions expected to become effective in stages, including through a new recast version of the Markets in Financial Instruments Directive and a new regulation (the Markets in Financial Instruments Regulation) in Europe.

It is possible that additional regulations, and the related expenses and requirements, will increase the cost of and restrict participation in the derivatives markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivatives markets.

Changes in regulation of the derivatives markets could adversely affect the business of the Group and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities, which could in turn reduce the demand for swap dealer and similar services of the Group and its subsidiaries. In addition, as a result of these increased costs, the new regulation of the derivatives markets may also result in the Group deciding to reduce its activity in these markets.

d) Recovery and resolution planning

There continues to be a strong regulatory focus on resolvability from regulators, particularly in the UK, the US and South Africa. The Group made its first formal Recovery and Resolution Plan (RRP) submissions to the UK and US regulators in mid-2012 and made its first Recovery Plan submission to the South African regulators in 2013. Barclays continues to work with the relevant authorities to identify and address potential impediments to the Group s resolvability .

In the UK, 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 and PRA s supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays provides the PRA with a Recovery Plan annually and with a Resolution Pack every other year.

In the US, Barclays is one of several systemically important banks required to file resolution plans with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Agencies) under provisions of the DFA. Pursuant to the resolution plan regulation in the US, a joint determination by the Agencies that a resolution plan is not credible or would not facilitate an orderly resolution under the US Bankruptcy Code may result in a bank being made subject to more stringent capital, leverage, or liquidity requirements, or restrictions on growth, activities or operations in the US.

Additionally, there are further resolution-related proposals in the US, such as the Federal Reserve s proposed regulation requiring internal total loss absorbing capital (TLAC) for Barclays US Intermediate Holding Company (IHC) that will be established during 2016, and increased record keeping and reporting requirements for obligations under qualified financial contracts (QFC proposal) that may, depending on final rules, materially increase the operational and financing costs of Barclays US operations.

In South Africa, the South African Treasury and the South Africa Reserve Bank are considering material new legislation and regulation to adopt a resolution and depositor guarantee scheme in alignment with FSB principles. Barclays Africa Group Limited (BAGL) and its primary subsidiary Absa Bank Limited, will be subject to these schemes when they are adopted. It is not clear what shape these schemes will take, or when the schemes will be adopted, but current proposals for a funded deposit insurance scheme and for operational continuity may result in material increases in operational and financing costs for the BAGL group.

While the Group believes that it is making good progress in reducing potential impediments to resolution, should the relevant authorities ultimately determine that the Group or any significant subsidiary could

not be resolved in an orderly manner, the impact of potential structural changes that may be required to address such a determination (whether in connection with RRP or other structural reform initiatives) may impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example, due to duplicated infrastructure costs, lost cross-rate revenues and/or additional funding costs.

viii) Regulatory action in the event of a bank failure

The EU Bank Recovery and Resolution Directive (BRRD) contains provisions similar to the Banking Act on a European level, many of which augment and increase the powers which national regulators are required to have in the event of a bank failure.

The UK Banking Act 2009, as amended (the Banking Act) provides for a regime to allow the BoE (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers to make share transfer orders and property transfer orders. Amendments introduced by the Banking Reform Act gave the BoE statutory bail-in power from 1 January 2015. This power enables the BoE to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors. It also allows the BoE to cancel liabilities or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution, and gives it the power to convert liabilities into another form (e.g. equity). In addition to the bail-in power, relevant UK resolution authorities are granted additional powers under the Banking Act including powers to direct the sale or transfer of a relevant financial institution or all or part of its business in certain circumstances. Further, parallel developments such as the implementation in the UK of the FSB s TLAC requirements may result in increased risks that a bank would become subject to resolution authority requirements by regulators seeking to comply with international standards in this area. Please see Funding risk, inability to maintain appropriate prudential ratios on page 88.

If any of these powers were to be exercised, or there is an increased risk of exercise, in respect of the Group or any entity within the Group, this might result in a material adverse effect on the rights or interests of shareholders and creditors including holders of debt securities and/or could have a material adverse effect on the market price of shares and other securities issued by the Group. Such effects could include losses of shareholdings/associated rights including, the dilution of percentage ownership of the Group s share capital, and may result in creditors, including debt holders, losing all or a part of their investment in the Group s securities.

Conduct risk

Barclays is committed to Group-wide changes to business practices, governance and mindset and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates. Improving our reputation will demonstrate to customers that in Barclays they have a partner they can trust. Conduct risk is the risk that detriment is caused to the Group s customers, clients, counterparties or the Group itself because of inappropriate judgement in the execution of our business activities.

During 2015 potential customer impact and reputation risk inherent in varied emerging risks has been managed across the Group and escalated to senior management for discussion. These risks will remain prevalent in 2016 and beyond and the most significant of these include:

i) Organisational change

The Group is at risk of not being able to meet customer and regulatory expectations due to a failure to appropriately manage the: i) complexity in business practice, processes and systems; ii) challenges faced in product suitability, automation and portfolio-level risk monitoring; iii) resilience of its technology; and, iv) execution strategy, including the failure to fulfil the high level of operational precision required for effective execution in order to deliver positive customer outcomes.

ii) Legacy issues

Barclays remains at risk from the potential outcomes of a number of investigations relating to our past conduct. While we are continuing to embed cultural change and improved governance, many stakeholders will remain sceptical and so until there is clear and sustained evidence of consistent cultural and behavioural change, the risk to Barclays reputation will remain. Barclays continues to work to rebuild customer trust and market confidence impacted by legacy issues.

For further information in respect of such investigations and related litigation and discussion of the associated uncertainties, please see the Legal, competition and regulatory matters note on page 261.

iii) Market integrity

There are potential risks arising from conflicts of interest, including those related to the benchmark submission process. While primarily relevant to the Investment Bank, these potential risks may also impact the corporate and retail customer base. The Group may be adversely affected if it fails to mitigate the risk of individuals making such inappropriate judgement by the enhancing of operating models, and effective identification and management of conflicts of interest, controls and supervisory oversight.

iv) Financial crime

The Group, as a global financial services firm, is exposed to the risks associated with money laundering, terrorist financing, bribery and corruption and sanctions. As a result, 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.

Any one, or combination, of the above risks could have significant impact on the Group s reputation and may also lead to potentially large costs to both rectify this issue and reimburse losses incurred by customers and regulatory censure and penalties.

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

i) Structural reform (emerging risk)

The UK Financial Services (Banking Reform) Act 2013 (the UK Banking Reform Act) and associated secondary legislation and regulatory rules, require the separation of the Group s UK and EEA retail and SME deposit taking activities into a legally, operationally and economically separate and independent entity and restrict the types of activity such an entity may conduct (so-called ring fencing).

The PRA issued a policy statement (PS10/15) in May 2015 setting up legal structures and governance requirements that the UK regulator considers as near-final . A PRA Consultation was issued in October 2015 relating to post ring fencing prudential requirements and intra-group arrangements among other matters. PRA final rules are expected in 2016. UK ring fencing rules will become binding from January 2019 and Barclays has an internal structural reform programme to implement the changes required by these new regulations (alongside other group structural requirements applicable to or in the course of development for the Group both in the UK and other jurisdictions in which the Group has operations such as the proposed move towards a single point of entry (Holding Company) resolution model under the BoE s preferred resolution strategy and the requirement under section 165 of the DFA to create a US intermediate holding company (IHC) to hold the Group s US banking and non-banking subsidiaries) and to evaluate the Group s strategic options in light of all current and proposed global structural reform initiatives. Changes resulting from this work will have a material impact in the way the Group operates in the future through increased cost and complexity associated with changes required by ring fencing laws and regulations. Specifically, in order to comply with the UK Banking Reform Act and the DFA, it is proposed that:

§ Barclays will create a new UK banking entity which will serve as the ring fenced bank (RFB). It is expected to serve retail and small business customers as well as UK Wealth and credit card customers

§ Barclays Bank PLC (BBPLC) is expected to serve corporate, institutional and investment banking clients and will also serve international Wealth and credit card customers; it is also expected to house both the Corporate Banking payments and Barclaycard merchant acquiring businesses

§ many of the Group s US businesses (including Barclays Bank Delaware and Barclays Capital Inc., the Group s US broker-dealer subsidiary) will be organised under an IHC

§ the Group will establish a number of service companies in order to support its revised operating entity structure.

Implementation of these changes involves a number of risks related to both the revised Group entity structure and also the process of transition to that revised Group structure. Those risks include the following:

§ the establishment and ongoing management of the RFB and BBPLC as separate entities will require the Group to evaluate and restructure its intra-group and external capital, funding and liquidity arrangements to ensure they continue to meet regulatory requirements and support business needs. The changes required by ring fencing will in particular impact the sources of funding available to the different entities, including restricting BBPLC s access to certain categories of deposit funding

§ while the Group will seek to manage the changes to business mix and capital, funding and liquidity resources so as to maintain robust credit ratings for each of its key operating entities, the restructuring required by ring fencing is complex and untested, and there is a risk that the changes may negatively impact the assessment made by credit rating agencies, creditors and other stakeholders of the credit strength of the different entities on a standalone basis. Adverse changes to the credit assessment, including the potential for ratings downgrades, could in turn make it more difficult and costly for the Group s entities to obtain certain sources of funding

§ the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015 provide that, after 1 January 2026, ring fence banks cannot be or become liable for pension schemes outside of the ring fence. To comply with the regulations, the Group will need to decide which Group entities will participate in the Barclays Bank UK Retirement Fund (UKRF) from 2026, and reach a mutually satisfactory position with the UKRF Trustee regarding past service liabilities. The Group is currently discussing a variety of options with the UKRF Trustee, and engaging with the PRA and the UK Pensions Regulator

§ execution risk associated with moving a material number of customer accounts and contracts from one legal entity to another and in particular the risk of legal challenge to the ring-fenced transfer scheme that will be used in order to transfer certain assets and liabilities from BBPLC to the RFB

- customer impacts derived from operational changes related to, for example, the reorganisation of sort codes. In addition, uncertain and potentially varying customer preference in terms of being served by the RFB or BBPLC may increase the execution risk associated with ring fencing; customers may also be impacted by reduced flexibility to provide products through a single entity interface

- at the European level, the draft Bank Structural Reform Regulation contains powers restricting proprietary trading and, if certain conditions are met, for the mandated separation of core retail banking activity from certain trading activities save where a bank is already subject to a national regime which provides for the separation of such activities in a manner compatible with the regulation. The regulation is currently in draft form and no single version (including the scope of any national derogation) has yet been agreed by the Council of Ministers, the European Commission and the European Parliament. The implementation date for these proposals will depend on the date on which any final legislation is agreed. Accordingly, the potential impact on the Group remains unclear.

These, and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group s profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends, credit ratings, and/or financial condition.

ii) Business conditions, general economy and geopolitical issues

The Group s performance could be adversely affected in relation to more than one Principal Risk by a weak or deteriorating global economy or political instability. These factors may also occur in one or more of the Group s main countries of operation.

The Group offers a broad range of services to retail, institutional and government customers, in a large number of countries. The breadth of

Risk review

Material existing and emerging risks

Material existing and emerging risks to the Group s future performance

these operations means that deterioration in the economic environment, or an increase in political instability in countries where it is active, or any other systemically important economy, could adversely affect the Group s performance.

Global growth is expected to remain modest, with low single digit growth in advanced economies alongside a slowdown in emerging markets. This moderate economic performance, lower commodity prices and increased geopolitical tensions mean that the distribution of risks to global economic activity continues to be biased to the downside.

As the US Federal Reserve embarks on monetary policy tightening, the increasing divergence of policies between major advanced economies risks triggering further financial market volatility. The sharp change in value of the US dollar during 2015 reflected this and, has played a major role in driving asset price volatility and capital reallocation as markets adjusted. Changes to interest rate expectations risk igniting further volatility and US dollar appreciation, particularly if the US Federal Reserve were to increase rates faster than markets currently expect.

Emerging markets have already seen growth slow following increased capital outflows, but a deeper slowdown in growth could emerge if tighter US interest rate policy drives further reallocation of capital. Moreover, sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is significant concern around the ability of authorities to manage the growth transition towards services. A stronger than expected slowdown could result if authorities fail to appropriately manage the end of the investment and credit-led boom, while the consequences from a faster slowdown would flow through both financial and trade channels into other economies, and affect commodity markets.

Commodity prices, particularly oil prices, have already fallen significantly, but could fall further if demand growth remains weak or supply takes longer than expected to adjust. At the same time, countries with high reliance on commodity related earnings have already experienced a tightening of financial conditions. A sustained period of low prices risks triggering further financial distress, default and contagion.

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, including the Middle East and Eastern Europe are already acute, and are at risk of further deterioration.

While in Europe, risks of stagnation, entrenched deflation and a Eurozone break up have diminished, they remain a risk.

In the UK, the referendum on EU membership gives rise to some political uncertainty and raises the possibility of a disruptive and uncertain exit from the EU, with attendant consequences for investment and confidence. Following the referendum in June 2016, in the event that there is a vote in favour of leaving the EU, a period of negotiation is likely, widely anticipated to be around two years, with unpredictable implications on market conditions.

A drop in business or consumer confidence related to the aforementioned risks may have a material impact on GDP growth in one or more significant markets and therefore Group performance. At the same time, even if output in most advanced economies does grow, it would also be likely to advance at a slower pace than seen in the pre-crisis period. Growth potential could be further eroded by the low levels of fixed asset investment and productivity growth.

For the Group, a deterioration of conditions in its key markets 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; (ii) higher levels of default rates and impairment; and (iii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties.

iii) Business change/execution (emerging risk)

As Barclays moves towards a single point of entry (Holding Company) resolution model and implementation of the structural reform programme execution, the expected level of structural and strategic change to be implemented over the medium term will be disruptive and is likely to increase funding and operational risks for the Group and could impact its revenues and businesses. These changes will include: the creation and rundown of Non-Core; the delivery against an extensive agenda of operational and technology control and infrastructure improvements; and, planned cost reductions. Execution may be adversely impacted by external factors (such as a significant global macroeconomic downturn or further significant and unexpected regulatory change in countries in which the Group operates) and/or internal factors (such as availability of appropriately skilled resources or resolution of legacy issues). Moreover, progress in regard to Barclays strategic plans is unlikely to be uniform or linear and progress on certain targets may be achieved more slowly than others.

If any of the risks outlined above were to occur, singly or in aggregate, they could have a material adverse effect on the Group s business, results of operations and financial condition.

Risk management

An overview of Barclays approach to risk management

For a more detailed breakdown on our Risk review and Risk management contents please see pages 117 and 118. More detailed information on how Barclays manages these risks can be found in Barclays PLC 2015 Pillar 3 Report.

A more comprehensive overview, together with more specific information on Group policies, can be found in Barclays PLC 2015 Pillar 3 Report or at home.barclays/annualreport

Introduction

This section outlines the Group s strategy for managing risk and how risk culture has been developed to ensure that there is a set of objectives and practices which are shared across the Group. It provides details of the Group s governance, specific information on policies that the Group determines to be of particular significance in the current operating environment, committee structures and how responsibilities are assigned.

Risk management strategy

The Group has clear risk management objectives and a well established strategy to deliver them through core risk management processes.

At a strategic level, the Group s risk management objectives are to:

§ identify the Group s significant risks

§ formulate the Group s risk appetite and ensure that the business profile and plans are consistent with it

§ optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures

§ ensure that business growth plans are properly supported by effective risk infrastructure

§ manage the risk profile to ensure that specific financial deliverables remain achievable under a range of adverse business conditions

§ help executives improve the control and coordination of risk taking across the business.

A key element in the setting of clear management objectives is the ERMF, which sets out key activities, tools, techniques and organisational arrangements so that material risks facing the Group are identified and understood, and that appropriate responses are in place to protect Barclays and prevent detriment to its customers, employees or community. This will help the Group meet its goals, and enhance its ability to respond to new opportunities.

The ERMF covers those risks incurred by the Group that were foreseeable, continuous and material enough to merit establishing specific Group-wide control frameworks. These are known as Principal and Key Risks. See Principal and Key Risks on page 98 for more information.

The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess risks, determine the appropriate risk response, and then monitor the effectiveness of the response and changes to the risk profile.

1. Evaluate: risk evaluation must be carried out by those individuals, teams and departments who manage the underlying operational or business process, and so are best placed to identify and assess the potential risks, and also include those responsible for delivering the objectives under review.

2. Respond: the appropriate risk response effectively and efficiently ensures that risks are kept within appetite, which is the level of risk that the Group is prepared to accept while pursuing its business strategy. There are three types of response: i) accept the risk but take necessary mitigating actions such as use of risk controls; ii) stop the existing activity/do not start the proposed activity; or iii) continue the activity but transfer risks to another party via the use of insurance.

Barclays risk management strategy

3. Monitor: once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be ongoing and can prompt re-evaluation of the risks and/or changes in responses. Monitoring must be carried out proactively. In addition to reporting , it includes ensuring risks are maintained within risk appetite, and checking that controls are functioning as intended and remain fit for purpose.

The process is orientated around material risks impacting delivery of objectives, and is used to promote an efficient and effective approach to risk management. This three step risk management process:

§ can be applied to every objective at every level in the bank, both top-down or bottom-up

§ is embedded into the business decision making process

§ guides the Group s response to changes in the external or internal environment in which existing activities are conducted

§ involves all staff and all three lines of defence (see pages 97).

Governance structure

Risk exists when the outcome of taking a particular decision or course of action is uncertain and could potentially impact whether, or how well, the Group delivers on its objectives.

The Group faces risks throughout its business, every day, in everything it does. Some risks are taken after appropriate consideration such as lending money to a customer. Other risks may arise from unintended consequences of internal actions, for example an IT system failure or poor sales practices. Finally, some risks are the result of events outside the Group but which impact its business such as major exposure through trading or lending to a market counterparty which later fails.

All employees must play their part in the Group s risk management, regardless of position, function or location. All employees are required to be familiar with risk management policies that are relevant to their activities, know how to escalate actual or potential risk issues, and have a role appropriate level of awareness of the ERMF (see Risk governance and assigning responsibilities for more information on page 97), risk management process and governance arrangements.

Board oversight and flow of risk related information

Furthermore, from March 2016 members of the Board, Executive Committee and a limited number of specified senior individuals will be subject to additional rules included within the Senior Managers Regime (SMR), which clarifies their accountability and responsibilities. Members of the SMR are held to four additional specific rules of conduct in which they must:

1. take reasonable steps to ensure that the Group is effectively controlled
2. take reasonable steps to ensure that the Group complies with relevant regulatory requirements and standards
3. take reasonable steps to ensure that any delegated responsibilities are to the appropriate individual and that the delegated responsibilities are effectively discharged
4. disclose appropriately any information to the FCA or PRA, which they would reasonably expect to be made aware of.

There are three key board-level forums which review and monitor risk across the Group. These are: the Board itself; the Board Risk Committee and the Board Reputation Committee.

The Board

One of the Board s (Board of Directors of Barclays PLC) responsibilities is the approval of risk appetite, which is the level of risk the Group chooses to take in pursuit of its business objectives. The Chief Risk Officer regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Group Control Framework). It oversees the management of the most significant risks through regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set out in 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, actions being taken by management are reviewed to ensure that the BRC is comfortable with them.

After each meeting, the Chair of the BRC prepares a report for the next meeting of the Board. All members are non-executive directors. The Group Finance Director (GFD) and the Chief Risk Officer (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 methodology, 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 CRO or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities.

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, 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 and the performance trends of peer banks. The Chairman of the BAC also sits on the BRC.

The Board Reputation Committee (RepCo)

The RepCo reviews management s recommendations on conduct and reputational 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.

In addition, the Board Audit and Board Remuneration Committees receive regular risk reports to assist them in the undertaking of their duties.

The Board Remuneration Committee (RemCo)

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

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are presented in the Board of Directors section on pages 3 and 4. 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 at: home.barclays/corporategovernance.

The CRO manages the independent Risk function and chairs the Financial Risk Committees (FRC) and the Operational Risk Review Forum (ORRF), which monitor the Group s financial and non-financial risk profile relative to agreed risk appetite.

The Group Treasurer heads the Treasury function and chairs the Treasury Committee which manages the Group s liquidity, maturity transformation and structural interest rate exposure through the setting of policies and controls, monitors the Group s liquidity and interest rate maturity mismatch, monitors usage of regulatory and economic capital, and has oversight of the Group s capital plan.

The Head of Compliance chairs the Conduct and Reputational Risk Committee (CRRC) which assesses the quality of the application of the Reputation and Conduct Risk Control Frameworks. It also recommends conduct risk appetite, sets policies to ensure consistent adherence to that appetite, and reviews known and emerging reputational and conduct related risks to consider if action is required.

Risk review

Risk management

Risk governance and assigning responsibilities

Responsibility for risk management resides at all levels of the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. These responsibilities are distributed so that risk/return decisions are taken at the most appropriate level, as close as possible to the business, and are subject to robust and effective review and challenge. Responsibilities for effective review and challenge also reside at all levels.

The ERMF articulates a clear, consistent, comprehensive and effective approach for the management of all risks in the Group and creates the context for setting standards and establishing the right practices throughout the Group. The ERMF sets out a philosophy and approach that is applicable to the whole bank, all colleagues and to all types of risk. It sets out the key activities required for all employees to operate Barclays risk and control environment, with specific requirements for key individuals, including the CRO and CEO, and the overall governance framework designed to support its effective operation. See Risk Culture in Barclays PLC 2015 Pillar 3 Report for more information.

The ERMF supports risk management and control by ensuring that there is a:

§ sustainable and consistent implementation of the three lines of defence across all businesses and functions

§ clear segregation of activities and duties performed by colleagues across the Group

§ framework for the management of Principal Risks

§ consistent application of Barclays risk appetite across all Principal Risks

§ clear and simple policy hierarchy.

Three lines of defence

The enterprise risk management process is the defence , and organising businesses and functions into three lines enhances the E-R-M process by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas. The three lines of defence operating model enables the Group to separate risk management activities:

First line: manage operational and business processes; design, implement, operate, test and remediate controls.

First line activities are characterised by:

- ownership of and direct responsibility for the Group s returns or elements of Barclays results
- ownership of major operations, systems and processes fundamental to the operation of the bank
- direct linkage of objective setting, performance assessment and reward to financial performance.

Second line: oversee and challenge the first line and provide second line risk management activity.

Second line activities are characterised by:

- oversight, monitoring and challenge of the first line of defence activities
- design, ownership or operation of Key Risk Control Frameworks impacting the activities of the first line of defence
- operation of certain second line risk management activities (e.g. financial rescue of a firm)
- no direct linkage of objective setting, performance assessment and reward to revenue (measures related to mitigation of losses and balancing risk and reward are permissible).

Third line: provide assurance that the E-R-M process is fit for purpose, and that it is being carried out as intended.

Third line activities are characterised by:

- providing independent and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control.

Following the annual review, in 2016, we have further refined the three lines of defence model by clarifying that responsibilities for risk management and control are defined in relation to the activities individuals undertake as part of their role. The three key activities are: Setting Policy and Conformance (second line); Managing Operational or Business Process (first and second line); and Providing Independent Assurance (third line). Second and third line activities have not changed, however we have emphasised the key responsibilities of the first line, which includes colleagues responsibility for understanding and owning the process end to end, and designing, operating, testing and remediating appropriate controls to manage those risks. Performed appropriately and by all colleagues, together these responsibilities will drive a stronger risk and control environment at Barclays, benefitting our customers, clients, shareholders and regulators.

Reporting and control

Principal and Key Risks

Principal Risks comprise individual Key Risks to allow for more granular analysis. As at 31 December 2015, the five Principal Risks were: i) Credit; ii) Market; iii) Funding; iv) Operational; and v) Conduct. Since the beginning of 2015, Reputation Risk has been recognised as a Key Risk within Conduct Risk given their close alignment and the fact that as separate Principal Risks they had a common Principal Risk Officer.

Risk management responsibilities for Principal and Key Risks are set out in the ERMF. The ERMF creates clear ownership and accountability; ensures the Group s most significant risk exposures are understood and managed in accordance with agreed risk appetite and risk tolerances; and ensures regular reporting of risk exposures and control effectiveness.

For each Key Risk, the Key Risk Officer is responsible for developing a risk appetite statement and overseeing and managing the risk in line with the ERMF. This includes the documentation, communication and maintenance of a Key Risk Control Framework which sets out, for every business across the firm, the mandated control requirements in managing exposures to that Key Risk. These control requirements are given further specification, according to the business or risk type, to provide a complete and appropriate system of internal control.

Business and Function Heads are responsible for obtaining ongoing assurance that the key controls they have put in place to manage the risks to their business objectives are operating effectively. Reviews are undertaken on a six-monthly basis and support the regulatory requirement for the Group to make an annual statement about its system of internal controls. At the business level, executive management hold specific Business Risk Oversight Meetings to monitor all Principal Risks.

Key Risk Officers report their assessments of the risk exposure and control effectiveness to Group-level oversight committees and their assessments form the basis of the reports that go to the:

Board Risk Committee:

§ Financial Risk Committee has oversight of Credit and Market Risks

§ Treasury Committee has oversight of Funding Risk

§ Operational Risk Review Forum has oversight of the risk profile of all Operational Risk types.

Board Reputation Committee:

§ Conduct and Reputation Risk Committee has oversight of Conduct and Reputation Risks.

The following sections provide an overview of each of the five Principal Risks, and details of the structure and organisation of the relevant management function and its roles and responsibilities, including how the impact of the risk to the Group may be minimised.

Risk review

Risk management

Credit risk management

Credit risk

The risk of suffering financial loss should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

Overview

The granting of credit is one of the Group s major sources of income and, as a Principal Risk, the Group dedicates considerable resources to its control. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts 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 agreements (reverse repos).

Credit risk management objectives are to:

§ maintain a framework of controls to ensure credit risk taking is based on sound credit risk management principles

§ identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio

§ control and plan credit risk taking in line with external stakeholder expectations and avoiding undesirable concentrations

§ monitor credit risk and adherence to agreed controls

§ ensure that risk-reward objectives are met.

More information of the reporting of credit risk can be found in Barclays PLC 2015 Pillar 3 Report.

Organisation and structure

Wholesale and retail portfolios are managed separately to reflect the differing nature of the assets; wholesale balances tend to be larger and are managed on an individual basis, while retail balances are larger in number but smaller in value and are, therefore, managed on a homogenous portfolio basis.

Credit risk management responsibilities have been structured so that decisions are taken as close as possible to the business, while ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management teams in each business are accountable to the relevant Business Credit Risk Officer (BCRO) who, in turn, reports to the CRO.

Board oversight and flow of risk related information

Organisation and structure

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 Officer (GSCO), the Group s most senior credit risk sanctioner. For exposures in excess of the GSCO s authority, approval by 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 the counterparty credit risks. These can broadly be divided into three types: netting and set-off; collateral; and risk transfer.

Netting and set-off

In most jurisdictions in which the Group operates, credit risk exposures can be reduced by applying netting and set-off. In exposure terms, this credit risk mitigation technique has the largest overall impact on net exposure to derivative transactions, compared with other risk mitigation techniques.

For derivative transactions, the Group s normal practice is to enter into standard master agreements with counterparties (e.g. ISDAs). These master agreements allow for netting of credit risk exposure to a counterparty resulting from a derivative transaction against the Group s obligations to the counterparty in the event of default, 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

§ wholesale lending: a fixed charge over commercial property and other physical assets, in various forms

§ other retail lending: includes charges over motor vehicles and other physical assets, second lien charges over residential property, and finance lease receivables

§ derivatives: the Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex (CSA)) with counterparties with which the Group has master netting agreements in place

§ reverse repurchase agreements: collateral typically comprises highly liquid securities which have been legally transferred to the Group subject to an agreement to return them for a fixed price

§ financial guarantees and similar off-balance sheet commitments: cash collateral may be held against these arrangements.

Risk transfer

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

§ if the risk is transferred to a counterparty which is more credit worthy than the original counterparty, then overall credit risk 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 ensure that credit risk mitigation is appropriately recognised and recorded and more information can be found in the Barclays PLC 2015 Pillar 3 Report.

Market risk management

Market risk

The risk of a reduction to earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pools.

Overview

Traded market risk

Traded market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, the Group will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices.

Non-traded market risk

Banking book operations generate non-traded market risk, primarily through interest rate risk arising from the sensitivity of net interest margins due to changes in interest rates. The principal banking businesses engage in internal derivative trades with Treasury to manage their interest rate risk to within its defined risk appetite. However, the businesses remain susceptible to market risk from four key sources:

§ prepayment risk: balance run-off may be faster or slower than expected, due to customer behaviour in response to general economic conditions or interest rates. This can lead to a mismatch between the actual balance of products and the hedges executed with Treasury based on initial expectations

§ recruitment risk: the volume of new business may be lower or higher than expected, requiring the business to unwind or execute hedging transactions with Treasury at different rates than expected

§ residual risk and margin compression: the business may retain a small element of interest rate risk to facilitate the day-to-day management of customer business. Additionally, in the current low rate environment, deposits on which the Group sets the interest rate are exposed to margin compression. This is because for any further fall in base rate the Group must absorb an increasing amount of the rate move in its margin

§ lag risk: the risk of being unable to re-price products immediately after a change in interest rates due to mandatory notification periods. This is highly prevalent in managed rates saving products (e.g. Every Day Saver) where customers must be informed in writing of any planned reduction in their savings rate.

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 as a result of changes to the market process. The Group monitors the market risks arising from its defined benefit pension schemes, and works with the Trustees to address shortfalls. In these circumstances, the Group could be required or might choose to make extra contributions to the pension fund. The Group s main defined benefit scheme was closed to new entrants in 2012.

Insurance risk

Insurance risk is managed within Africa Banking, where four categories of insurance risk are recognised: short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk, and life and insurance investment risk.

Insurance risk arises when:

§ aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio of policies and claims

§ premiums are not invested to adequately match the duration, timing and size of expected claims

§ unexpected fluctuations in claims arise or excessive exposure (e.g. in individual or aggregate exposures) relative to capacity is retained in the entity.

Insurance entities also incur market risk (on the investment of accumulated premiums and shareholder capital), credit risk (counterparty exposure on investments and reinsurance transactions), liquidity risk and operational risk from their investments and financial operations.

Organisation and structure

Overview of the business market risk control structure

Organisation and structure

Traded market risk in the businesses resides primarily in the Investment Bank, Treasury, Africa Banking and Non-Core. These businesses have the mandate to incur traded market risk. Non-traded market risk is mostly incurred in PCB, Barclaycard and Treasury.

Market risk oversight and challenge is provided by business committees, Group committees, including the Market Risk Committee and Group Market Risk. The chart above gives an overview of the business control structure.

Roles and responsibilities

The objectives of market risk management are to:

§ understand and control market risk by robust measurement, limit setting, reporting and oversight

§ facilitate business growth within a controlled and transparent risk management framework

§ ensure that traded market risk in the businesses is controlled according to the allocated appetite

§ control non-traded market risk in line with approved appetite

§ control insurance risk in line with approved appetite

§ support the Non-Core strategy of asset reductions by ensuring that market risk remains within agreed risk appetite.
To ensure the above objectives are met, a well-established governance structure is in place to manage these risks consistent with the ERMF (evaluate-respond-monitor). See page 95 on risk management strategy, governance and risk

culture.

More information on market risk management can be found in Barclays PLC 2015 Pillar 3 Report.

Funding and capital risk management

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios. Group Treasury manage funding risk on a day-to-day basis with the Group Treasury Committee acting as the key governance forum.

Organisation and structure

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

§ meet minimum regulatory requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources at each level where prudential capital requirements are applied

§ support its credit rating. A weaker credit rating would increase the Group s cost of funds

§ support its growth and strategic options.

Overview

Organisation and structure

Capital management is integral to the Group s approach to financial stability and sustainability management and is therefore embedded in the way businesses and legal entities operate. Capital demand and supply is actively managed on a centralised basis, at a business level, at a local entity level and on a regional basis taking into account the regulatory, economic and commercial environment in which Barclays operates.

Roles and responsibilities

The Group s capital management strategy is driven by the strategic aims of the Group and the Risk Appetite set by the Board. The Group s objectives are achieved through well embedded capital management practices.

Capital planning

Capital forecasts are managed on a top-down and bottom-up basis through both short term (one year) and medium term (three to five years) financial planning cycles. Barclays capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group s risk profile, regulatory and business needs. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns.

Barclays capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate, and consider risks to the plan including possible future regulatory changes.

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

Regulatory requirements

Capital planning is set in consideration of minimum regulatory requirements in all jurisdictions in which the Group operates. Group regulatory capital requirements are determined by the PRA.

Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the firm is exposed to which is measured through both risk weighted assets (RWAs) and leverage.

Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. Capital requirements are set in accordance with the firm s level of risk.

Governance

The Group and legal entity capital plans are underpinned by the Capital Risk Framework, which includes capital management policies and practices approved by the Principal Risk Officer. These plans are implemented consistently in order to deliver on the Group objectives.

The Board approves the Group capital plan, stress tests and recovery plan. The Treasury Committee manages compliance with the Group s capital management objectives. The Committee reviews actual and forecast capital demand and resources on a bi-monthly basis. The Board Risk Committee annually reviews risk appetite and then analyses the impacts of stress scenarios on the Group capital forecast in order to understand and manage the Group s projected capital adequacy.

Monitoring and managing capital

Capital is monitored and managed on an ongoing basis through:

Stress testing: internal group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Actual recent economic, market and regulatory scenarios are used to inform the assumptions of the stress tests and assess the effectiveness of mitigation strategies.

The Group also undertakes stress tests prescribed by the BoE and EBA. Legal entities undertake stress tests prescribed by their local regulators. These stress tests inform decisions on the size and quality of capital buffer required and the results are incorporated into the Group capital plan to ensure adequacy of capital under normal and severe, but plausible, stressed conditions.

Risk mitigation: as part of the stress testing process, actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business outlook.

As an additional layer of protection, the Barclays Recovery Plan defines the actions and implementation strategies available for the Group to increase or preserve capital resources in the event that stress events are more extreme than anticipated.

Senior management awareness and transparency: Treasury works closely with Risk, businesses and legal entities to support a proactive approach to identifying sources of capital ratio volatilities which are considered in the Group s capital plan. Capital risks against firm-specific and macroeconomic early warning indicators are monitored and reported to the Treasury Committee, associated with clear escalation channels to senior management.

Capital management information is readily available at all times to support the Executive Management s strategic and day-to-day business decision making, as may be required.

The Group submits its Board approved ICAAP document to the PRA on an annual basis, which forms the basis of the Individual Capital Guidance (ICG) set by the PRA.

Capital allocation: capital allocations are approved by the Group Executive Committee and monitored by the Treasury Committee, taking into consideration the risk appetite, growth and strategic aims of the Group. Regulated legal entities are, at a minimum, allocated adequate capital to meet their current and forecast regulatory and business requirements.

Transferability of capital: the Group s policy is for surplus capital held in Group entities to be repatriated to BBPLC in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications. This approach provides optimal flexibility on the re-deployment of capital across legal entities. The Group is not aware of any material impediments to the prompt transfer of capital resources, in line with the above policy, or repayment of intra-Group liabilities when due.

More information on capital risk management can be found in pages 402 to 403.

Risk review

Risk management

Funding risk Liquidity

Liquidity risk

The risk that the Group, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm s inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a wide range of Group-specific and market-wide events.

Overview

The Board has formally recognised a series of risks that are continuously present in Barclays and materially impact the achievement of Barclays objectives, one of which is Funding risk. Liquidity risk is recognised as a key risk within Funding risk. The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Management Framework (the Liquidity Framework) which is designed to 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 (LRA) 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.

Organisation and structure

Barclays Treasury operates a centralised governance control process that covers all of the Group s liquidity risk management activities. As per the ERMF, the Key Risk Officer (KRO) approves the Key Risk Control Framework for Liquidity Risk (Key Risk Control Framework) under which the Treasury function operates. The KRO is in the Risk function. The Key Risk Control Framework is subject to annual review. The Key Risk Control Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the LRA and is subject to annual review.

The Board sets the LRA, over Group stress tests, being 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 and managed by the Treasury Committee through the Key Risk Control Framework.

Liquidity risk management

Barclays has a comprehensive Key Risk Control Framework for managing the Group s liquidity risk. The Key Risk Control Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the LRA. The Key Risk Control Framework is designed to deliver the appropriate term and structure of funding consistent with the LRA set by the Board.

Liquidity is monitored and managed on an ongoing basis through:

Group Stress test risk appetite and planning: Established Group stress test LRA together with the appropriate limits for the management of liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations.

Liquidity limits: Management of limits on a variety of on and off-balance sheet exposures and these serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.

Internal pricing and incentives: Active management of the composition and duration of the balance sheet and of contingent liquidity risk through the transfer of liquidity premium directly to the business.

Early warning indicators: Monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to Barclays. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.

Contingency Funding Plan: Maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses of varying severity.

RRP: In accordance with the requirements of the PRA Rulebook: Recovery and Resolution, Barclays has developed a Group Recovery Plan. The key objectives are to provide the Group with a range of options to ensure the viability of the firm in a stress, set consistent early warning indicators to identify when the Recovery Plan should be invoked and to enable the Group to be adequately prepared to respond to stressed conditions. The Group continues to work with the authorities on RRP, including identifying and addressing any impediments to resolvability.

Risk review

Risk management

Operational risk management

Operational risk

Any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

Overview

The management of operational risk has two key objectives:

§ minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses)

§ improve the effective management of the Group and strengthen its brand and external reputation.

The Group is committed to the management and measurement of operational risk and was granted a waiver by the FSA (now the PRA) to operate an Advanced Measurement Approach (AMA) for operational risk under Basel II, which commenced in January 2008. The majority of the Group calculates regulatory capital requirements using AMA (93% of capital requirements); however, in specific areas, the Basic Indicator Approach (7%) is applied. The Group works to benchmark its internal operational risk management and measurement practices with peer banks and to drive the further development of advanced techniques.

The Group is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing the Group to unacceptable potential losses or reputational damage. The Group has an overarching framework that sets out the approach to internal governance. This guide 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

Operational risk comprises a number of specific Key Risks defined as follows:

§ external supplier: inadequate selection and ongoing management of external suppliers

§ financial crime: failure to comply with anti-money laundering, anti-bribery, anti-corruption and sanctions policies. In early January 2016, the oversight of financial crime was transferred to Group Compliance

§ financial reporting: reporting misstatement or omission within external financial or regulatory reporting

§ fraud: dishonest behaviour with the intent to make a gain or cause a loss to others

§ information: inadequate protection of the Group s information in accordance with its value and sensitivity

§ legal: failure to identify and manage legal risks

§ payments process: failure in operation of payments processes

§ people: inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours

§ premises and security: unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats

§ taxation: failure to comply with tax laws and practice which could lead to financial penalties, additional tax charges or reputational damage

§ technology (including cyber security): failure to develop and deploy secure, stable and reliable technology solutions which includes risk of loss or detriment to Barclays business and customers as a result of actions committed or facilitated through the use of networked information systems

§ transaction operations: failure in the management of critical transaction processes.

In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk. For more information on conduct risk please see pages 108 and 109.

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

Reporting and control

Risk review

Risk management

Operational risk management

Roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business unit management through specific meetings which cover governance, risk and control. Businesses are required to report their operational risks on both a regular and an event driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, material control issues, operational risk events and a review of scenarios.

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

Operational risk management acts in a second line of defence capacity, and is responsible for implementation of the framework and monitoring operational risk events, risk exposures and material control issues. Through attendance at Business Unit Governance, Risk and Controls meetings, it provides specific risk input into the issues highlighted and the overall risk profile of the business. Operational risk issues escalated from these meetings are considered by the Group Principal Risk Officer through the second line of defence review meetings, which also consider material control issues and their effective remediation. Depending on their nature, the outputs of these meetings are presented to the BRC or the BAC.

Specific reports are prepared by businesses, Key Risk Officers and Group Operational Risk on a regular basis for ORRF, BRC and BAC.

Risk and control self-assessments and key indicators

The Group identifies and assesses all material risks within each business and evaluates the key controls in place to mitigate those risks. Managers in the businesses use self-assessment techniques to identify risks, evaluate the effectiveness of key controls in place, and assess whether the risks are effectively managed within business risk appetite. The businesses are then able to make decisions on what action, if any, is required to reduce the level of risk to the Group. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

Key Indicators (KIs) are metrics which allow the Group to monitor its operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business and are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision making and actions.

Conduct risk management

Conduct risk

The risk that detriment is caused to customers, clients, counterparties or the Group because of inappropriate judgement in the execution of our business activities.

Overview

The Group defines, manages and mitigates conduct risk with the goal of providing good customer outcomes and protecting market integrity.

The Group has defined seven Key Risks that are the main sub risk types to Conduct Risk:

§ our products or services do not meet customers needs or have the potential to cause customer detriment

§ the way we design and undertake transaction services has the potential to cause customer detriment

§ the way we design or undertake customer servicing has the potential to cause customer detriment

§ our strategy or business model has the potential to cause customer detriment

§ our governance arrangements or culture has the potential to cause customer detriment

§ we fail to obtain and maintain relevant regulatory authorisations, permissions and licence requirements

§ damage to Barclays reputation is caused during the conduct of our business.

Organisation and structure

The Conduct and Reputation Risk Committee (CRRC) derives its authority from the Barclays Group Head of Compliance. The purpose of the CRRC is to review and monitor the effectiveness of Barclays management of Conduct and Reputation Risk. In addition, specific committees monitor conduct risk and the control environment at the business level.

Roles and responsibilities

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

The PRF is implemented across the Group:

§ vertically, through an organisational structure that requires all businesses to implement and operate their own conduct risk framework that meets the requirements detailed within the ERMF

§ horizontally, with Group Key Risk Officers (KROs) required to monitor information relevant to their Key Risk from each element of the Conduct Risk PRF.

The primary responsibility for managing conduct risk and compliance with control requirements sits with the business where the risk arises. The Conduct Risk Accountable Executive for each business is responsible for ensuring the implementation of, and adherence to, the PRF.

The Conduct Principal Risk Officer is responsible for owning and maintaining an appropriate Group-wide Conduct Risk PRF and for overseeing Group-wide Conduct Risk management.

Businesses are required to report their conduct risks on both a quarterly and an event driven basis. The quarterly reports detail conduct risks inherent within the business strategy and include forward looking horizon scanning analysis as well as backward looking evidence-based indicators from both internal and external sources. For details please refer to the Risk Review, Conduct Risk Performance section of this report (page 175).

Business level reports are reviewed within Compliance. Compliance then creates Group level reports for consideration by CRRC and RepCo. The Group periodically assesses its management of conduct risk through independent audits and addresses issues identified.

Event-driven reporting consists of any risks or issues that breach certain thresholds for severity and probability. Any such risks or issues must be promptly escalated to the business and the appropriate KRO.

In 2015 Reputation Risk was re-designated as a Key Risk under the Conduct Risk Principal Risk. The Reputation Key Risk Framework outlines the processes and actions required of the business. These include regular and forward looking reviews of current and emerging reputation risks so that a topical and comprehensive reputation risk profile of the organisation can be maintained.

Organisation and structure

Risk review

Risk management

Conduct risk management

Reputation risk is the risk of damage to the Group s brand arising from any association, action or inaction which is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion formers) to be inappropriate or unethical. Damage to the Group s brand and consequent erosion of our reputation reduces the attractiveness of the Group to stakeholders and may lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

Reputation risk may arise in many different ways, for example:

§ failure to act in good faith and in accordance with the Group s values and code of conduct

§ failure (real or perceived) to comply with the law or regulation, or association (real or implied) with illegal activity

§ failures in corporate governance, management or technical systems

§ failure to comply with internal standards and policies

§ association with controversial sectors or clients

§ association with controversial transactions, projects, countries or governments

§ association with controversial business decisions, including but not restricted to, decisions relating to: products (in particular new products), delivery channels, promotions/advertising, acquisitions, branch representation, sourcing/supply chain relationships, staff locations, treatment of financial transactions

§ association with poor employment practices.

In each case, the risk may arise from failure to comply with either stated norms, which are likely to change over time, so an assessment of reputation risk cannot be static. If not managed effectively, stakeholder expectations of responsible corporate behaviour will not be met.

Reputation risk may also arise and cause damage to the Group s image, through association with clients, their transactions or their projects if these are perceived by external stakeholders to be environmentally damaging. Where the Group is financing infrastructure projects which have potentially adverse environmental impacts, the Group s Client Assessment and Aggregation policy and supporting Environmental and Social Risk Standard will apply. This policy identifies the circumstances in which the Group requires due diligence to include assessment of specialist environmental reports. These reports will include consideration of a wide range of the project s potential impacts including on air, water and land quality, on biodiversity issues, on locally affected communities, including any material upstream and downstream impacts, and working conditions together with employee and community health and safety. Adherence to the Environmental and Social Risk Standard is the mechanism by which Barclays fulfils the requirements of the Equator Principles. These Principles are an internationally recognised framework for environmental due diligence in project finance. Barclays was one of four banks which collaborated in developing the Principles, ahead of their launch in 2003 with 10 adopting banks. There are now more than 80 banks worldwide which have adopted the Equator Principles (see www.equator-principles.com).

Risk performance

Maintaining our risk profile at an acceptable and appropriate level is essential to ensure our continued performance. This section provides a review of the performance of the Group in 2015 for each of the five Principal Risks, which are credit, market, funding, operational, and conduct risk.

For a more detailed breakdown on our Risk review and Risk management contents please see pages 84-85

Risk review

Risk performance

Credit risk

Analysis of credit risk

Credit risk is the risk of the Group suffering financial loss should any of its customers, clients, or market counterparties fail to fulfil their contractual obligations to the Group.

This section details the Group s credit risk profile and provides information on the Group s exposure to loans and advances to customer and banks, maximum exposures with collateral held, and net impairment charges raised in the year. It provides information on balances that are categorised as credit risk loans, balances in forbearance, as well as exposure to and performance metrics for specific portfolios and asset types.

Key metrics

§ Credit impairment charges in 2015 were 2% lower than 2014:
+£32m Group Core

Loan impairment broadly stable reflecting benign economic conditions in the UK and US

+£30m Retail Core

Performance across key portfolios has remained stable and within expectations

+£2m Wholesale Core

Performance benefiting from economic conditions in the UK and US markets offset by impact of stress in Oil and Gas portfolios

-£139m Non-Core

Lower charge reflects sale of Spanish business and higher recoveries in Portugal

§ Net Loans and advances to customers and banks decreased by 6% in 2015.

§ The loan loss rate was stable at 47bps.

Credit risk

Credit risk is the risk of the Group suffering financial loss should any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group.

All disclosures in this section (pages 112-137) 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, and collateral, and loans and advances; ii) areas of concentrations, including the Eurozone; iii) exposure to and performance metrics for specific portfolios and assets types, including home loans, credit cards and UK commercial real estate; iv) exposure and performance of loans on concession programmes, including forbearance; v) problem loans, including credit risk loans (CRLs); and vi) impairment, including impairment stock and management adjustments to model outputs.

The topics covered in this section may be found in the credit risk section of the contents on page 84. Please see risk management section on pages 94-109 for details of governance, policies and procedures.

Summary of performance in the period

Credit impairment charges in 2015 fell 2% to £2.1bn which principally reflected the benign economic conditions in the UK and US and effective risk management, including the strengthening of the Retail Impairment Policy. These supported generally stable delinquency rates in retail and lower default rates in wholesale where large single names were limited in number and focused on the Oil and Gas sector.

The level of CRL reduced to £7.8bn principally due to a reduction in Non-Core and Personal and Corporate Banking. The coverage ratios for home loans, unsecured retail portfolios and corporate loans remain broadly in line with expected severity rates for these types of portfolios.

Net loans and advances to customers and banks reduced 6% to £440.6bn reflecting a decrease in Non-Core businesses, Investment Bank and Africa Banking offset by increases in Personal and Corporate Banking.

The loan loss rate was broadly stable at 47bps (2014: 46bps).

Analysis of the balance sheet

The 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 100.

Overview

As at 31 December 2015, the Group s net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer decreased 6% to £701.4bn, reflecting a decrease in maximum exposure of 14% and a reduction in the level of mitigation held by 21%. Overall, the extent to which the Group holds mitigation against its total exposure reduced slightly to 48% (2014: 53%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, available for sale debt securities issued by governments, cash collateral and settlement balances, all of which are considered lower risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis. The credit quality of counterparties to derivative, available for sale and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 115-116.

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 2015, as a result of the enforcement of collateral was £69m (2014: £161m).

Risk review

Risk performance

Credit risk

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

As at 31 December 2015	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	49,711					49,711
Items in the course of collection from other banks	1,011					1,011
Trading portfolio assets:						
Debt securities	45,576					45,576
Traded loans	2,474			(607)	(1)	1,866
Total trading portfolio assets	48,050			(607)	(1)	47,442
Financial assets designated at fair value:						
Loans and advances	17,913		(21)	(5,850)	(515)	11,527
Debt securities	1,383					1,383
Reverse repurchase agreements[a]	49,513		(315)	(49,027)		171
Other financial assets	375					375
Total financial assets designated at fair value	69,184		(336)	(54,877)	(515)	13,456
Derivative financial instruments	327,709	(259,582)	(34,918)	(7,484)	(5,529)	20,196
Loans and advances to banks	41,349		(4)	(4,072)	(64)	37,209
Loans and advances to customers:						
Home loans	155,863		(221)	(154,355)	(634)	653
Credit cards, unsecured and other retail lending	67,840	(12)	(1,076)	(14,512)	(1,761)	50,479
Corporate loans	175,514	(8,399)	(593)	(45,788)	(4,401)	116,333
Total loans and advances to customers	399,217	(8,411)	(1,890)	(214,655)	(6,796)	167,465
Reverse repurchase agreements and other similar secured lending	28,187		(166)	(27,619)		402
Available for sale debt securities	89,278			(832)	(811)	87,635
Other assets	1,410					1,410
Total on-balance sheet	1,055,106	(267,993)	(37,314)	(310,146)	(13,716)	425,937

Off-balance sheet:						
Contingent liabilities	**20,576**		**(604)**	**(1,408)**	**(104)**	**18,460**
Documentary credits and other short-term trade-related transactions	**845**		**(33)**	**(57)**	**(3)**	**752**
Forward starting reverse repurchase agreements[b]	**93**			**(91)**		**2**
Standby facilities, credit lines and other commitments	**281,369**		**(313)**	**(24,156)**	**(662)**	**256,238**
Total off-balance sheet	**302,883**		**(950)**	**(25,712)**	**(769)**	**275,452**
Total	**1,357,989**	**(267,993)**	**(38,264)**	**(335,858)**	**(14,485)**	**701,389**

Notes

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

b Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting reverse repurchase agreements are within the scope of IAS 39 and are recognised as derivatives on the balance sheet.

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

As at 31 December 2014	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	39,695					39,695
Items in the course of collection from other banks	1,210					1,210
Trading portfolio assets:						
Debt securities	65,997					65,997
Traded loans	2,693					2,693
Total trading portfolio assets	68,690					68,690
Financial assets designated at fair value:						
Loans and advances	20,198		(48)	(6,657)	(291)	13,202
Debt securities	4,448					4,448
Reverse repurchase agreements	5,236			(4,803)		433
Other financial assets	469					469
Total financial assets designated at fair value	30,351		(48)	(11,460)	(291)	18,552
Derivative financial instruments	439,909	(353,631)	(44,047)	(8,231)	(6,653)	27,347
Loans and advances to banks	42,111	(1,012)		(3,858)	(176)	37,065
Loans and advances to customers:						
Home loans	166,974		(274)	(164,389)	(815)	1,496
Credit cards, unsecured and other retail lending	69,022		(954)	(16,433)	(1,896)	49,739
Corporate loans	191,771	(9,162)	(620)	(40,201)	(5,122)	136,666
Total loans and advances to customers	427,767	(9,162)	(1,848)	(221,023)	(7,833)	187,901
Reverse repurchase agreements and other similar secured lending	131,753			(130,135)		1,618
Available for sale debt securities	85,539			(938)	(432)	84,169
Other assets	1,680					1,680
Total on-balance sheet	1,268,705	(363,805)	(45,943)	(375,645)	(15,385)	467,927
Off-balance sheet:						
Contingent liabilities	21,263		(781)	(848)	(270)	19,364

Documentary credits and other short-term trade-related transactions	1,091		(6)	(8)	(3)	1,074
Forward starting reverse repurchase agreements	13,856			(13,841)		15
Standby facilities, credit lines and other commitments	276,315		(457)	(17,385)	(793)	257,680
Total off-balance sheet	312,525		(1,244)	(32,082)	(1,066)	278,133
Total	1,581,230	(363,805)	(47,187)	(407,727)	(16,451)	746,060

Risk review

Risk performance

Credit risk

The Group s approach to managing and representing 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 117):

- a loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract
- the impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment
- loans neither past due nor impaired consist predominantly of wholesale and retail loans that are performing. These loans, although unimpaired, may carry an unidentified impairment
- loans that are past due but not impaired consist predominantly of wholesale loans that are past due but individually assessed as not being impaired. These loans, although individually assessed as unimpaired, may carry an unidentified impairment provision
- impaired loans that are individually assessed consist predominantly of wholesale loans that are past due and for which an individual allowance has been raised
- impaired loans that are collectively assessed consist predominantly of retail loans that are one day or more past due for which a collective allowance is raised. Wholesale loans that are past due, individually assessed as unimpaired, but which carry an unidentified impairment provision, are excluded from this category.

Home loans, unsecured loans and credit card receivables that are subject to forbearance in the retail portfolios are included in the collectively assessed impaired loans column in the tables in the analysis of loans and advances and impairment section (page 117). Included within wholesale loans that are designated as neither past due nor impaired is a portion of loans that have been subject to forbearance or similar strategies as part of the Group s ongoing relationship with clients. The loans will have an internal rating reflective of the level of risk to which the Group is exposed, bearing in mind the circumstances of the forbearance, the overall performance and prospects of the client. Loans on forbearance programmes will typically, but not always, attract a higher risk rating than similar loans which are not. A portion of wholesale loans under forbearance is included in the past due but not impaired column, although not all loans subject to forbearance are necessarily impaired or past due. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

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

Default Grade	Retail lending Probability of default	Wholesale lending Probability of default	Credit Quality description
1-3	0.0-0.60%	0.0-0.05%	Strong
4-5		0.05-0.15%	
6-8		0.15-0.30%	
9-11		0.30-0.60%	
12-14	0.60-10.00%	0.60-2.15%	Satisfactory
15-19		2.15-11.35%	
20-21	10.00%+	11.35%+	Higher risk

For loans that are performing, these descriptions can be summarised as follows:

Strong: there is a very high likelihood of the asset being recovered in full.

Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

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

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Group s impairment policies. 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.

Balance sheet credit quality

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

Overview

As at 31 December 2015, the ratio of the Group s assets classified as strong remained broadly stable at 85% (2014: 84%) of total assets exposed to credit risk.

Traded assets remained mostly investment grade with the following proportions being categorised as strong: 96% (2014: 94%) of total derivative financial instruments, 95% (2014: 91%) of debt securities held for trading and 99% (2014: 98%) of debt securities held as available for sale. The credit quality of counterparties to reverse repurchase agreements held at amortised cost, and designated at fair value categorised as strong was 83% (2014: 78%). The credit risk of these assets is significantly reduced as balances are largely collateralised.

In the loan portfolios, 89% of home loans (2014: 86%) to customers are measured as strong. The majority of credit card, unsecured and other retail lending remained satisfactory, reflecting the unsecured nature of a significant proportion of the balance, comprising 76% (2014: 71%) of the total. The credit quality profile of the Group s wholesale lending remained stable with counterparties rated strong at 72% (2014: 72%).

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented on pages 129 and 130 respectively.

Balance sheet credit quality (audited)

	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) %
As at 31 December 2015							
Cash and balances at central banks	49,711			49,711	100	0	0
Items in the course of collection from other banks	922	62	27	1,011	91	6	3
Trading portfolio assets:							
Debt securities	43,118	2,217	241	45,576	95	5	0
Traded loans	329	1,880	265	2,474	13	76	11
Total trading portfolio assets	43,447	4,097	506	48,050	90	9	1

Financial assets designated at fair value:							
Loans and advances	**16,751**	**790**	**372**	**17,913**	**94**	**4**	**2**
Debt securities	**1,378**	**3**	**2**	**1,383**	**100**	**0**	**0**
Reverse repurchase agreements and other similar secured lending[a]	**41,145**	**8,352**	**16**	**49,513**	**83**	**17**	**0**
Other financial assets	**313**	**62**		**375**	**83**	**17**	**0**
Total financial assets designated at fair value	**59,587**	**9,207**	**390**	**69,184**	**86**	**13**	**1**
Derivative financial instruments	**313,114**	**13,270**	**1,325**	**327,709**	**96**	**4**	**0**
Loans and advances to banks	**39,059**	**1,163**	**1,127**	**41,349**	**94**	**3**	**3**
Loans and advances to customers:							
Home loans	**139,252**	**9,704**	**6,907**	**155,863**	**89**	**6**	**5**
Credit cards, unsecured and other retail lending	**12,347**	**51,294**	**4,199**	**67,840**	**18**	**76**	**6**
Corporate loans	**125,743**	**39,600**	**10,171**	**175,514**	**72**	**22**	**6**
Total loans and advances to customers	**277,342**	**100,598**	**21,277**	**399,217**	**70**	**25**	**5**
Reverse repurchase agreements and other similar secured lending	**23,040**	**5,147**		**28,187**	**82**	**18**	**0**

Available for sale debt securities	**88,536**	**632**	**110**	**89,278**	**99**	**1**	**0**
Other assets	**1,142**	**233**	**35**	**1,410**	**81**	**17**	**2**
Total assets	**895,900**	**134,409**	**24,797**	**1,055,106**	**85**	**13**	**2**
As at 31 December 2014							
Cash and balances at central banks	39,695			39,695	100	0	0
Items in the course of collection from other banks	1,134	47	29	1,210	94	4	2
Trading portfolio assets:							
Debt securities	60,290	5,202	505	65,997	91	8	1
Traded loans	446	1,935	312	2,693	16	72	12
Total trading portfolio assets	60,736	7,137	817	68,690	89	10	1
Financial assets designated at fair value:							
Loans and advances	18,544	844	810	20,198	92	4	4
Debt securities	4,316	130	2	4,448	97	3	0
Reverse repurchase agreements and other similar secured lending	4,876	346	14	5,236	93	7	0
Other financial assets	269	168	32	469	57	36	7
Total financial assets	28,005	1,488	858	30,351	92	5	3

designated at fair value							
Derivative financial instruments	414,980	24,387	542	439,909	94	6	0
Loans and advances to banks	39,453	1,651	1,007	42,111	94	4	2
Loans and advances to customers:							
Home loans	143,700	13,900	9,374	166,974	86	8	6
Credit cards, unsecured and other retail lending	15,369	49,255	4,398	69,022	23	71	6
Corporate loans	137,102	42,483	12,186	191,771	72	22	6
Total loans and advances to customers	296,171	105,638	25,958	427,767	69	25	6
Reverse repurchase agreements and other similar secured lending	102,609	29,142	2	131,753	78	22	0
Available for sale debt securities	84,405	498	636	85,539	98	1	1
Other assets	1,336	282	62	1,680	79	17	4
Total assets	1,068,524	170,270	29,911	1,268,705	84	13	3

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

Risk review

Risk performance

Credit risk

As the principal source of credit risk to the Group, loans and advances to customers and banks is analysed in detail below:

Loans and advances to customers and banks

Analysis of loans and advances and impairment to customers and banks

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges[a] £m	Loan loss rates bps
As at 31 December 2015							
Personal & Corporate Banking	137,212	713	136,499	1,591	1.2	199	15
Africa Banking	17,412	539	16,873	859	4.9	273	157
Barclaycard	43,346	1,835	41,511	1,601	3.7	1,251	289
Barclays Core	197,970	3,087	194,883	4,051	2.0	1,723	87
Barclays Non-Core	11,610	369	11,241	845	7.3	85	73
Total Group Retail	209,580	3,456	206,124	4,896	2.3	1,808	86
Investment Bank	92,321	83	92,238	241	0.3	47	5
Personal & Corporate Banking	87,855	914	86,941	1,794	2.0	182	21
Africa Banking	14,955	235	14,720	541	3.6	80	53
Head Office and Other Operations	5,922		5,922				
	201,053	1,232	199,821	2,576	1.3	309	15

Barclays Core							
Barclays Non-Core	**34,854**	**233**	**34,621**	**345**	**1.0**	**(20)**	**(6)**
Total Group Wholesale	**235,907**	**1,465**	**234,442**	**2,921**	**1.2**	**289**	**12**
Group Total	**445,487**	**4,921**	**440,566**	**7,817**	**1.8**	**2,097**	**47**
Traded loans	**2,474**	**n/a**	**2,474**				
Loans and advances designated at fair value	**17,913**	**n/a**	**17,913**				
Loans and advances held at fair value	**20,387**	**n/a**	**20,387**				
Total loans and advances	**465,874**	**4,921**	**460,953**				
As at 31 December 2014							
Personal & Corporate Banking[b,c]	136,544	766	135,778	1,733	1.3	215	16
Africa Banking	21,334	681	20,653	1,093	5.1	295	138
Barclaycard	38,376	1,815	36,561	1,765	4.6	1,183	308
Barclays Core	196,254	3,262	192,992	4,591	2.3	1,693	86
Barclays Non-Core	20,259	428	19,831	1,209	6.0	151	75
Total Group Retail	216,513	3,690	212,823	5,800	2.7	1,844	85
Investment Bank	106,377	44	106,333	71	0.1	(14)	(1)
Personal & Corporate Banking[b]	88,192	873	87,319	2,112	2.4	267	30
Africa Banking	16,312	246	16,066	665	4.1	54	33
Head Office and Other Operations	3,240		3,240				
Barclays Core	214,121	1,163	212,958	2,848	1.3	307	14

Barclays Non-Core	44,699	602	44,097	841	1.9	53	12
Total Group Wholesale	258,820	1,765	257,055	3,689	1.4	360	14
Group Total	475,333	5,455	469,878	9,489	2.0	2,204	46
Traded loans	2,693	n/a	2,693				
Loans and advances designated at fair value	20,198	n/a	20,198				
Loans and advances held at fair value	22,891	n/a	22,891				
Total loans and advances	498,224	5,455	492,769				

Loans and advances at amortised cost net of impairment decreased to £440.6bn (2014: £469.9bn):

§ Non-Core decreased £18.1bn to £45.9bn driven by reclassification of Portuguese and Italian loans now held for sale and a reduction in Europe Retail driven by a run-off of assets

§ Investment Bank decreased by £14.1bn to £92.2bn reflecting a decrease in cash collateral balances and a decrease in settlement balances as a result of reduced trading volumes

§ Barclaycard increased by £5.0bn to £41.5bn as a result of business growth across the portfolio.

CRLs decreased £1.7bn to £7.8bn primarily due to a reduction of £0.9bn in Non-Core relating to the reclassification of the Portuguese business as held for sale and improved economic conditions for Corporate portfolios.

Loan impairment charges improved 5% to £2,097m, with a loan loss rate of 47bps (2014: 46bps). This reflected higher recoveries in Europe and the sale of the Spanish business in Non-Core, lower impairments in PCB due to the benign economic environment in the UK resulting in lower default rates and charges, partially offset by increased impairment in Barclaycard driven by growth in the business and updates to impairment model methodologies. Loan loss rates for Africa Banking increased reflecting lower year-end loans and advances balances due to Rand depreciation.

Notes

a Excluding impairment charges on available for sale investments and reverse repurchase agreements.

b UK Business Banking has been reclassified from Retail to Wholesale in line with how the business is now managed. 2014 figures have been revised to reflect this, with net loans and advances of £8.4bn, credit risk loans of £482m and impairment charges of £48m reclassified to Wholesale.

c 2014 PCB Credit Risk Loans have been revised by £151m to align the methodology for determining arrears categories with other Home Finance risk disclosures.

Analysis of gross loans and advances by product

	Home Loans £m	Credit cards, unsecured and other retail lending £m	Corporate Loans £m	Group Total £m
As at 31 December 2015				
Personal & Corporate Banking	**135,380**	**21,026**	**68,661**	**225,067**
Africa Banking	**10,368**	**7,633**	**14,366**	**32,367**
Barclaycard		**41,559**	**1,787**	**43,346**
Investment Bank			**92,321**	**92,321**
Head Office and Other Operations			**5,922**	**5,922**
Total Core	**145,748**	**70,218**	**183,057**	**399,023**
Barclays Non-Core	**10,633**	**1,016**	**34,815**	**46,464**
Group Total	**156,381**	**71,234**	**217,872**	**445,487**
As at 31 December 2014				
Personal & Corporate Banking	136,022	23,837	64,877	224,736
Africa Banking	12,959	8,375	16,312	37,646
Barclaycard		38,376		38,376
Investment Bank			106,377	106,377
Head Office and Other Operations			3,240	3,240
Total Core	148,981	70,588	190,806	410,375
Barclays Non-Core	18,540	1,779	44,639	64,958
Group Total	167,521	72,367	235,445	475,333

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 126 of the Barclays PLC 2015 Pillar 3 Report.

Geographic concentrations

As at 31 December 2015, the geographic concentration of the Group s assets remained broadly consistent with 2014. 40% (2014: 38%) of the exposure is concentrated in the UK, 31% (2014: 31%) in the Americas and 20% (2014: 22%) in Europe.

Information on exposures to selected Eurozone countries is presented on page 119.

Credit risk concentrations by geography (audited)

As at 31 December 2015	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	14,061	19,094	13,288	2,055	1,213	49,711
Items in the course of collection from other banks	543	72		396		1,011
Trading portfolio assets	7,150	10,012	23,641	2,111	5,136	48,050
Financial assets designated at fair value	22,991	5,562	35,910	3,039	1,682	69,184
Derivative financial instruments	99,658	103,498	101,592	3,054	19,907	327,709
Loans and advances to banks	10,733	9,918	13,078	2,900	4,720	41,349
Loans and advances to customers	239,086	47,372	69,803	33,461	9,495	399,217
Reverse repurchase agreements and other similar secured lending[a]	5,905	4,361	15,684	915	1,322	28,187
Available for sale debt securities	20,509	40,344	20,520	3,999	3,906	89,278
Other assets	868	4	131	314	93	1,410
Total on-balance sheet	421,504	240,237	293,647	52,244	47,474	1,055,106
Off-balance sheet:						
Contingent liabilities	9,543	3,020	5,047	2,505	461	20,576
Documentary credits and other short-term trade-related transactions	594	58		193		845
Forward starting reverse repurchase agreements[b]	9	5	65		14	93
Standby facilities, credit lines and other commitments	104,797	34,370	125,456	13,600	3,146	281,369
Total off-balance sheet	114,943	37,453	130,568	16,298	3,621	302,883
Total	536,447	277,690	424,215	68,542	51,095	1,357,989

Note

[a] During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

[b] Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting reverse repurchase agreements are within the scope of IAS 39 and are recognised as derivatives on the balance sheet.

Risk review

Risk performance

Credit risk

Credit risk concentrations by geography (audited)

As at 31 December 2014	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	13,770	12,224	9,365	2,161	2,175	39,695
Items in the course of collection from other banks	644	158		408		1,210
Trading portfolio assets	12,921	15,638	31,061	2,498	6,572	68,690
Financial assets designated at fair value	21,274	1,591	3,986	2,999	501	30,351
Derivative financial instruments	133,400	147,421	129,771	2,332	26,985	439,909
Loans and advances to banks	7,472	12,793	13,227	3,250	5,369	42,111
Loans and advances to customers	241,543	60,018	76,561	39,241	10,404	427,767
Reverse repurchase agreements and other similar secured lending	20,551	22,655	81,368	928	6,251	131,753
Available for sale debt securities	22,888	33,368	22,846	4,770	1,667	85,539
Other assets	837		232	483	128	1,680
Total on-balance sheet	475,300	305,866	368,417	59,070	60,052	1,268,705
Off-balance sheet:						
Acceptances, endorsements and other contingent liabilities						
Contingent liabilities	10,222	2,542	5,517	2,757	225	21,263
Documentary credits and other short-term trade-related transactions	851	36		186	18	1,091
Forward starting reverse repurchase agreements	4,462	5,936	701	2	2,755	13,856
Standby facilities, credit lines and other commitments	108,025	34,886	116,343	14,911	2,150	276,315
Total off-balance sheet	123,560	43,400	122,561	17,856	5,148	312,525
Total	598,860	349,266	490,978	76,926	65,200	1,581,230

Group exposures to specific countries (audited)

The Group recognises the credit and market risk resulting from the ongoing volatility in the Eurozone and continues to monitor events closely while taking coordinated steps to mitigate the risks associated with the challenging economic environment. These contingency plans have been reviewed and refreshed to ensure they remain effective.

The following table shows Barclays exposure to specific Eurozone countries monitored internally as being higher risk and thus being the subject of particular management focus. The basis of preparation is consistent with that described in the 2014 Form 20-F.

The net exposure provides the most appropriate measure of the credit risk to which the Group is exposed. The gross exposure is also presented below, alongside off-balance sheet contingent liabilities and commitments.

During 2015, the Group s net on-balance sheet exposures to Spain, Italy, Portugal, Ireland, Cyprus and Greece decreased by £17.2bn to £26.1bn primarily due to a £13.4bn reduction in Spain following the sale of the Spanish business. The £7.0bn decrease in residential mortgages relates predominantly to Portuguese and Italian loans reclassified to held for sale within the Financial institutions category.

As at 31 December 2015, the local net funding deficit in Italy was 3.8bn (2014: 9.9bn) and the deficit in Portugal was 1.4bn (2014: 1.9bn). The net funding surplus in Spain was 0.2bn (2014: 4.3bn).

Net exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Net on-balance sheet exposure £m	Gross on-balance sheet exposure £m
As at 31 December 2015							
Spain	**90**	**623**	**1,176**	**7**	**311**	**2,207**	**7,944**
Italy	**1,708**	**2,283**	**1,039**	**9,505**	**675**	**15,210**	**20,586**
Portugal	**87**	**3,346**	**152**	**6**	**700**	**4,291**	**4,555**
Ireland	**9**	**2,824**	**1,282**	**37**	**51**	**4,203**	**7,454**
Cyprus	**29**	**6**	**59**	**16**	**46**	**156**	**391**
Greece	**1**	**3**	**14**	**4**	**3**	**25**	**975**
Total	**1,924**	**9,085**	**3,722**	**9,575**	**1,786**	**26,092**	**41,905**
As at 31 December 2014							
Spain	108	14,043	1,149	12	248	15,560	24,873
Italy	1,716	485	1,128	13,530	1,114	17,973	25,967
Portugal	105	7	531	2,995	1,207	4,845	5,050
Ireland	37	3,175	1,453	43	50	4,758	9,445
Cyprus	28	12	61	6	16	123	707
Greece	1	11	15			27	1,279
Total	1,995	17,733	4,337	16,586	2,635	43,286	67,321

Other country risks being closely monitored include exposures to Russia and China.

Net exposure to Russia of £1.4bn (2014: £1.9bn) largely consists of retail loans and advances of £1.0bn (2014: £0.6bn). The retail loans and advances are predominantly secured against property in the UK and south of France. Gross exposure to Russia was £2.5bn (2014: £3.8bn) including derivative assets with financial institutions. The gross exposure is mitigated by offsetting derivative liabilities.

Net exposure to China of £3.7bn (2014: £4.8bn) largely consists of loans and advances (mainly cash collateral and settlement balances) to sovereign of £1.4bn (2014: £1.7bn) and financial institutions of £1.1bn (2014: £1.4bn). The gross exposure to China excluding offsetting derivative liabilities was £3.9bn (2014: £5.0bn).

Industrial concentrations (audited)

As at 31 December 2015, the industrial concentration of the Group s assets remained broadly consistent year on year. 42% (2014: 49%) of total assets were concentrated towards banks and other financial institutions, predominantly within derivative financial instruments which decreased during the year. The proportion of the overall balance concentrated towards governments and central banks remained stable at 12% (2014: 11%) and home loans at 12% (2014: 12%).

Credit risk concentrations by industry (audited)

As at 31 December 2015	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m
On-balance sheet:									
Cash and balances at central banks					49,711				
Items in the course of collection from other banks	1,011								
Trading portfolio assets	1,897	11,826	970	538	25,797	2,554	315	2,727	550
Financial assets designated at fair value	14,015	35,109	104	8,642	7,380	33	191	3,402	229

Derivative financial instruments	**185,782**	**114,727**	**2,701**	**2,940**	**6,113**	**4,538**	**1,063**	**5,346**	
Loans and advances to banks	**36,829**				**4,520**				
Loans and advances to customers		**80,729**	**12,297**	**23,519**	**5,940**	**7,743**	**13,830**	**25,728**	**155,863**
Reverse repurchase agreements and other similar secured lending[a]	**8,676**	**18,022**		**1,011**	**305**		**35**	**138**	
Available for sale debt securities	**9,745**	**6,114**	**68**	**43**	**67,645**	**182**	**107**	**5,134**	
Other assets	**312**	**1,077**			**20**				
Total on-balance sheet	**258,267**	**267,604**	**16,140**	**36,693**	**167,431**	**15,050**	**15,541**	**42,475**	**156,642**
Off-balance sheet:									
Contingent liabilities	**1,152**	**4,698**	**3,142**	**958**	**9**	**3,073**	**1,301**	**4,645**	**100**
Documentary credits and other short-term trade-related transactions	**378**	**17**	**142**	**1**		**3**	**129**	**50**	
Forward starting reverse repurchase agreements[b]	**78**	**15**							
Standby facilities, credit lines and other commitments	**946**	**31,152**	**35,865**	**11,337**	**871**	**26,217**	**15,054**	**23,180**	**11,708**
Total off-balance sheet	**2,554**	**35,882**	**39,149**	**12,296**	**880**	**29,293**	**16,484**	**27,875**	**11,808**
Total	**260,821**	**303,486**	**55,289**	**48,989**	**168,311**	**44,343**	**32,025**	**70,350**	**168,450**

Net on-balance sheet exposure to the Oil and Gas sector was £4.4bn (2014: £5.8bn), with contingent liabilities and commitments to this sector of £13.8bn (2014: £12.5bn). Impairment charges were £106m (2014: £1m). The ratio of the Group s total net exposures classified as strong or satisfactory was 97% (2014: 99%) of the total net exposure to credit risk in this sector.

If average oil prices remained at $30 per barrel throughout 2016, estimated additional impairment of approximately £250m would result. If average oil prices were to reduce to $25 per barrel throughout 2016, estimated additional impairment of approximately £450m would result.

Note

[a] During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.
[b] Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting reverse repurchase agreements are within the scope of IAS 39 and recognised as derivatives on the balance sheet.

Risk review

Risk performance

Credit risk

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	un lo p
On-balance sheet:										
Cash and balances at central banks					39,695					
Items in the course of collection from other banks	1,210									
Trading portfolio assets	2,894	17,718	1,466	593	39,201	2,745	385	2,751		
Financial assets designated at fair value	5,113	1,548	70	9,358	10,378	73	207	3,127	393	
Derivative financial instruments	257,463	149,050	2,519	3,454	7,691	7,794	1,510	6,227		
Loans and advances to banks	40,265				1,846					
Loans and advances to customers		103,388	11,647	22,842	7,115	8,536	13,339	22,372	166,974	
Reverse repurchase agreements and other	38,946	86,588		4,845	739		24	611		

similar secured lending									
Available for sale debt securities	11,122	8,365	68	45	61,341	194	27	4,084	
Other assets	635	995		14	24			12	
Total on-balance sheet	357,648	367,652	15,770	41,151	168,030	19,342	15,492	39,184	167,367
Off-balance sheet:									
Contingent liabilities	1,159	5,177	2,709	698		2,757	1,157	6,496	45
Documentary credits and other short-term trade-related transactions	470	12	197	14		1	218	62	55
Forward starting reverse repurchase agreements	2,128	11,724			4				
Standby facilities, credit lines and other commitments	2,643	29,645	28,589	11,449	2,400	24,830	12,771	24,534	16,119
Total off-balance sheet	6,400	46,558	31,495	12,161	2,404	27,588	14,146	31,092	16,219
Total	364,048	414,210	47,265	53,312	170,434	46,930	29,638	70,276	183,586

Analysis of specific portfolios and asset types

This section provides an analysis of principal portfolios and businesses in the retail and wholesale segments. In particular, home loans, credit cards, overdrafts and unsecured loans are covered for retail segments while exposures in Investment Bank and PCB including watch list analysis are covered for wholesale segments.

In general, benign economic conditions in the UK and US aided better performance in 2015. South African portfolios were resilient despite challenging market conditions with economic growth being affected by weak manufacturing and low commodity prices.

Secured home loans

Total home loans to retail customers of £156bn (2014: £161bn) represented 75% (2014: 72%) of the Group s total retail balances. The reduction in balances was principally driven by: Portuguese home loans and part of the Italian home loans portfolio being redesignated as held for sale; and, South African home loans due to the depreciation of the Rand.

The two principal portfolios listed below account for 88% of home loans in the Group s retail portfolios, and comprise first lien mortgages.

Home loans principal portfolios

	Gross loans and advances £m	>90 day arrears %	Non-performing proportion of outstanding balances %	Gross charge-off rates %	Recoveries proportion of outstanding balances %	Recoveries impairment coverage ratio %
As at 31 December 2015						
PCB UK	**127,750**	**0.2**	**0.7**	**0.3**	**0.4**	**10.1**
Africa Banking South Africa	**9,180**	**0.9**	**4.0**	**1.6**	**3.2**	**26.4**
As at 31 December 2014						
PCB UK	126,668	0.2	0.6	0.4	0.4	8.3
	11,513	0.7	4.8	1.9	4.1	31.1

Africa Banking
South Africa
PCB UK: Portfolio performance remained steady reflecting the continuing low base rate environment, house price appreciation, and benign economic conditions.

Within the UK home loans portfolio:

- owner-occupied interest only home loans comprised 32% (2014: 33%) of total balances. The average balance weighted LTV on these loans reduced to 44.7% (2014: 48.7%), and >90 day arrears remained broadly steady at 0.2% (2014: 0.1%)

- buy-to-let home loans comprised 9% (2014: 8%) of total balances. The average balance weighted LTV reduced to 54.6% (2014: 57.6%), and >90 day arrears remained steady at 0.2% (2014: 0.1%).

The recoveries impairment coverage increased to 10.1% (2014: 8.3%). In 2015, management adjustments to impairment allowances were better aligned to appropriate segments of the portfolio, resulting in a reduction of the impairment allocated to the recoveries book. The overall impairment coverage of the total home loans portfolio remained unchanged.

Africa Banking South Africa: Gross loans and advances reduced by 20%, primarily driven by the depreciation of the Rand and repayments on the existing book. The improvement in the charge-off rates to 1.6% (2014: 1.9%) resulted from the focus on collections strategies and reduced rolls through delinquency cycles.

Risk review

Risk performance

Credit risk

Home loans principal portfolios distribution of balances by LTV

As at 31 December	Distribution of balances 2015 %	Distribution of balances 2014 %	Impairment coverage ratio 2015 %	Impairment coverage ratio 2014 %	Non-performing proportion of outstanding balances 2015 %	Non-performing proportion of outstanding balances 2014 %	Non-performing balances impairment coverage ratio 2015 %	Non-performing balances impairment coverage ratio 2014 %	Recoveries proportion of outstanding balances 2015 %	Recoveries proportion of outstanding balances 2014 %	Recoveries impairment coverage ratio 2015 %	Recoveries impairment coverage ratio 2014 %
PCB UK												
<=75%	92.1	90.2	0.1		0.6	0.6	4.7	2.8	0.4	0.3	6.8	4.6
>75% and <=80%	3.4	4.2	0.2	0.2	1.0	1.2	13.5	6.9	0.8	0.8	15.7	9.2
>80% and <=85%	2.1	2.3	0.3	0.2	1.0	1.4	16.7	8.9	0.7	0.9	21.4	11.3
>85% and <=90%	1.4	1.4	0.3	0.4	1.3	1.7	15.7	13.0	1.0	1.3	17.8	15.9
>90% and <=95%	0.6	1.0	0.6	0.4	1.8	1.9	25.7	13.7	1.5	1.3	28.2	17.8
>95% and <=100%	0.2	0.4	1.3	1.0	4.0	2.9	25.4	21.4	3.5	2.2	27.9	26.4
>100%	0.2	0.5	3.4	2.4	7.0	6.0	35.6	28.6	5.6	4.3	41.2	36.1
Africa Banking												
South Africa												
<=75%	76.1	74.6	0.7	0.7	0.6	0.5	13.6	16.2	1.8	1.9	17.9	20.4
>75% and <=80%	6.8	7.7	1.6	1.5	1.0	0.9	18.4	20.0	3.3	3.0	21.4	23.5
>80% and <=85%	5.3	5.9	1.9	2.0	1.0	1.1	19.2	21.1	3.5	4.2	21.1	23.7
>85% and <=90%	3.8	4.3	2.3	2.5	0.9	1.0	20.2	22.3	4.8	5.1	21.8	24.3
>90% and <=95%	2.6	2.5	3.7	4.3	1.2	1.4	23.8	26.3	5.9	8.7	24.2	27.6
>95% and <=100%	1.8	1.5	4.8	5.4	1.3	1.5	25.6	23.4	7.8	11.6	26.0	24.1
>100%	2.8	3.5	14.1	16.4	1.9	1.9	29.7	32.5	26.7	37.1	29.7	32.9

Home loans principal portfolios Average LTV

PCB	UK	Africa Banking	South Africa

As at 31 December	2015 %	2014 %	2015 %	2014 %
Portfolio marked to market LTV (%):				
Balance weighted	**49.2**	51.6	**58.4**	59.9
Valuation weighted	**37.3**	39.8	**39.1**	40.2
Performing balances (%):				
Balance weighted	**48.8**	51.5	**57.5**	58.6
Valuation weighted	**37.3**	39.7	**38.6**	39.5
Non-performing balances (%):				
Balance weighted	**56.5**	62.1	**79.3**	87.0
Valuation weighted	**45.1**	49.8	**59.3**	64.7
For >100% LTVs:				
Balances (£m)	**310**	641	**257**	390
Marked to market collateral (£m)	**260**	558	**218**	324
Average LTV: balance weighted (%)	**123.0**	120.9	**121.1**	124.2
Average LTV: valuation weighted (%)	**118.5**	114.8	**117.7**	120.3
% of balances in recoveries	**5.6**	4.4	**26.6**	37.1

Balance weighted LTV in the UK reduced to 49.2% (2014: 51.6%) due to an increase in average house prices, particularly in London and the South East. The overall non-performing impairment coverage in the UK remained flat year on year but increased across LTV ranges, due to granular alignment of management adjustments across portfolio segments.

PCB UK: The house price appreciation resulted in a 52% reduction in home loans that have LTV >100% to £310m (2014: £641m).

Africa Banking South Africa: Balances with >100% LTV reduced 34% to £257m (2014: £390m), primarily due to a reduction in the size of the recovery book as older and higher risk loans were written off, in addition to the depreciation of the Rand.

Home loans principal portfolios new lending

As at 31 December	PCB 2015	UK 2014	Africa Banking 2015	South Africa 2014
New bookings (£m)	**18,812**	20,349	**1,621**	1,590
New mortgages proportion above 85% LTV (%)	**8.2**	6.6	**40.8**	33.5
Average LTV on new mortgages: balance weighted (%)	**63.9**	64.8	**75.7**	74.8
Average LTV on new mortgages: valuation weighted (%)	**55.0**	57.0	**66.9**	65.4

PCB UK: New lending during 2015 reduced by 8%, reflecting an unchanged risk profile against heightened market activity in the prime residential segment.

Africa Banking South Africa: The proportion of new home loans with LTV above 85% increased to 40.8% (2014: 33.5%) due to a revised strategy which allowed a greater proportion of higher LTV loans to be booked for lower risk customers.

Note

a Portfolio marked to market based on the most updated valuation including recoveries balances. Updated valuations reflect the application of the latest house price index available in the country as at 31 December 2015.

Exposure to interest only owner-occupied home loans excluding part and part interest only (P&P IO)[a]

As at 31 December	2015	2014
Interest only balances, excluding P&P IO (£m)	**33,901**	35,328
Interest only home loans maturity years (£m):		
2016	**703**	864
2017	**1,043**	1,180
2018	**1,131**	1,249
2019	**1,080**	1,195
2020	**1,090**	1,176
2021-2025	**7,359**	7,632
Post 2025	**21,155**	21,104
Total Impairment coverage (bps)	**11**	8
Marked to market LTV: total balances (%)		
Balance weighted	**44.7**	48.7
Valuation weighted	**34.7**	37.6
For >100% LTVs: (£m)		
Balances	**178**	349
Marked to market collateral	**150**	302
Overview of performing portfolio		
Performing balances (£m)	**33,690**	35,155
Marked to market LTV: performing balances (%)		
Balance weighted	**44.6**	48.6
Valuation weighted	**34.6**	37.5
Overview of non-performing portfolio		
Non-performing balances (£m)	**211**	173
Non-performing proportion of interest only balances excluding P&P IO (%)	**0.6**	0.5
Marked to market LTV: non-performing balances (%)		
Balance weighted	**61.4**	66.2
Valuation weighted	**49.8**	54.1

Interest only mortgages account for £50bn (2014: £51bn) of the total balance of £128bn (2014: £127bn) of UK home loans. This comprised £40bn (2014: £42bn) to owner-occupied customers, and £10bn (2014: £9bn) to buy-to-let customers.

Of the £40bn exposure to owner-occupied customers, £34bn (2014: £35bn) was interest only, with the remaining £6bn (2014: £7bn) representing the interest only component of part and part mortgages.

The average balance weighted LTV for interest only owner-occupied balances reduced to 44.7% (2014: 48.7%) as property prices appreciated. The increase in impairment coverage to 11bps (2014: 8bps) was due to (i) enhancements in methodology, where management adjustments to impairment allowances were allocated on a more granular basis to their appropriate segments; and (ii) a broadening of the high risk definition used on interest only mortgages. The overall impairment coverage of the total home loans portfolio remained unchanged.

Exposures to mortgage current accounts (MCA) reserves

The MCA reserve is a secured overdraft facility previously available to home loan customers in the UK on either a fully amortising or interest only mortgage loan, which allows them to borrow against the equity in their home. It permits draw-down up to an agreed available limit on a separate but connected account to the main mortgage loan facility. The balance drawn must be repaid on redemption of the mortgage.

Of the total 917k home loan customers in the UK, 442k have MCA reserves, with total reserve limits of £11.3bn (2014: £17.9bn).

As at 31 December	**2015**	**2014**
Total outstanding of home loans with MCA reserve balances (£bn)	**53.6**	62.2
As a proportion of outstanding UK home loan balances (%)	**42.0**	49.1
Home loan customers with active reserves (000s)	**442**	505
Total reserve limits (£bn)	**11.3**	17.9
Utilisation rate (%)	**48.9**	32.3
Utilisation (£bn)	**5.5**	5.8
Marked to market LTV: balance weighted (%)	**43.7**	47.7

Total outstanding balances which are an aggregate of the mortgage account and the drawn reserve, reduced 14% to £53.6bn (2014: £62.2bn), during the period reflecting paydowns in the main mortgage account.

Reduction in portfolio reserve limits to £11.3bn (2014: £17.9bn) is due to an active limit management programme, combined with natural mortgage redemptions from the existing book during the period. As a result, the utilisation rate increased to 48.9% (2014: 32.3%). MCA balances have remained broadly stable at £5.5bn (2014: £5.8bn), while the average balance weighted LTV reduced to 43.7% (2014: 47.7%) due to an increase in average house prices and repayment on the main mortgage loan.

Although the product has been withdrawn from sale, existing customers can continue to draw against their available reserves.

Note

a A part and part home loan is a product in which part of the loan is interest only and part is amortising. Analysis excludes the interest only portion of the part and part book which contributes £6.2bn (2014: £6.6bn) to the total owner occupied interest only balance of the £40.1bn (2014: £41.9bn). The total exposure on part and part book is £9.9bn (2014, £9.8bn) and represents 8% of total UK home loans portfolio.

Risk review

Risk performance

Credit risk

Credit cards, overdrafts, and unsecured loans

The principal portfolios listed below accounted for 91% (2014: 88%) of the Group s credit cards, overdrafts and unsecured loans.

Principal portfolios	Gross loans and advances £m	30 day arrears, excluding recoveries %	90 day arrears, excluding recoveries %	Gross charge-off rates %	Recoveries proportion of outstanding balances %	Recoveries impairment coverage ratio %
As at 31 December 2015						
Barclaycard						
UK cards[a]	**18,502**	**2.3**	**1.2**	**5.2**	**3.6**	**82.6**
US cards[a]	**16,699**	**2.2**	**1.1**	**3.9**	**2.0**	**84.8**
Barclays Partner Finance	**3,986**	**1.5**	**0.6**	**2.4**	**2.5**	**85.2**
Germany cards	**1,419**	**2.3**	**1.0**	**3.8**	**2.7**	**81.2**
Personal & Corporate Banking						
UK personal loans	**5,476**	**1.9**	**0.8**	**3.0**	**7.5**	**73.9**
Africa Banking						
South Africa cards	**1,886**	**8.5**	**5.0**	**8.4**	**7.4**	**72.6**
As at 31 December 2014						
Barclaycard						
UK cards[a]	17,447	2.5	1.2	4.3	4.9	87.6
US cards[a]	14,005	2.1	1.0	3.7	1.8	87.1
Barclays Partner Finance	3,399	1.5	0.7	2.4	2.7	76.8
Germany cards	1,355	2.5	1.1	3.8	3.4	82.8
Personal & Corporate Banking						
UK personal loans	4,953	2.0	0.9	3.4	10.0	76.3
Africa Banking						

South Africa cards	2,364	8.1	4.6	7.6	5.9	75.7

UK cards: In 2015, both early and late stage arrears remained stable within UK cards. The increase in charge-off rate and the reduction in recoveries as a proportion of outstanding was due to the acceleration of delinquent accounts to charge-off prior to debt sale. The decrease in recovery coverage ratio was driven by enhancements to impairment methodology, which took into account the improvement in recoveries and the impact of debt sales.

US cards: Gross loans and advances increased 19% to £16.7bn (2014: £14bn) principally driven by increased new business volumes. Arrears and charge-off rates remained broadly in line with 2014. The decrease in recoveries impairment coverage ratio was due to enhancements to impairment methodology and improvements in recovery expectation.

UK personal loans: Arrears and charge-off rates fell despite a 11% growth in gross loans and advances and reflected the benign economic conditions in the UK.

Barclays Partner Finance: Gross loans and advances increased 17% to £4.0bn (2014: £3.4bn). Portfolio arrears and charge-off rates remained broadly steady in 2015. The recoveries impairment coverage ratio increased following a management adjustment for the secured motor segment (portfolio started in 2012), which took into account changes to expected recoveries performance as the portfolio matured.

Germany cards: The decrease in recoveries proportion of outstanding balances was due to write off of legacy accounts previously held in recoveries until system migration activities were concluded.

South Africa cards: The increased arrears reflected bookings growth in 2015 in line with business strategy and weaker economic conditions. The gross charge-off rate and the recoveries proportion of outstanding balances percentage increased during 2015 due to additional charge-off in the Edcon portfolio as it was aligned with the Group s charge-off policy.

Note

a For UK and US cards, outstanding recoveries balances for acquired portfolios recognised at fair value (which have no related impairment allowance) have been excluded from the recoveries impairment coverage ratio. Losses have been recognised where related to additional spend from acquired accounts in the period post acquisition.

Exposure to UK Commercial Real Estate (CRE)

The UK CRE portfolio includes property investment, development, trading, and house builders but excludes social housing and contractors.

UK CRE summary

As at 31 December	2015	2014
UK CRE loans and advances (£m)	**11,617**	11,681
Past due balances (£m)	**183**	393
Balances past due as % of UK CRE balances (%)	**1.6**	3.4
Impairment allowances (£m)	**99**	100
Past due coverage ratio (%)	**54.1**	25.7
Total collateral (£m)[a]	**27,062**	25,205
Twelve months ended 31 December		
Impairment charge (£m)	**4**	23

Maturity analysis of exposure to UK CRE

	Contractual maturity of UK CRE loans and advances at amortised cost							
As at 31 December	Past due balances £m	Not more than six months £m	Over six months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total loa & advanc £
2015	**183**	**801**	**751**	**941**	**5,779**	**1,076**	**2,087**	**11,6**
2014	393	838	839	1,287	4,161	1,939	2,224	11,6

Total loans and advances at amortised cost remained broadly stable at £11.6bn (2014: £11.7bn) with growth limited to high quality assets. The total collateral increased by 7% to £27.1bn.

The UK CRE businesses operate to specific lending criteria and the portfolio of assets is continually monitored through a range of mandates and limits. The improvement in the past due coverage ratio in 2015 was driven by the sale of three unimpaired real estate loans.

UK CRE LTV analysis

	Balances		Balances as proportion of total		Collateral held	
	2015	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**%**	%	**£m**	£m
Group						
<=100%	**9,045**	9,011	**78**	78	**26,927**	25,036
>100% and <=125%	**119**	149	**1**	1	**106**	138
>125%	**47**	167		1	**29**	31
Unassessed balances[b]	**1,636**	1,748	**14**	15		
Unsecured balances	**770**	606	**7**	5		
Total	**11,617**	11,681	**100**	100	**27,062**	25,205

Portfolio LTVs have reduced due to appreciating commercial property values. Unsecured balances primarily relate to working capital facilities granted to CRE companies.

Notes

a Based on the most recent valuation assessment.
b Corporate Banking balances under £1m.

Risk review

Risk performance

Credit risk

Investment Bank

Analysis of loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2015							
Loans and advances to banks							
Interbank lending	10,174		10,174				
Cash collateral and settlement balances	7,259		7,259				
Loans and advances to customers							
Wholesale lending	31,451	83	31,368	241	0.8	47	15
Cash collateral and settlement balances	43,437		43,437				
Total	92,321	83	92,238	241	0.3	47	5

As at 31 December 2014
Loans and advances

to banks							
Interbank lending	10,275		10,275			(3)	(3)
Cash collateral and settlement balances	9,626		9,626				
Loans and advances to customers							
Wholesale lending	28,436	44	28,392	71	0.2	(11)	(4)
Cash collateral and settlement balances	58,040		58,040				
Total	106,377	44	106,333	71	0.1	(14)	(1)

Non-Core Wholesale

The table below details Non-Core loans and advances which form part of the Wholesale risk portfolio.

Analysis of loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2015							
Loans and advances to banks							
Interbank lending	**258**		**258**			**(7)**	**(271)**
Cash collateral and settlement balances	**10,131**		**10,131**				
Loans and advances to customers							
	5,277	**233**	**5,044**	**345**	**6.5**	**(13)**	**(25)**

Wholesale lending							
Cash collateral and settlement balances	**19,188**		**19,188**				
Total	**34,854**	**233**	**34,621**	**345**	**1.0**	**(20)**	**(6)**
As at 31 December 2014							
Loans and advances to banks							
Interbank lending	373		373				
Cash collateral and settlement balances	11,622		11,622				
Loans and advances to customers							
Wholesale lending	8,978	602	8,376	841	9.4	53	59
Cash collateral and settlement balances	23,726		23,726				
Total	44,699	602	44,097	841	1.9	53	12

Wholesale lending decreased £3.7bn to £5.3bn driven by the reclassification of Portuguese loans now held for sale and rundown of legacy loan portfolios. Wholesale loans predominantly relate to capital equipment loans, legacy Collateralised Loan Obligations (CLO) and legacy Collateralised Debt Obligations (CDO).

Loan impairment charges improved £73m to a release of £20m reflecting higher recoveries in Europe and the sale of the Spanish business.

CRLs decreased to £345m (2014: £841m) as a result of the reclassification of Portuguese loans now held for sale and continued rundown of the Non-Core Investment Bank portfolio.

Wholesale Personal and Corporate Banking

The table below details Personal and Corporate Banking loans and advances which form part of the Wholesale risk portfolio.

Analysis of loans and advances at amortised cost	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2015							
Banks	3,593		3,593				
Other financial institutions	6,321	16	6,305	46	0.7	2	3
Manufacturing	6,762	37	6,725	51	0.8	2	3
Construction	3,267	38	3,229	47	1.4	1	3
Property	15,309	166	15,143	645	4.2	2	1
Government and central bank	1,304		1,304				
Energy and water	2,216	79	2,137	103	4.6	82	370
Wholesale and retail distribution and leisure	11,333	165	11,168	261	2.3	(8)	(7)
Business and other services	16,536	223	16,313	271	1.6	54	33
Home loans[a]	5,730	20	5,710	142	2.5		
Cards, unsecured loans and	8,714	1	8,713	14	0.2	4	5

other personal lending[a]							
Other	**6,770**	**169**	**6,601**	**214**	**3.2**	**43**	**64**
Total	**87,855**	**914**	**86,941**	**1,794**	**2.0**	**182**	**21**
As at 31 December 2014[b]							
Banks	5,507		5,507			1	2
Other financial institutions	5,357	13	5,344	85	1.6	26	49
Manufacturing	7,174	47	7,127	106	1.5		
Construction	3,094	40	3,054	58	1.9	7	21
Property	15,480	194	15,286	833	5.4	36	23
Government and central bank	1,187		1,187				
Energy and water	1,950	2	1,948	2	0.1	3	16
Wholesale and retail distribution and leisure	10,928	175	10,753	342	3.1	56	52
Business and other services	14,160	177	13,983	344	2.4	54	38
Home loans[a]	6,864	36	6,828	96	1.4	34	50
Cards, unsecured loans and other personal lending	9,628	60	9,568	16	0.2	22	23
Other	6,863	129	6,734	229	3.3	28	40
Total	88,192	873	87,319	2,111	2.4	267	30

Wholesale PCB loans and advances and CRLs remained broadly stable at £87.9bn (2014: £88.2bn) and £1.8bn (2014: £2.1bn) respectively.

Loan impairment charges improved 32% to £182m due to the benign economic environment in the UK. This led to a decrease in the loan loss rate to 21bps (2014: 30bps).

Analysis of Wholesale balances on watch list

Wholesale accounts that are deemed to contain heightened levels of risk are recorded on a graded watch list comprising four categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default:

§ Category 1: a temporary classification for performing obligors who exhibit some unsatisfactory features

§

Category 2: performing obligors where some doubt exists, but the belief is that the obligor can meet obligations over the short term

§ Category 3: obligors where definite concern exists with well defined weaknesses and failure in the short term could arise should further deterioration occur

§ Category 4: non-performing obligors, insolvent or regulatory default. High risk of loss.

Notes

a Included in the above analysis are Wealth and Investment Management exposures measured on an individual customer exposure basis.

b UK Business Banking has been reclassified from Retail to Wholesale in line with how the business is now managed. 2014 figures have been restated to reflect this, with net loans and advances of £8.4bn, credit risk loans of £482m and impairment charges of £48m being reclassified to Wholesale.

Risk review

Risk performance

Credit risk

Watch list rating of wholesale balances[a]

	Watch list 1		Watch list 2		Watch list 3		Watch list 4		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Energy and Water	**1,247**	160	**314**	1,011	**447**	480	**285**	49	**2,293**	1,700
Manufacturing	**928**	483	**539**	347	**138**	162	**267**	395	**1,872**	1,387
Agriculture, Forestry, Fishing & Miscellaneous Activities	**425**	277	**496**	517	**544**	324	**275**	445	**1,740**	1,563
Wholesale and Retail, Distribution and Leisure	**626**	249	**582**	939	**272**	388	**260**	536	**1,740**	2,112
Property	**424**	513	**410**	600	**378**	1,458	**498**	1,212	**1,710**	3,782
Business and Other Services	**220**	241	**516**	583	**639**	214	**149**	157	**1,524**	1,196
Transport	**86**	98	**121**	148	**208**	285	**98**	111	**513**	641
Construction	**65**	47	**175**	131	**108**	136	**84**	147	**432**	461
Financial Institutions/Services	**(59)**	29	**69**	391	**62**	345	**302**	325	**374**	1,090
Other	**53**	75	**69**	91	**119**	72	**88**	29	**329**	268
Total	**4,015**	2,172	**3,291**	4,758	**2,915**	3,865	**2,306**	3,405	**12,527**	14,200
As a percentage of total balances	**32%**	15%	**26%**	34%	**23%**	27%	**19%**	24%	**100%**	100%

Total watch list balances fell by 12% to £12.5bn principally reflecting the sale of the corporate business in Spain.

Total watch list balances to energy and water increased by 35% to £2,293m (2014: £1,700m), reflecting the increased stress in the oil and gas sector as a result of the oil price. Watch list balances in manufacturing increased due to increased stress in the automotive sector.

Analysis of debt securities

Debt securities include government securities held as part of the Group s treasury management portfolio for liquidity and regulatory purposes, and are for use on a continuing basis in the activities of the Group.

The following tables provide an analysis of debt securities held by the Group for trading and investment purposes by issuer type, and where the Group held government securities exceeding 10% of shareholders equity.

Further information on the credit quality of debt securities is presented on pages 115 to 116. Further disclosure on sovereign exposures to selected Eurozone countries is presented on page 119.

Debt securities

As at 31 December	2015 £m	2015 %	2014 £m	2014 %
Of which issued by:				
Governments and other public bodies	**96,537**	**70.9**	106,292	68.1
Corporate and other issuers	**26,166**	**19.2**	29,557	19.0
US agency	**8,927**	**6.6**	11,460	7.3
Mortgage and asset backed securities	**4,009**	**2.9**	8,396	5.4
Bank and building society certificates of deposit	**598**	**0.4**	279	0.2
Total	**136,237**	**100.0**	155,984	100.0

Government securities

As at 31 December	2015 Fair value £m	2014 Fair value £m
US	**26,119**	32,096
UK	**22,372**	28,938
France	**8,874**	6,259
Germany	**6,619**	7,801

Note

a Balances represent on-balance sheet exposures and comprise PCB, Barclays Africa, Non-Core and Investment Bank.

Analysis of derivatives (audited)

The tables below set out the fair value of the derivative assets, together with the value of those assets subject to enforceable counterparty netting arrangements for which the Group holds offsetting liabilities and eligible collateral.

Derivative assets

	2015			2014		
	Balance sheet assets	Counterparty netting	Net exposure	Balance sheet assets	Counterparty netting	Net exposure
As at 31 December	£m	£m	£m	£m	£m	£m
Foreign exchange	**54,936**	**40,301**	**14,635**	74,470	58,153	16,317
Interest rate	**231,426**	**190,513**	**40,913**	309,946	253,820	56,126
Credit derivatives	**18,181**	**14,110**	**4,071**	23,507	19,829	3,678
Equity and stock index	**13,799**	**8,358**	**5,441**	14,844	10,523	4,321
Commodity derivatives	**9,367**	**6,300**	**3,067**	17,142	11,306	5,836
Total derivative assets	**327,709**	**259,582**	**68,127**	439,909	353,631	86,278
Cash collateral held			**34,918**			44,047
Net exposure less collateral			**33,209**			42,231

Derivative asset exposures would be £295bn (2014: £398bn) lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty, or for which the Group holds cash collateral. Similarly, derivative liabilities would be £295bn (2014: £397bn) lower reflecting counterparty netting and collateral placed. In addition, non-cash collateral of £7bn (2014: £8bn) was held in respect of derivative assets. The Group received collateral from clients in support of over the counter derivative transactions. These transactions are generally undertaken under International Swaps and Derivative Association (ISDA) agreements governed by either UK or New York law.

Exposure relating to derivatives, repurchase agreements, reverse repurchase agreements, stock borrowing and loan transactions is calculated using internal PRA approved models. These are used as the basis to assess both regulatory capital and capital appetite and are managed on a daily basis. The methodology encompasses all relevant factors to enable the current value to be calculated and the future value to be estimated, for example, current market rates, market volatility and legal documentation (including collateral rights).

The table below sets out the fair value and notional amounts of Over the Counter (OTC) derivative instruments by type of collateral arrangement.

Derivatives by collateral arrangement

	2015			2014		
	Notional contract amount	Fair value Assets	Fair value Liabilities	Notional contract amount	Fair value Assets	Fair value Liabilities
	£m	£m	£m	£m	£m	£m
Unilateral in favour of Barclays						
Foreign exchange	15,645	242	(308)	15,067	191	(158)
Interest rate	4,365	846	(65)	5,826	940	(72)
Credit derivatives	277	2	(7)	226	3	(4)
Equity and stock index	303	4	(146)	310	3	(8)
Commodity derivatives	905	150	(30)	2,455	158	(120)
Total unilateral in favour of Barclays	21,495	1,244	(556)	23,884	1,295	(362)
Unilateral in favour of counterparty						
Foreign exchange	50,343	810	(2,107)	24,861	681	(2,713)
Interest rate	121,231	4,436	(6,981)	138,396	6,073	(8,751)
Credit derivatives	140	3	(1)	403	6	(19)
Equity and stock index	827	100	(83)	1,100	133	(137)
Commodity derivatives	74		(3)	2,881	359	(138)
Total unilateral in favour of counterparty	172,615	5,349	(9,175)	167,641	7,252	(11,758)
Bilateral arrangement						
Foreign exchange	2,878,125	46,831	(50,899)	3,350,366	67,496	(70,919)
Interest rate	7,315,345	197,900	(188,293)	9,032,753	263,812	(256,697)
Credit derivatives	663,090	13,617	(11,985)	887,041	18,290	(17,002)
Equity and stock index	144,108	4,991	(8,297)	162,615	6,033	(10,498)
Commodity derivatives	36,794	3,164	(3,104)	68,400	6,254	(6,377)
Total bilateral arrangement	11,037,462	266,503	(262,578)	13,501,175	361,885	(361,493)
Uncollateralised derivatives						
Foreign exchange	271,819	7,008	(5,424)	303,341	6,028	(5,452)
Interest rate	193,565	6,091	(2,907)	199,615	8,572	(3,524)
Credit derivatives	7,881	467	(700)	8,716	565	(800)
Equity and stock index	6,672	2,204	(3,075)	5,789	2,115	(2,406)
Commodity derivatives	13,347	1,733	(1,667)	26,099	2,806	(2,766)
Total uncollateralised derivatives	493,284	17,503	(13,773)	543,560	20,086	(14,948)
Total OTC derivative assets/(liabilities)	11,724,856	290,599	(286,082)	14,236,260	390,518	(388,561)

Risk review

Risk performance

Credit risk

Analysis of loans on concession programmes

Re-age activity

Re-age is applicable only to revolving products where a minimum due payment is required. Re-age refers to returning of a delinquent account to up to date status without collecting the full arrears (principal, interest and fees).

The following are the principal portfolios in which re-age activity occurs.

Principal portfolios core portfolios

	New re-ages in the year		New re-ages as proportion of total outstanding		30 day arrears at 12 months since re-age	
	2015	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**%**	%	**%**	%
UK cards	**117**	163	**0.7**	1.0	**40.5**	43.4
US cards	**36**	31	**0.2**	0.2	**47.2**	46.8

UK cards: The reduction of new to re-ages in the year is due to changes in operational and qualification criteria resulting in reduced volume of accounts qualifying for re-age. Enhanced criteria has also led to lower 30 day arrears at 12 months after re-age.

US cards: The increase in new to re-ages is in line with portfolio growth, the ratio as a proportion of total outstanding remained stable at 0.2%.

Re-age activity in South Africa and Europe card portfolios are not considered to be material. For further detail on policy relating to the re-ageing of loans, please refer to page 368.

Forbearance

Analysis of forbearance programmes

	Balances		Impairment allowance		Impairment coverage	
	2015	2014	2015	2014	2015	2014
As at 31 December	£m	£m	£m	£m	%	%
Personal and Corporate Banking[a]	**589**	931	**33**	63	**5.6**	6.8
Africa Banking	**209**	299	**29**	45	**13.8**	15.1
Barclaycard	**729**	972	**247**	394	**33.9**	40.5
Barclays Core	**1,527**	2,202	**309**	502	**20.2**	22.8
Barclays Non-Core	**246**	419	**20**	49	**8.3**	11.7
Total retail	**1,773**	2,621	**329**	551	**18.5**	21.0
Investment Bank	**210**	106	**4**	10	**2.1**	9.4
Personal and Corporate Banking	**1,764**	1,590	**253**	225	**14.3**	14.2
Africa Banking	**228**	132	**17**	7	**7.5**	5.3
Barclays Core	**2,202**	1,828	**274**	242	**12.4**	13.2
Barclays Non-Core	**230**	651	**117**	271	**50.7**	41.6
Total wholesale	**2,432**	2,479	**391**	513	**16.1**	20.7
Group total	**4,205**	5,100	**720**	1,064	**17.1**	20.9

Balances on forbearance programmes reduced 18% to £4.2bn (2014: £5.1bn) driven primarily by; (i) fewer customers requiring forbearance as macroeconomic conditions improved; and (ii) the ongoing impact of enhanced qualification criteria. The decrease in impairment coverage to 17.1% (2014: 20.9%) reflected coverage reduction across both the wholesale and retail portfolios.

Retail balances on forbearance reduced by 32% to £1.8bn and reflected a decrease across all businesses.

§ **PCB:** Migration of Business Banking from Retail to Corporate amounting to £239m.

§ **Barclaycard:** Primarily due to multiple asset sales through the year and updated entry criteria for forbearance programmes, which reduced inflows in the UK cards portfolio.

§ **Africa Banking:** Updated qualifying criteria in South African home loans and depreciation of the Rand.

Wholesale balances on forbearance reduced by 2% to £2.4bn as the removal of assets following the sale of the Spanish corporate business was partially offset by the migration of Business Banking forborne assets into the UK Corporate Bank. Excluding these movements, the overall level of forborne balances was broadly stable.

See over for more information on these portfolios.

Note

a The forbearance definition has been tightened during the year based on observed performance to more accurately reflect signs of financial distress. As a result an element of the MCA population has been reclassified as high risk instead of forbearance. 2014 forbearance balances have been restated for a like for like comparison.

Retail forbearance programmes

Forbearance on the Group s principal retail portfolios in the UK, US and South Africa is presented below. The principal portfolios listed below account for 70% (2014: 83%) of total retail forbearance balances.

Analysis of key portfolios in forbearance programmes

	Balances on forbearance programmes			Of which: Past due of which:		Marked to market LTV of forbearance balances:	Marked to market LTV of forbearance balances:	Impairment allowances marked against forbearance programmes	Total balances on forbearance programmes coverage ratio
	Total	% of gross loans and advances	Up-to-date	1-90 days past due	91 or more days past due	balance weighted	valuation weighted		
	£m	%	£m	£m	£m	%	%	£m	%
As at 31 December 2015									
Home loans									
PCB UK	**445**	**0.3**	**211**	**177**	**57**	**48.0**	**34.1**	**4**	**0.8**
Africa Banking South Africa	**125**	**1.3**	**50**	**64**	**11**	**67.5**	**53.6**	**7**	**5.5**
Credit cards									
UK	**448**	**2.4**	**414**	**31**	**3**	**n/a**	**n/a**	**159**	**35.5**
US	**133**	**0.8**	**92**	**30**	**11**	**n/a**	**n/a**	**30**	**22.7**
Unsecured loans									
UK	**85**	**1.6**	**59**	**22**	**3**	**n/a**	**n/a**	**21**	**24.6**
As at 31 December 2014									
Home loans									
PCB UK	522	0.4	257	206	59	52.1	36.8	3	0.6
Africa Banking South Africa	207	1.8	95	99	13	71.1	57.4	13	6.5
Credit cards									
UK	724	4.3	679	41	4	n/a	n/a	324	44.8
US	98	0.7	67	22	9	n/a	n/a	22	22.1
Unsecured loans									
UK	121	2.4	83	33	5	n/a	n/a	25	20.9

Loans in forbearance in the principal home loans portfolios decreased 22% to £570m (2014: £729m).

- **PCB UK (home loans):** Balances under forbearance decreased 15% to £445m, principally due to an update to the entry criteria, and fewer customers requiring forbearance in a stable macroeconomic environment. Total past due balances reduced 12% to £234m in line with falling total balances under forbearance.

- **Africa Banking South Africa (home loans):** Reduction in forbearance balances to £125m (2014: £207m) was due to enhanced qualification criteria which resulted in a more appropriate and sustainable programme for customers, and depreciation of the Rand.

Forbearance balances on principal credit cards, overdrafts and unsecured loan portfolios decreased by 29% to £666m.

- **UK Cards:** The reduction in forbearance balances was driven by the implementation of enhanced qualification criteria and asset sales. Balances in arrears and coverage ratio reduced in line with balance reduction.

- **US Cards:** The increase in balances on forbearance programmes was in line with asset growth on the US portfolio. Balances in arrears remained low as a proportion of the total and coverage was stable.

Forbearance by type

	Home loans Barclays Core portfolios			
	UK		South Africa	
	2015	2014	**2015**	2014
As at 31 December	**£m**	£m	**£m**	£m
Interest only conversion	**94**	100		
Interest rate reduction			**1**	1
Payment concession	**103**	106	**97**	161
Term extension	**248**	316	**28**	45
Total	**445**	522	**125**	207

Note

a The forbearance definition has been tightened during the year based on observed performance to more accurately reflect signs of financial distress. As a result, an element of the MCA population has been reclassified as high-risk instead of forbearance. 2014 forbearance balances have been restated for a like for like comparison. (2014 MCA balances: £1.3bn).

Credit risk

Forbearance by type

	Credit cards and unsecured loans portfolios				Barclays Core	
	UK cards		US cards		UK personal loans	
	2015	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Payment concession	**21**	31				
Term extension					**6**	28
Fully amortising			**69**	58	**79**	93
Repayment plan[a]	**427**	693	**64**	40		
Total	**448**	724	**133**	98	**85**	121

Payment concessions reduced to £21m (2014: £31m) in UK cards following its withdrawal from forbearance offering in 2014.

Repayment plan balances in UK cards decreased to £427m (2014: £693m) driven by a debt sale and the continued reduction in new repayment plan volumes, following the implementation of enhanced qualification criteria in 2012.

Wholesale forbearance programmes

The tables below detail balance information for wholesale forbearance cases.

Analysis of wholesale balances in forbearance programmes

	Balances on forbearance programmes						
			Of which:				
	Total balances	% of gross loans and advances	Performing balances	Impaired up-to-date balances	Balances between 1 and 90 days past due	Balances 91 days or more past due	Impairment allowances marked against balances on forbearance programmes
	£m	%	£m	£m	£m	£m	£m

As at 31 December 2015							
Investment Bank	**210**	**0.2**	**81**		**100**	**29**	**4**
Personal & Corporate Banking	**1,764**	**2.0**	**578**	**661**	**93**	**432**	**253**
Africa Banking	**228**	**1.5**	**103**	**4**		**121**	**17**
Total Barclays Core	**2,202**	**1.1**	**762**	**665**	**193**	**582**	**274**
Barclays Non-Core	**229**	**0.7**	**38**	**103**	**2**	**87**	**117**
Group	**2,431**	**1.0**	**800**	**768**	**195**	**669**	**391**
As at 31 December 2014							
Investment Bank	106	0.1	52		22	32	10
Personal & Corporate Banking	1,590	2.0	574	587	38	391	225
Africa Banking	132	0.8	30	47	13	42	7
Total Barclays Core	1,828	0.9	656	634	73	465	242
Barclays Non-Core	651	1.5	36	336	41	238	271
Group	2,479	1.0	692	970	114	703	513

Wholesale forbearance reporting split by exposure class

	Corporate £m	Personal and trusts £m	Other £m	Total £m
As at 31 December 2015				
Restructure: reduced contractual cash flows	**158**			**158**
Restructure: maturity date extension	**716**	**24**	**62**	**801**
Restructure: changed cash flow profile (other than extension)	**317**	**1**		**318**
Restructure: payment other than cash	**12**			**12**
Change in security	**7**	**1**		**8**
Adjustments or non-enforcement of covenants	**295**	**92**		**387**
Other (e.g. capital repayment holiday; restructure pending)	**538**	**208**		**746**
Total	**2,043**	**326**	**62**	**2,431**
As at 31 December 2014				

Restructure: reduced contractual cash flows	180			180
Restructure: maturity date extension	600	79	4	683
Restructure: changed cash flow profile (other than extension)	335	25	4	364
Restructure: payment other than cash	7	9		16
Change in security	17			17
Adjustments or non-enforcement of covenants	383	53		436
Other (e.g. capital repayment holiday; restructure pending)	607	175	1	783
Total	2,129	341	9	2,479

Note

a Repayment plan represents a reduction to the minimum payment due requirements and interest rate.

Wholesale forbearance reporting split by business unit

	Personal & Corporate Banking £m	Investment Bank £m	Africa Banking £m	Barclays Non-Core £m	Total £m
As at 31 December 2015					
Restructure: reduced contractual cash flows	**131**		**4**	**23**	**158**
Restructure: maturity date extension	**370**	**162**	**153**	**116**	**801**
Restructure: changed cash flow profile (other than extension)	**248**	**2**	**68**		**318**
Restructure: payment other than cash	**1**	**11**			**12**
Change in security	**8**				**8**
Adjustments or non-enforcements of covenants	**338**	**2**		**47**	**387**
Other (e.g. capital repayment holiday; restructure pending)	**668**	**33**	**3**	**43**	**747**
Total	**1,764**	**210**	**228**	**229**	**2,431**
As at 31 December 2014					
Restructure: reduced contractual cash flows	125		1	54	181
Restructure: maturity date extension	314	72	78	219	683
Restructure: changed cash flow profile (other than extension)	178	2	49	135	364
Restructure: payment other than cash	13			3	16
Change in security	11			6	17
Adjustments or non-enforcements of covenants	329			107	436
Other (e.g. capital repayment holiday; restructure pending)	620	32	4	127	783
Total	1,589	106	134	651	2,479

Wholesale forbearance decreased 2% to £2.4bn with an impairment coverage ratio of 16.1% (2014: 20.7%). Personal & Corporate Banking accounted for the largest portion with 73% (2014: 64%) of total balances held as forbearance.

Overall forbearance balances in Core portfolios rose by 20% to £2.2bn, driven primarily by the migration of forborne Business Banking assets into the PCB UK Corporate Banking portfolio from PCB Retail.

Non-Core balances remain focused on the European corporate portfolios and reduced by 65% to £230m following the sale of the Spanish corporate business.

Wholesale forbearance flows in 2015[a]

	Balance £m
As at 1 January 2015	**2,479**
Added to forbearance[b]	**1,302**
Removed from forbearance (credit improvement)	**(190)**
Fully or partially repaid and other movements[c]	**(936)**
Written off/moved to recoveries	**(224)**
As at 31 December 2015	**2,431**

Analysis of problem loans

Impaired loans and loans past due within this section are reflected in the balance sheet credit quality tables on page 116 as being Higher Risk.

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

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

Loans and advances past due but not impaired (audited)

	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
As at 31 December 2015						
Loans and advances designated at fair value	**70**	**14**			**209**	**293**
Home loans	**22**	**8**	**6**	**24**	**80**	**140**
Credit cards, unsecured and other retail lending	**288**	**14**	**15**	**93**	**120**	**530**
Corporate loans	**5,862**	**897**	**207**	**226**	**280**	**7,472**
Total	**6,242**	**933**	**228**	**343**	**689**	**8,435**
As at 31 December 2014						
Loans and advances designated at fair value	594	48	1		33	676
Home loans	46	6	17	135	230	434
Credit cards, unsecured and other retail lending	64	29	14	139	194	440
Corporate loans[d]	5,251	630	874	190	387	7,332
Total	5,955	713	906	464	844	8,882

Notes

a Refer to sustainability of loans under forbearance in Barclays PLC 2015 Pillar 3 Report for more information.

b Includes £239m transitioned to wholesale forbearance categories within the UK SME Businesses previously in Retail.

c Includes £321m removed following the sale of the Non-Core Business in Spain.

d Corporate loan balances past due up to 1 month have been revised down by £1,953m to better reflect the ageing of the loans.

Risk review

Risk performance

Credit risk

Impaired loans

The following table represents an analysis of impaired loans in line with the disclosure requirements from the Enhanced Disclosure Taskforce. For further information on definitions of impaired loans refer to the identifying potential credit risk loans section of Barclays PLC 2015 Pillar 3 Report.

Movement in impaired loans

	At beginning of year £m	Classified as impaired during the year £m	Transferred to not impaired during the year £m	Repayments £m	Amounts written off £m	Acquisitions and disposals £m	Exchan and oth adjustmen
2015							
Home loans	**1,503**	**602**	**(192)**	**(272)**	**(97)**		**(2**
Credit cards, unsecured and other retail lending	**2,613**	**2,226**	**(112)**	**(269)**	**(1,873)**		**(3**
Corporate loans	**2,683**	**1,032**	**(558)**	**(208)**	**(333)**	**(43)**	**(4**
Total impaired loans	**6,799**	**3,860**	**(862)**	**(749)**	**(2,303)**	**(43)**	**(1,0**
2014							
Home loans	1,983	762	(352)	(412)	(161)		(3
Credit cards, unsecured and other retail lending	3,385	2,089	(108)	(361)	(1,885)		(5
Corporate loans	5,142	1,167	(729)	(658)	(1,211)		(1,0
	10,510	4,018	(1,189)	(1,431)	(3,257)		(1,8

Total impaired loans

For information on restructured loans refer to disclosures on forbearance on pages 131 to 134.

Analysis of loans and advances assessed as impaired (audited)

The following table presents an age analysis of loans and advances collectively impaired and total individually impaired loans.

Loans and advances assessed as impaired (audited)

	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individua assessed f impairme £
As at 31 December 2015							
Home loans	**3,672**	**1,036**	**278**	**364**	**812**	**6,162**	**6**
Credit cards, unsecured and other retail lending	**1,241**	**691**	**284**	**541**	**1,792**	**4,549**	**9**
Corporate loans	**251**	**76**	**45**	**76**	**96**	**544**	**1,7**
Total	**5,164**	**1,803**	**607**	**981**	**2,700**	**11,255**	**3,3**
As at 31 December 2014							
Home loans	5,155	1,424	335	470	1,050	8,434	4
Credit cards, unsecured and other retail lending	1,196	738	299	532	2,225	4,990	8
Corporate loans	284	30	24	25	148	511	2,6
Total	6,635	2,192	658	1,027	3,423	13,935	3,9

The decrease in collectively impaired loans to £11.3bn (2014: £13.9bn) predominantly relates to home loans within the past due up to 1 month category. MCA forbearance balances previously allocated into this category (2014 MCA balances: £1.3bn) no longer form part of the forbearance programme nor collectively assessed for impairment.

Note

a

Exchange and other adjustments includes the reclassification of the Portuguese loans now held for sale and the Spanish loans held for sale in 2014.

Potential credit risk loans (PCRLs) and coverage ratios

The Group reports potentially and actually impaired loans as PCRLs. PCRLs comprise two categories of loans: credit risk loans (CRLs) and potential problem loans (PPLs). For further information on definitions of CRLs and PPLs refer to the identifying potential credit risk loans section of the Barclays PLC 2015 Pillar 3 Report.

Potential credit risk loans and coverage ratios by business

	CRLs		PPLs		PCRLs	
	2015	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Personal & Corporate Banking[a]	**1,591**	1,733	**263**	264	**1,854**	1,997
Africa Banking	**859**	1,093	**154**	161	**1,013**	1,254
Barclaycard	**1,601**	1,765	**249**	227	**1,850**	1,992
Barclays Core	**4,051**	4,591	**666**	652	**4,717**	5,243
Barclays Non-Core	**845**	1,209	**13**	26	**858**	1,234
Total Group retail	**4,896**	5,800	**679**	678	**5,575**	6,477
Investment Bank	**241**	71	**450**	107	**691**	178
Personal & Corporate Banking[a]	**1,794**	2,112	**567**	614	**2,361**	2,726
Africa Banking	**541**	665	**245**	94	**786**	759
Barclays Core	**2,576**	2,848	**1,262**	815	**3,838**	3,663
Barclays Non-Core	**345**	841	**109**	119	**454**	960
Total Group wholesale	**2,921**	3,689	**1,371**	934	**4,292**	4,623
Group total	**7,817**	9,489	**2,050**	1,612	**9,867**	11,100

	Impairment allowance		CRL coverage		PCRL coverage	
	2015	2014	**2015**	2014	**2015**	2014
As at 31 December	**£m**	£m	**%**	%	**%**	%
Personal & Corporate Banking[a,b]	**713**	766	**44.8**	44.2	**38.5**	38.4
Africa Banking	**539**	681	**62.7**	62.3	**53.2**	54.3
Barclaycard	**1,835**	1,815	**114.6**	102.8	**99.2**	91.1
Barclays Core	**3,087**	3,262	**76.2**	71.1	**65.4**	62.2
Barclays Non-Core	**369**	428	**43.7**	35.4	**43.0**	34.7
Total Group retail	**3,456**	3,690	**70.6**	63.6	**62.0**	57.0
Investment Bank	**83**	44	**34.4**	62.0	**12.0**	24.7

Personal & Corporate Banking[a]	**914**	873	**50.9**	41.3	**38.7**	32.0
Africa Banking	**235**	246	**43.4**	37.0	**29.9**	32.4
Barclays Core	**1,232**	1,163	**47.8**	40.8	**32.1**	31.7
Barclays Non-Core	**233**	602	**67.5**	71.6	**51.3**	62.7
Total Group wholesale	**1,465**	1,765	**50.2**	47.8	**34.1**	38.2
Group total	**4,921**	5,455	**63.0**	57.5	**49.9**	49.1

§ CRLs decreased 17.6% to £7.8bn, with the Group s CRL coverage ratio increasing to 63.0% (2014: 57.5%).

§ CRLs in retail portfolios have decreased 15.6% to £4.9bn. This is primarily driven by Non-Core as a result of the sale of the Portuguese business and rundown of assets in Europe. Another driver of the decrease is the Africa retail portfolios reducing as a result of improved recoveries. Retail CRL coverage increased to 70.6% (2014: 63.6%), due to the decrease in the retail CRL portfolio.

§ Wholesale CRL portfolios decreased by 20.8% to £2.9bn. This is primarily driven by reductions in Non-Core as a result of the sale of the Portuguese corporate loans and continued rundown of the Non-Core Investment Bank portfolio; and within PCB due to the improved economic environment. Investment Bank CRLs increased £170m to £241m predominantly relating to the Oil and Gas sector. Wholesale CRL coverage increased to 50.2% (2014: 47.8%), driven by the decrease in CRLs in 2015.

Notes

a UK Business Banking has been reclassified from Retail to Wholesale in line with how the business is now managed.
b 2014 PCB CRLs, PPLs and PCRLs have been revised by £151m, £121m and £273m respectively to align methodology for determining arrears categories with other Home Finance risk disclosures.

Risk review

Risk performance

Credit risk

Impairment

Impairment allowances

Impairment allowances decreased 10% to £4,921m primarily within Non-Core as a result of the reclassification of impairments held against the Portuguese loans now held for sale.

Movements in allowance for impairment by asset class (audited)

	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments[a] £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m
2015							
Home loans	**547**		**(32)**	**(64)**	**(94)**	**7**	**154**
Credit cards, unsecured and other retail lending	**3,345**		**(105)**	**(170)**	**(1,848)**	**301**	**1,871**
Corporate loans	**1,563**		**(12)**	**(383)**	**(335)**	**92**	**84**
Total impairment allowance	**5,455**		**(149)**	**(617)**	**(2,277)**	**400**	**2,109**
2014							
Home loans	788		(23)	(200)	(191)	17	156
Credit cards, unsecured and other retail lending	3,603	13	(116)	(307)	(1,679)	126	1,705
Corporate loans	2,867		(14)	(540)	(1,167)	78	339
Total impairment allowance	7,258	13	(153)	(1,047)	(3,037)	221	2,200

Management adjustments to models for impairment

Management adjustments to models for impairment are applied in order to factor in certain conditions or changes in policy that are not incorporated into the relevant impairment models, or to ensure that the impairment allowance reflects all known facts and circumstances at the period end. Adjustments typically increase the model derived impairment allowance. Where applicable, management adjustments are reviewed and incorporated into future model development.

Management adjustments to models of more than £10m with respect to impairment allowance in our principal portfolios are presented below.

Principal portfolios that have management adjustments greater than £10m (unaudited)

	2015		2014	
	Total management adjustments to impairment stock, including forbearance	**Proportion of total impairment stock**	Total management adjustments to impairment stock, including forbearance	Proportion of total impairment stock
As at 31 December	**£m**	**%**	£m	%
PCB				
UK home loans	**68**	**67**	52	55
UK personal loans	**75**	**16**	48	10
UK overdrafts	**37**	**29**	30	19
UK large corporate and business lending	**183**	**26**	98	14
Africa Banking				
South Africa home loans	**22**	**17**	22	11
Barclaycard				
UK cards	**147**	**17**	62	5
US Cards	**58**	**9**	10	2
Barclays Partner Finance	**41**	**28**	9	7
Germany Cards	**20**	**21**	3	3

During 2015, the Retail Impairment Policy was significantly strengthened and models enhanced.

UK home loans: Adjustments to capture the potential impact from increase in the house price to earnings ratio, change in the impairment methodology and increased coverage on interest only loans maturing in the next five years.

UK personal loans: Adjustments to incorporate revised impairment policy requirements, and for updated model requirements.

UK overdrafts: Principally for updated model-related requirements and adjustments to align to revised impairment policy.

UK large corporate and business lending: In business lending to reflect policy changes affecting customers on forbearance and impairment treatment. In corporate lending to account for single name losses, adjustment to allow for small names yet to emerge within the oil and gas sector, and the susceptibility of minimum debt service customers to interest rate raises not currently captured in models.

South Africa home loans: Primarily to incorporate the uncertainty in the macroeconomic outlook. The adjustment has increased by 27% in local currency.

Barclaycard: Predominantly to align to new impairment policy requirements in models, and to increase coverage on forbearance programmes and accounts in recoveries.

Note

a Exchange and other adjustments includes the reclassification of impairments held against the Portuguese loans now held for sale and the Spanish loans held for sale in 2014.

Risk review

Risk performance

Market risk

Analysis of market risk

Market risk is the risk of a reduction in earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pools.

This section contains key disclosures describing the Group s market risk profile, highlighting regulatory as well as management measures.

Key metrics

Measures of traded market risk, such as Value at Risk (VaR), decreased in the year primarily due to the removal of certain banking book assets from VaR, reduced client activity, and risk reduction in Non-Core businesses.

We saw a reduction in associated risk measures and lower income from reduced activity

85%

of days generated positive trading revenue

-23%

reduction in management VaR

10%

increase in average daily trading revenue

Risk review

Risk performance

Market risk

Market risk is the risk of a reduction in earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pool.

All disclosures in this section (page 139 to 147) are unaudited unless otherwise stated.

Overview of market risk

This section contains key statistics describing the market risk profile of the Group. 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 376 to 391 provides descriptions of these metrics:

§ page 140 provides a view of market risk in the context of the Group s balance sheet

§ pages 101 to 102 cover the management of traded market risk. Management measures are shown from page 141 and regulatory equivalent measures are shown from page 142

§ non-traded market risk, arising from our banking books, is reviewed from page 143.

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 140, helps the reader understand the main categories of assets and liabilities subject to regulatory market risk measures.

Summary of performance in the period

The Group has seen a decrease in market risk from reduced risk positions, notably in equities and interest rates, in addition to risk reduction in Non-Core businesses:

- measures of traded market risk, such as VaR, decreased in the year mainly due to the removal of certain banking book assets from the measure (now reported as non-traded market risks), reduced client activity, and risk reduction in Non-Core businesses
- average trading revenue, in contrast, increased 10% compared with the previous year
- market risk RWAs fell from 2014 levels due to the implementation of diversification of the general and specific market risk VaR charges, partially offset by the inclusion of cost of funding RNIV into VaR
- Annual Earnings at Risk (AEaR), a key measure of interest rate risk volatility in the banking book (IRRBB), decreased in 2015, primarily driven by PCB due to increased hedging; and in Treasury driven by increased exposure in the short dated available for sale bond portfolio, partially offset by reduced mismatch between assets and liabilities in the wholesale funding portfolio
- other market risks, such as pension risk and insurance risk, are disclosed from page 146 onwards.

Balance sheet view of trading and banking books

As defined by the regulatory rules, a trading book consists of positions held for trading intent or to hedge elements of the trading book. Trading intent must be evidenced in the basis of the strategies, policies and procedures set up by the firm to manage the position or portfolio. The table below provides a Group-wide overview of where assets and liabilities on the Group s balance sheet are managed within regulatory traded and non-traded books.

The balance sheet split by trading book and banking books is shown on an IFRS scope of consolidation. The reconciliation between the accounting and regulatory scope of consolidation is shown in the Barclays PLC 2015 Pillar 3 Report. The reconciling items are all part of the banking book.

Balance sheet split by trading and banking books

	Banking book[a]	Trading book	Total
As at 31 December 2015	£m	£m	£m
Cash and balances at central banks	49,711		49,711
Items in course of collection from other banks	1,011		1,011
Trading portfolio assets	3,355	73,993	77,348
Financial assets designated at fair value	25,263	51,567	76,830
Derivative financial instruments	296	327,413	327,709
Available for sale financial investments	90,267		90,267
Loans and advances to banks	39,779	1,570	41,349
Loans and advances to customers	380,406	18,811	399,217
Reverse repurchase agreements and other similar secured lending	28,187		28,187
Prepayments, accrued income and other assets	3,010		3,010
Investments in associates and joint ventures	573		573
Property, plant and equipment	3,468		3,468
Goodwill and intangible assets	8,222		8,222
Current tax assets	415		415
Deferred tax assets	4,495		4,495
Retirement benefit assets	836		836
Non-current assets classified as held for disposal	7,364		7,364
Total assets	646,658	473,354	1,120,012
Deposits from banks	45,344	1,736	47,080
Items in course of collection due to other banks	1,013		1,013
Customer accounts	401,927	16,315	418,242
Repurchase agreements and other similar secured borrowing	25,035		25,035
Trading portfolio liabilities		33,967	33,967

Financial liabilities designated at fair value	**7,027**	**84,718**	**91,745**
Derivative financial instruments	**1,699**	**322,553**	**324,252**
Debt securities in issue	**69,150**		**69,150**
Subordinated liabilities	**21,467**		**21,467**
Accruals, deferred income and other liabilities	**10,610**		**10,610**
Provisions	**4,142**		**4,142**
Current tax liabilities	**903**		**903**
Deferred tax liabilities	**122**		**122**
Retirement benefit liabilities	**423**		**423**
Liabilities included in disposal groups classified as held for sale	**5,997**		**5,997**
Total liabilities	**594,859**	**459,289**	**1,054,148**

Included within the trading book are assets and liabilities which are included in the market risk regulatory measures. For more information on these measures (VaR, SVaR, IRC and APR) see the risk management section on page 383.

Note

a The primary risk factors for banking book assets and liabilities are interest rates and, to a lesser extent, foreign exchange rates. Credit spreads and equity prices will also be factors where the Group holds debt and equity securities respectively, either as financial assets designated at fair value (see Note 14) or as available for sale (see Note 16).

Market risk

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 page 383 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 the Investment Bank, Non-Core, Africa Banking 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.

The daily average, maximum and minimum values of management VaR (audited)

	2015			2014		
Management VaR (95%)	Average	High[a]	Low[a]	Average	High[a]	Low[a]
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Credit risk	11	17	8	11	15	9
Interest rate risk	6	14	4	11	17	6
Equity risk	8	18	4	10	16	6
Basis risk	3	4	2	4	8	2
Spread risk	3	6	2	4	8	3
Foreign exchange risk	3	6	1	4	23	1
Commodity risk	2	3	1	2	8	1
Inflation risk	3	5	2	2	4	2
Diversification effect[a]	(22)	n/a	n/a	(26)	n/a	n/a
Total management VaR	**17**	**25**	**12**	22	36	17

Average interest rate VaR decreased by £5m to £6m (Dec 14: £11m) during 2015 as certain banking book positions were transferred from the Investment Bank to Head Office Treasury, reflecting the operational transfer of responsibility (see page 143). These positions are high quality and liquid banking book assets and are now reported as non-traded market risk exposures. Similarly, lower spread risk and basis risk VaR in 2015 reflect reduced risk taking.

Average equities risk VaR reduced by 20% to £8m, reflecting reduced cash portfolio activities and a more conservative risk profile maintained in the derivatives portfolio.

Average foreign exchange risk VaR decreased by 25% to £3m as a result of lower activity in the first half of the year, partially offset by higher volatility in the global foreign exchange market seen in the second half of the year.

Inflation risk VaR increased by £1m to £3m, primarily due to increased volatility in the inflation market.

Average commodity risk VaR remained stable at £2m, but the high levels reduced significantly year-on-year due to the portfolio having been largely divested, and reduced client flows impacted by lower oil prices.

Group management VaR

Daily trading revenue

The chart above presents the frequency distribution of our daily trading revenues for all material positions included in VaR for 2015. This includes daily trading revenue generated in the Investment Bank (except for Private Equity and Principal Investments), Treasury, Africa Banking and Non-Core.

The basis of preparation for trading revenue was changed in 2015 to align better with and reflect the portfolio structure included in Group Management VaR. 2014 figures have been presented on a comparable basis. Disclosed trading revenue includes realised and unrealised mark to market gains and losses from intraday market moves but excludes commission and advisory fees. The trading revenue measure is based on actual trading results and holding periods. In contrast, the VaR shows the volatility of a hypothetical measure. To construct this measure, positions are assumed to be held for one day, and the aggregate unrealised gain or loss is the measure. VaR and the actual revenue figure are not directly comparable. VaR informs risk managers of the risk implications of current portfolio decisions.

Note

a Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each risk factor area. Historic correlations between losses are taken into account in making these assessments. The high and low VaR reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently, diversification effect balances for the high and low VaR would not be meaningful and are therefore omitted from the above table.

The average daily net revenue increased by 10% to £10.1m; there were more positive trading revenue days in 2015 than in 2014, with 85% (2014: 82%) of days generating positive trading revenue.

The daily VaR chart illustrates an average declining trend in 2015. Intermittent VaR increases were due to increased client flow in periods of heightened volatility in specific markets and subsequent risk management of the position.

Business scenario stresses

As part of the Group s risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to six global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, terrorist attacks and a sovereign peripheral crisis.

Throughout 2015 the scenario analyses showed the biggest market risk related impact would be due to a severe deterioration in market liquidity and a sovereign peripheral crisis.

Review of regulatory measures

The following disclosures provide details on regulatory measures of market risk.

The Group s market risk capital requirement comprises of two elements:

§ trading book positions booked to legal entities within the scope of the Group s PRA waiver where the market risk is measured under a PRA approved internal models approach, including Regulatory VaR, Stressed Value at Risk (SVaR), Incremental Risk Charge (IRC) and All Price Risk (APR) as required

§ trading book positions that do not meet the conditions for inclusion within the approved internal models approach. The capital requirement for these positions is calculated using standardised rules.

The table below summarises the regulatory market risk measures under the internal models approach.

Analysis of Regulatory VaR, SVaR, IRC and APR

	Year end £m	Average £m	Max £m	Min £m
As at 31 December 2015				
Regulatory VaR	26	28	46	20
SVaR	44	54	68	38
IRC	129	142	254	59

APR	**12**	**15**	**27**	**11**
As at 31 December 2014				
Regulatory VaR	29	39	66	29
SVaR	72	74	105	53
IRC	80	118	287	58
APR	24	28	39	24

Overall, there was a lower risk profile during 2015:

§ **Regulatory VaR/SVaR:** reduction in a Regulatory VaR/SVaR is driven by application of diversification to the general and specific market risk VaR charges which resulted in an overall RWA reduction

§ **IRC:** the IRC increase was mainly driven by the implementation of an updated IRC model in Q4 15 which features a more refined correlation structure, adoption of a continuous transition matrix and a local currency adjustment for sovereign issuance

§ **APR:** reduced as a result of further reductions in a specific legacy portfolio.

Breakdown of the major regulatory risk measures by portfolio

As at 31 December 2015	Macro £m	Equities £m	Credit £m	Client Capital Management £m	Treasury £m	Africa £m	Non-Core £m
Regulatory VaR	**10**	**8**	**5**	**12**	**4**	**4**	**3**
SVaR	**25**	**33**	**15**	**18**	**11**	**6**	**12**
IRC	**197**	**5**	**79**	**99**	**13**		**62**
APR							**12**

The table above shows the primary portfolios which are driving the trading businesses modelled capital requirement as at 2015 year end. The standalone portfolio results diversify at the total level and are not necessarily additive. Regulatory VaR, SVaR, IRC and APR in the prior table show the diversified results at a group level.

Risk review

Risk performance

Market risk

Non-traded market risk

Overview

The non-traded market risk framework covers exposures in the banking book, mostly consisting of exposures relating to accrual accounted and available for sale instruments. The potential volatility of the net interest income of the bank is measured by an Annual Earnings at Risk (AEaR) metric that is monitored regularly and reported to senior management and the Board Risk Committee as part of the limit monitoring framework.

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for the 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. Note that this metric is simplistic in that it assumes a large parallel shock occurs instantaneously across all major currencies and ignores the impact of any management actions on customer products.

Net interest income sensitivity (AEaR) by business unit

	Personal & Corporate Banking £m	Barclaycard £m	Africa £m	Non-Core[a] £m	Treasury[b] £m	Total £m
As at 31 December 2015						
+200bps	**305**	**(31)**	**28**	**27**	**(131)**	**198**
+100bps	**152**	**(14)**	**14**	**14**	**(63)**	**103**
-100bps	**(385)**	**10**	**(11)**		**(26)**	**(412)**
-200bps	**(433)**	**14**	**(14)**		**(36)**	**(469)**
As at 31 December 2014[c]						
+200bps	464	(59)	26	6	14	451
+100bps	239	(27)	13	3	10	238
-100bps	(426)	26	(9)	(1)	(29)	(439)
-200bps	(430)	29	(17)	(1)	(39)	(458)

Overall the NII sensitivity of the Group to sudden changes in interest rates has decreased. The main drivers of the change in NII sensitivities are:

§ **PCB:** The reduction in NII sensitivity was due to increased hedging of certain deposit products exposure to interest rate changes

§ **Barclaycard:** The reduction in NII is due to a decrease in the period of time that the book can be repriced post a change in interest rates

§ **Non-Core:** The increase is predominantly due to a change in the hedge profile following the announced disposals in Europe

§ **Treasury:** The increase in NII sensitivity is primarily driven by an increased exposure in the short dated available for sale bond portfolio This results in a higher duration mismatch between assets and liabilities which an up-shock scenario creates a negative impact. In a down shock scenario the full benefit of this is not realised due to the rates being floored as zero, resulting in a net negative Nil impact from Treasury under these simple modelling assumptions.

Net interest income sensitivity (AEaR) by currency (audited)

	2015		2014	
	+100 basis points	**-100 basis points**	+100 basis points	-100 basis points
As at 31 December	**£m**	**£m**	£m	£m
GBP	**94**	**(368)**	184	(406)
USD	**(15)**	**(30)**	(11)	(11)
EUR	**(6)**	**(8)**	21	3
ZAR	**6**	**(5)**	10	(8)
Other currencies	**24**	**(1)**	34	(17)
Total	**103**	**(412)**	238	(439)
As percentage of net interest income	**0.82%**	**(3.28)%**	1.97%	(3.63)%

Notes

a Only retail exposures within Non-Core are included in the calculation.
b Treasury includes both accrual and fair value accounted positions modelled with an appropriate holding period. It excludes hedge accounting ineffectiveness. Although hedge accounting ineffectiveness is recorded within net interest income, it is excluded in this analysis as it is driven by fair value movements rather than interest accruals.
c 2014 comparatives have been revised to reflect the inclusion of all Treasury banking books and the exclusion of hedge ineffectiveness.

Economic Capital by business unit

Barclays measures some non-traded market risks using an economic capital (EC) methodology. EC is predominantly calculated using a daily VaR model and then scaled up to a one-year EC confidence interval (99.98%). For more information on definitions of prepayment, recruitment and residual risk, and on how EC is used to manage market risk, see the market risk management section on page 389.

Economic capital for non-trading risk by business unit

	Personal & Corporate Banking £m	Barclaycard £m	Africa Banking £m	Non-Core[a] £m	Total £m
As at 31 December 2015					
Prepayment risk	**35**	**7**			**42**
Recruitment risk	**64**	**1**		**5**	**70**
Residual risk	**7**	**2**	**126**	**5**	**140**
Total	**106**	**10**	**126**	**10**	**252**
As at 31 December 2014					
Prepayment risk	32	15			47
Recruitment risk	148	1			149
Residual risk	12	3	34	16	65
Total	192	19	34	16	261

PCB recruitment risk: The reduction of EC for PCB is driven by lower levels of recruitment risk associated with hedging mismatch for savings and mortgage products as at 31 December 2015. The mortgage book in particular saw significant falls in recruitment risk due to lower levels of pre-hedging, particularly within mortgages of longer tenor.

Africa Banking residual risk: The significant changes in EC for Africa Banking are mainly due to the adoption of new behavioural assumptions for residual risk which went live on 1 January 2015.

Analysis of equity sensitivity

The table below measures the overall impact of a +/- 100bps movement in interest rates on available for sale and cash flow hedge reserves. This data is captured using PV01 which is an indicator of the shift in asset value for a 1 basis point shift in the yield curve. Note that the methodology used to estimate the impact of the negative movement applied a 0% floor to interest rates.

Analysis of equity sensitivity

	2015		2014	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
As at 31 December	£m	£m	£m	£m
Net interest income	**103**	**(412)**	238	(439)
Taxation effects on the above	**(31)**	**124**	(57)	105
Effect on profit for the year	**72**	**(288)**	181	(334)
As percentage of net profit after tax	**11.56%**	**(46.23)%**	21.42%	(39.53)%
Effect on profit for the year (per above)	**72**	**(288)**	181	(334)
Available for sale reserve	**(751)**	**1,052**	(698)	845
Cash flow hedge reserve	**(3,104)**	**1,351**	(3,058)	2,048
Taxation effects on the above	**1,157**	**(721)**	901	(694)
Effect on equity	**(2,626)**	**1,394**	(2,674)	1,865
As percentage of equity	**(3.99)%**	**2.12%**	(4.05)%	2.83%

As discussed in relation to the net interest income sensitivity table on page 143, the impact of a 100bps movement in rates is largely driven by PCB and Treasury. The available for sale reserve change in sensitivity was mainly driven by changes in portfolio composition, primarily due to an increase in available for sale assets held on a shorter dated outright basis. Note that the movement in the available for sale reserve would impact CRD IV fully loaded Common Equity Tier 1 (CET1) capital but the movement in the cash flow hedge reserve would not impact CET1 capital.

Note

a Only the retail exposures within Non-Core are captured in the measure.

Market risk

Volatility of the available for sale portfolio in the liquidity pool

Changes in value of the available for sale exposures flow directly through capital via the equity 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 the same as the one used to calculate 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. This is used for internal management purposes and although it is not formally backtested like the regulatory VaR (as shown on page 142), it is reviewed on a regular basis by risk managers to ensure it remains adequate for risk appetite and monitoring purposes.

These exposures are in the banking book and do not meet the criteria for trading book treatment. As such available for sale volatility is a risk which is taken into account in the IRRBB internal capital assessment, which is covered by the Pillar 2 capital framework.

Volatility of the Available for sale portfolio in liquidity pool

Analysis of volatility of the available for sale portfolio in liquidity pool

	2015		
	Average	**High**	**Low**
For the year ended 31 December	**£m**	**£m**	**£m**
Non-traded market VaR (daily, 95%)	**41.6**	**48.5**	**37.0**

The non-traded VaR is mainly driven by volatility of interest rates in developed markets in the chart above.

The increase in VaR seen in H215 is due to the volatility in the government and swap rate markets observed in that period, particularly in the US and the UK. The subsequent decrease was due to subsiding market volatility in combination with a reduction in exposure.

Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk.

a) Transactional foreign currency exposure

Transactional foreign exchange exposure represents exposure on banking assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group s risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Investment Bank which is monitored through VaR.

Banking book transactional foreign exchange risk outside of the Investment Bank is monitored on a daily basis by the market risk functions and minimised by the businesses.

b) Translational foreign exchange exposure

The Group s investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD, EUR and ZAR. 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 ensuring that the CET1 capital movements broadly match the revaluation of the Group s foreign currency RWA exposures.

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier 1 (AT1) instruments that are held as equity, which are accounted for at historic cost under IFRS and do not qualify as hedges for accounting purposes.

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 2015						
USD	**24,712**	**8,839**	**1,158**	**14,715**	**7,008**	**7,707**
EUR	**2,002**	**630**	**14**	**1,358**	**1,764**	**(406)**
ZAR	**3,201**	**4**	**99**	**3,098**		**3,098**
JPY	**383**	**168**	**205**	**10**		**10**
Other	**2,927**		**1,294**	**1,633**		**1,633**
Total	**33,225**	**9,641**	**2,770**	**20,814**	**8,772**	**12,042**
As at 31 December 2014						
USD	23,728	5,270	1,012	17,446	6,655	10,791
EUR	3,056	328	238	2,490	1,871	619
ZAR	3,863		103	3,760		3,760
JPY	364	164	208	(8)		(8)
Other	2,739		1,198	1,541		1,541
Total	33,750	5,762	2,759	25,229	8,526	16,703

During 2015, total structural currency exposure net of hedging instruments decreased by £4.7bn to £12.0bn (2014: £16.7bn). The decrease is broadly in line with the overall RWA currency profile, with a reduction in USD RWAs in the year. Foreign currency net investments remained stable at £33.2bn (2014: £33.8bn).

Pension risk review

The UK Retirement Fund (UKRF) represents approximately 92% (2014: 92%) of the Group s total retirement benefit obligations globally. The other material overseas schemes are in South Africa and in the US and they represent approximately 4% (2014: 4%) and 2% (2014: 2%) respectively of the Group s total retirement benefit obligations. As such, this risk review section focuses exclusively on the UKRF. Note that the scheme is closed to new entrants.

Pension risk arises as the estimated market value of the pension fund assets might decline, or the investment returns might reduce; or the estimated value of the pension liabilities might increase.

See page 390 for more information on how pension risk is managed.

Assets

The Board of Trustees defines an overall long term investment strategy for the UKRF, with investments across a broad range of asset classes. This ensures an appropriate mix of return seeking assets to generate future returns as well as liability matching assets to better match the future pension obligations. The main market risks within the asset portfolio are due to movements in interest rates and equities, as shown by the analysis of scheme assets within Note 35 Pensions and retirement benefits.

The fair value of the UKRF plan assets was £26.8bn. See Note 35 Pensions and retirement benefits.

Risk review

Risk performance

Market risk

Liabilities

The retirement benefit obligations are a series of future cash flows with relatively long duration. On an IAS 19 basis these cash flows are sensitive to changes in the expected long term inflation rate and the discount rate (AA corporate bond yield curve):

§ an increase in long term inflation corresponds to an increase in liabilities

§ an increase in the discount rate corresponds to a decrease in liabilities.

Pension risk is generated through the Group s defined benefit schemes and this risk is set to reduce over time as our main defined benefit schemes are closed to new entrants, and in many cases closed to future accruals. The chart below outlines the shape of the UKRF s liability cash flow profile that takes account of future inflation indexing of payments to beneficiaries, with the majority of the cash flows (approximately 83%) falling between 0 and 40 years, peaking within the 21 to 30 year band and reducing thereafter. The shape may vary depending on changes in inflation expectation and mortality and it is updated in line with the triennial valuation process.

For more detail on liability assumptions see Note 35 to the financial statements.

Proportion of the IAS 19 liability cash flows

Risk measurement

In line with Barclays risk management framework, the assets and liabilities of the UKRF are modelled within a VaR framework to show the volatility of the pension positions on a total portfolio level. This ensures that the risks, diversification and liability matching characteristics of the UKRF obligations and investments are adequately captured. VaR is measured and monitored on a monthly basis. It is discussed at pension risk fora such as the Market Risk Committee, Pensions Management Group and Pension Executive Board. The VaR model takes into account the valuation of the liabilities following an IAS 19 basis (see Note 35 Pension and post-retirement benefits in the financial statements). The trustees receive quarterly VaR measures on a funding basis.

The pension liability is also sensitive to post-retirement mortality assumptions (see Note 35).

In addition to this, the impact of pension risk to the Group is taken into account as part of the stress testing process. Stress testing is performed internally at least on an annual basis. The UKRF exposure is also included as part of the regulatory stress tests and exercises indicated that the UKRF risk profile is resilient to severe stress events.

The defined benefit pension scheme affects capital in two ways. An IAS 19 deficit impacts the CET1 capital ratio, and pension risk is also taken into account in the Pillar 2A capital assessment.

Triennial valuation

Please see Note 35 Pensions and retirement benefits for information on the funding position of the UKRF.

Insurance risk review

Insurance risk is managed within Africa Banking primarily in the Wealth, Investment Management & Insurance (WIMI) portfolios and is reported across four significant categories. Please see page 138 of the Barclays PLC 2015 Pillar 3 Report for more information on the definitions and governance procedure.

The risk types below mainly determine the regulatory capital requirements. The year-on-year decrease in risk appetite was agreed as part of the medium-term planning process.

Analysis of insurance risk[a]

	2015		2014	
	Position	**Appetite**	Position	Appetite
As at 31 December	**£m**	**£m**	£m	£m
Short term insurance underwriting risk	**30**	**32**	40	44
Life insurance underwriting risk	**17**	**20**	21	28
Life insurance mismatch risk	**12**	**20**	16	40
Life and short-term insurance investment risk	**11**	**18**	12	14

In 2015, the largest year-on-year movement was in short-term insurance underwriting risk where the reduction in the position reflected the closure of the Agriculture book to new insurance business.

For mismatch risk, the 2015 Appetite was materially lower than the 2014 Appetite as the level of mismatch between policyholder assets and policyholder liabilities decreased following the adoption of improved reserving methodologies and sign off by the independent statutory actuary function. As a result, while 2015 Position has reduced in absolute terms, the utilisation against appetite has increased.

From 2016 onwards, the methodology for assessment of Insurance Risk will change from a CAR-based approach to a Solvency Assessment and Management (SAM) based approach (the Solvency II equivalent) which is considered to be a more robust risk management approach with well-developed methodologies.

Note

a The figures in the table are reported using Capital Adequacy Requirement (CAR) approach.

Funding risk Capital

Analysis of capital risk

Capital risk is the risk that the Group has insufficient capital resources, which could lead to: (i) a failure to meet regulatory requirements; (ii) a change to credit rating; or (iii) an inability to support business activity and growth.

This section details Barclays capital position providing information on both capital resources and capital requirements. It also provides detail of the leverage ratio and exposures.

Key metrics

11.4% fully loaded

Common Equity Tier 1 ratio

RWAs decreased by £44bn to £358bn. Non-Core RWAs decreased £29bn to £47bn as a result of the sale of the Spanish business and the rundown of legacy structured and credit products. Investment Bank RWAs decreased by £14bn to £108bn mainly due to a reduction in securities and derivatives, and improved RWA efficiency.

CET1 capital decreased £0.7bn to £40.7bn after absorbing adjusting items and dividends paid and foreseen.

4.5% leverage ratio

The leverage ratio increased significantly to 4.5% (2014: 3.7%) driven by a reduction in the leverage exposure of £205bn to £1,028bn predominantly due to the rundown in Non-Core of £156bn to £121bn.

Risk review

Risk performance

Funding risk Capital

Capital risk is the risk that the Group has insufficient capital resources to:

§ meet minimum regulatory requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources at each level where prudential capital requirements are applied

§ support its credit rating. A weaker credit rating would increase the Group s cost of funds and

§ support its growth and strategic options.

More details on monitoring and managing capital risk may be found in the Risk Management sections on pages 103 to 104.

All disclosures in this section (pages 149 to 153) are unaudited unless otherwise stated.

Overview

The fully loaded CRD IV CET1 ratio, among other metrics, is a measure of the capital strength and resilience of Barclays. Maintenance of our capital is vital in order to meet the minimum capital requirements of regulatory authorities and to fund growth within our businesses.

This section provides an overview of the Group s: i) regulatory minimum capital and leverage requirements; ii) capital resources; iii) risk weighted assets (RWAs); and iv) leverage ratio and exposures.

Summary of performance in the period

Barclays continues to be in excess of minimum CRD IV transitional and fully loaded capital ratios and PRA capital and leverage ratios.

The fully loaded CRD IV CET1 ratio increased to 11.4% (2014: 10.3%) driven by a £43.5bn reduction in RWAs to £358.4bn partially offset by a decrease in fully loaded CRD IV CET1 capital of £0.7bn to £40.7bn.

The RWA reduction was primarily driven by a £29bn decrease in the Non-Core RWAs to £47bn as a result of the sale of the Spanish business and a rundown of legacy structured and credit products. Investment Bank RWAs decreased £14bn to £108bn mainly due to a reduction in securities and derivatives, and improved RWA efficiency.

CET1 capital decreased £0.7bn to £40.7bn after absorbing adjusting items and dividends paid and foreseen.

The leverage ratio increased significantly to 4.5% (2014: 3.7%), driven by a reduction in the leverage exposure to £1,028bn (2014: £1,233bn). This was predominantly due to the rundown of the Non-Core business of £156bn to £121bn.

Regulatory minimum capital and leverage requirements

Capital Fully loaded

Barclays current regulatory requirement is to meet a fully loaded CRD IV CET1 ratio of 9% by 2019, plus a Pillar 2A add-on. The 9% comprises the required 4.5% minimum CET1 ratio and, phased in from 2016, a Combined Buffer Requirement made up of a Capital Conservation Buffer (CCB) of 2.5% and a Globally Systemically Important Institution (G-SII) buffer of 2%.

Barclays Pillar 2A requirement as per the PRA s Individual Capital Guidance (ICG) is subject to review at least annually. Under current PRA guidance, the Pillar 2A add-on for 2016, will be 3.9% of which 56% will need to be met in CET1 form, equating to approximately 2.2% of RWAs. Basel Committee consultations and reviews might further impact the Pillar 2A requirement in the future.

In addition, a Counter-Cyclical Capital Buffer (CCCB) and/or additional Sectoral Capital Requirements (SCR) may be required by the BoE to protect against perceived threats to financial stability. These buffers could be applied at the Group level or at a legal entity, sub-consolidated or portfolio level. No SCR has been set to date by the BoE, while the CCCB is currently 0% for UK exposures. Other national authorities determine the appropriate CCCBs that should be applied to exposures in their jurisdiction. During 2016, CCCBs will start to apply for our exposures in Hong Kong, Norway and Sweden. Based on current exposures we do not expect this to be material.

Capital Transitional

On a transitional basis, the PRA has implemented a minimum requirement CET1 ratio of 4%, Tier 1 ratio of 5.5% and Total Capital ratio of 8%.

From 1 January 2015, the transitional capital ratios are equal to the fully loaded ratios following the PRA s acceleration of transitional provisions relating to CET1 deductions and filters. The adjustment relating to unrealised gains on available for sale debt and equity that was applied throughout 2014 as an exception no longer applies.

Grandfathering limits on capital instruments, previously qualifying as Tier 1 and Tier 2, are unchanged under the PRA transitional rules.

Leverage

In addition to the Group s capital requirements, minimum ratios have also been set in respect of leverage. The leverage ratio applicable to the Group has been calculated in accordance with the requirements of the EU Capital Requirements Regulation (CRR) which was amended effective from January 2015. The leverage calculation uses the end-point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure. During 2015 Barclays was measured against the PRA leverage ratio requirement of 3%.

In December 2015, the PRA finalised the UK leverage ratio framework in which it adopted the FPC s recommendations on leverage ratio requirements. These recommendations have been finalised in the Supervisory Statement SS45/15 and have been incorporated as part of the updated PRA rulebook, effective January 2016. This would result in a fully phased in leverage ratio requirement of 3.7% for Barclays. The minimum requirement would increase in the event that Barclays was subject to: (i) an increased CCCB; and/or (ii) Barclays was reclassified into a higher G-SII category. Furthermore from January 2016, firms are required to report quarterly leverage ratio information, including an average ratio.

Capital resources

The CRR and Capital Requirements Directive (CRD) implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA s rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted by the European Commission and the PRA. All capital, RWA and leverage calculations reflect Barclays interpretation of the current rules.

Key capital ratios

As at 31 December	2015	2014
Fully Loaded CET1	**11.4%**	10.3%
PRA Transitional CET1[a]	**11.4%**	10.2%
PRA Transitional Tier 1[b,c]	**14.7%**	13.0%
PRA Transitional Total Capital[b,c]	**18.6%**	16.5%

Capital resources (audited)

As at 31 December	2015 £m	2014 £m
Shareholders equity (excluding non-controlling interests) per the balance sheet	**59,810**	59,567
Less: other equity instruments (recognised as AT1 capital)	**(5,305)**	(4,322)
Adjustment to retained earnings for foreseeable dividends	**(631)**	(615)
Minority interests (amount allowed in consolidated CET1)	**950**	1,227
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	**(1,602)**	(2,199)
Goodwill and intangible assets	**(8,234)**	(8,127)
Deferred tax assets that rely on future profitability excluding temporary differences	**(855)**	(1,080)
Fair value reserves related to gains or losses on cash flow hedges	**(1,231)**	(1,814)
Excess of expected losses over impairment	**(1,365)**	(1,772)
Gains or losses on liabilities at fair value resulting from own credit	**127**	658
Defined benefit pension fund assets	**(689)**	
Direct and indirect holdings by an institution of own CET1 instruments	**(57)**	(25)
Other regulatory adjustments	**(177)**	(45)
Fully loaded CET1 capital	**40,741**	41,453
Regulatory adjustments relating to unrealised gains		(583)
PRA transitional CET1 capital	**40,741**	40,870

Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	**5,305**	4,322
Qualifying AT1 capital (including minority interests) issued by subsidiaries	**6,718**	6,870
Other regulatory adjustments and deductions	**(130)**	
Transitional AT1 capital[d]	**11,893**	11,192
PRA transitional Tier 1 capital	**52,634**	52,062
Tier 2 capital		
Capital instruments and the related share premium accounts	**1,757**	800
Qualifying Tier 2 capital (including minority interests) issued by subsidiaries	**12,389**	13,529
Other regulatory adjustments and deductions	**(253)**	(48)
PRA transitional total regulatory capital	**66,527**	66,343

Notes

a The CRD IV CET1 ratio (FSA October 2012 transitional statement) as applicable to Barclays Tier 2 Contingent Capital Notes was 13.1% based on £46.8bn of transitional CRD IV CET1 capital and £358bn RWAs. The transitional CET1 ratio according to the FSA October 2012 transitional statement would be 13.1%. This is calculated as CET1 capital as adjusted for the transitional relief (£46.8bn), divided by CRD IV RWAs. The following transitional relief items are added back to CET1 capital: Goodwill and Intangibles (£4.9bn), Deferred tax asset (£0.5bn), Debt valuation adjustment (£0.1bn), Expected losses over impairment (£0.8bn) and Excess minority interest (£0.2bn), partially offset by the defined benefit pension adjustment of £0.5bn.

b The PRA transitional capital is based on the PRA Rulebook and accompanying supervisory statements.

c As at 31 December 2015, Barclays fully loaded Tier 1 capital was £46,173m, and the fully loaded Tier 1 ratio was 12.9%. Fully loaded total regulatory capital was £62,103m and the fully loaded total capital ratio was 17.3%. The fully loaded Tier 1 capital and total capital measures are calculated without applying the transitional provisions set out in CRD IV and assessing compliance of AT1 and Tier 2 instruments against the relevant criteria in CRD IV.

d Of the £11.9bn transitional AT1 capital, fully loaded AT1 capital used for the leverage ratio comprises the £5.3bn capital instruments and related share premium accounts, £0.3bn qualifying minority interests and £0.1bn capital deductions. It excludes legacy Tier 1 capital instruments issued by subsidiaries that are subject to grandfathering.

Movement in CET1 capital

	2015
	£m
Opening balance as at 1 January	**41,453**
Loss for the period attributable to equity holders	(49)
Own credit	(531)
Dividends paid and foreseen	(1,372)
Decrease in regulatory capital generated from earnings	**(1,952)**
Net impact of share awards	609
Available for sale reserves	(245)
Currency translation reserves	(41)
Other reserves	9
Increase in other qualifying reserves	**332**
Retirement benefit reserve	916
Defined benefit pension fund asset deduction	(689)
Net impact of pensions	**227**
Minority interests	(277)
Additional value adjustments (PVA)	597
Goodwill and intangible assets	(107)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	225
Excess of expected loss over impairment	407
Direct and indirect holdings by an institution of own CET1 instruments	(32)
Other regulatory adjustments	(132)
Decrease in regulatory adjustments and deductions	**681**
Closing balance as at 31 December	**40,741**

§ During 2015, the fully loaded CET1 ratio increased to 11.4% (2014: 10.3%) driven by a significant reduction in RWAs.

§ CET1 capital decreased by £0.7bn to £40.7bn, after absorbing adjusting items, with the following significant movements:

a £1.4bn reduction for dividends paid and foreseen a £0.2bn net increase as the retirement benefit reserve increased £0.9bn, offset by £0.7bn pension asset deduction

a £0.7bn increase due to lower regulatory deductions and adjustments including a £0.6bn decrease in PVA, a £0.4bn decrease in expected losses due to the sale of the Spanish business and disposals across the Investment Bank, partially offset by a £0.3bn decrease in eligible minority interests.

Risk weighted assets (RWAs) by risk type and business

	Credit risk		Counterparty credit risk[a]		Market risk[b]		Operational risk	Total R
	Std	IRB	Std	IRB	Std	IMA		
	£m	£m	£m	£m	£m	£m	£m	
As at 31 December 2015								
Personal & Corporate Banking	**31,506**	**71,352**	**242**	**1,122**	**30**		**16,176**	**12**
Barclaycard	**17,988**	**17,852**					**5,505**	**4**
Africa Banking	**8,556**	**17,698**	**22**	**487**	**885**	**682**	**5,604**	**3**
Investment Bank	**4,808**	**39,414**	**11,020**	**10,132**	**9,626**	**13,713**	**19,620**	**10**
Head Office and Other Operations	**1,513**	**2,763**	**32**	**59**	**48**	**1,230**	**2,104**	[illegible]
Total Core	**64,371**	**149,079**	**11,316**	**11,800**	**10,589**	**15,625**	**49,009**	**31**
Barclays Non-Core	**5,078**	**11,912**	**1,397**	**9,231**	**679**	**10,639**	**7,651**	**4**
Total risk weighted assets	**69,449**	**160,991**	**12,713**	**21,031**	**11,268**	**26,264**	**56,660**	**35**
As at 31 December 2014								
Personal & Corporate Banking	32,657	70,080	238	1,049	26		16,176	**12**
Barclaycard	15,910	18,492					5,505	**3**
Africa Banking	9,015	21,794	10	562	948	588	5,604	**3**
Investment Bank	5,773	36,829	13,739	11,781	18,179	16,480	19,621	**12**
Head Office and Other	506	2,912	234	62	7	521	1,326	[illegible]

Operations								
Total Core	**63,861**	**150,107**	**14,221**	**13,454**	**19,160**	**17,589**	**48,232**	**32**
Barclays Non-Core	10,679	19,416	3,023	18,406	2,236	13,088	8,428	7
Total risk weighted assets	**74,540**	**169,523**	**17,244**	**31,860**	**21,396**	**30,677**	**56,660**	**40**

Movement analysis of risk weighted assets

Risk weighted assets	Credit risk £bn	Counterparty credit risk[a] £bn	Market risk[b] £bn	Operational risk £bn	Total R
As at 1 January 2015	**244.0**	**49.1**	**52.1**	**56.7**	
Book size	**8.3**	**(10.6)**	**(9.5)**		
Acquisitions and disposals	**(14.2)**		**(0.4)**		
Book quality	**0.1**	**(1.7)**	**0.7**		
Model updates	**(2.1)**	**(1.1)**	**(2.7)**		
Methodology and policy	**2.3**	**(1.9)**	**(2.6)**		
Foreign exchange movement[c]	**(8.0)**	**(0.1)**			
Other					
As at 31 December 2015	**230.4**	**33.7**	**37.6**	**56.7**	

RWAs decreased £43.5bn to £358.4bn, driven by:

§ Book size: RWAs decreased £11.8bn primarily due to a reduction in holdings of US bonds and equities and a reduction in derivatives and securities financing transactions. This was partially offset by a growth in corporate lending, particularly in Africa and the UK

§ Acquisitions and disposals: RWAs decreased £14.6bn primarily due to disposals in Non-Core, including the sale of the Spanish business

§ Model updates: RWAs decreased £5.9bn primarily due to implementation of diversification benefits across advanced general and specific market risk, as well as a recalibration of a credit risk model within the Investment Bank and Non-Core

§ Methodology and policy: RWAs decreased £2.2bn primarily due to the implementation of collateral modelling for mismatched FX collateral, and a transfer of securities financing transactions in certain businesses from the banking book to trading book, enabling further collateral offset

§ Foreign exchange movements decreased RWAs by £8.1bn primarily due to depreciation of ZAR against GBP.

Notes

a RWAs in relation to default fund contributions are included in counterparty credit risk.
b RWAs in relation to credit valuation adjustment (CVA) are included in market risk.
c Foreign exchange movement does not include FX for modelled counterparty risk or modelled market risk.

Leverage ratio and exposures

The leverage ratio applicable to the Group has been calculated in accordance with the requirements of the CRR which was amended effective from January 2015. The leverage calculation below uses the end point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure.

At 31 December 2015, Barclays leverage ratio was 4.5%, which exceeds the expected end point minimum requirement of 3.7% as outlined by the PRA Supervisory Statement SS45/15 and the updated PRA rulebook, comprising of the 3% minimum requirement, and the fully phased in G-SII buffer.

Leverage exposure

	As at 31.12.15 £bn	As at 31.12.14[a] £bn
Accounting assets		
Derivative financial instruments	**328**	440
Cash collateral	**62**	73
Reverse repurchase agreements and other similar secured lending	**28**	132
Financial assets designated at fair value[b]	**77**	38
Loans and advances and other assets	**625**	675
Total IFRS assets	**1,120**	1,358
Regulatory consolidation adjustments	**(10)**	(8)
Derivatives adjustments		
Derivatives netting	**(293)**	(395)
Adjustments to cash collateral	**(46)**	(53)
Net written credit protection	**15**	27
Potential Future Exposure (PFE) on derivatives	**129**	179
Total derivatives adjustments	**(195)**	(242)
Securities financing transactions (SFTs) adjustments	**16**	25
Regulatory deductions and other adjustments	**(14)**	(15)
Weighted off-balance sheet commitments	**111**	115
Total fully loaded leverage exposure	**1,028**	1,233

Fully loaded CET1 capital	**40.7**	41.5
Fully loaded AT1 capital	**5.4**	4.6
Fully loaded Tier 1 capital	**46.2**	46.0
Fully loaded leverage ratio	**4.5%**	3.7%

§ During 2015 the leverage ratio increased significantly to 4.5% (2014: 3.7%) driven by a reduction in the leverage exposure of £205bn to £1,028bn.

§ Total derivative exposures[c] decreased £76bn to £195bn:

PFE decreased £50bn to £129bn, mainly as a result of continued Non-Core rundown and optimisations including trade compressions and tear-ups

other derivative assets decreased £14bn to £51bn, driven by a net decrease in IFRS derivatives. The decrease was mainly within interest rate and foreign exchange derivatives due to net trade reduction and an increase in major interest forward curves

net written credit protection decreased £12bn to £15bn due to a reduction in business activity and improved portfolio netting.

§ Taken together, reverse repurchase agreements and other similar secured lending and financial assets designated at fair value decreased £65bn to £105bn, reflecting a reduction in matched book trading and general firm financing due to balance sheet deleveraging.

§ Loans and advances and other assets decreased £50bn to £625bn driven by £37bn reduction in trading portfolio assets primarily due to Non-Core rundown, a reduction in trading activities in the Investment Bank, as well as a £10bn decrease in settlement balances and a £5bn decrease in Africa reflecting the depreciation of ZAR against GBP. This was partially offset by lending growth of £3bn in Barclaycard.

§ SFT adjustments decreased by £9bn to £16bn due to maturity of trades and a reduction in trading volumes.

Notes

a 2014 comparatives have been prepared on a BCBS 270 basis. Barclays does not believe that there is a material difference between the BCBS 270 leverage exposure and a leverage exposure calculated in accordance with the EU delegated act.
b Included within financial assets designated at fair value are reverse repurchase agreements designated at fair value of £50bn (2014: £5bn).
c Total derivative exposures includes IFRS derivative financial instruments, cash collateral and total derivative adjustments.

Funding risk liquidity

Analysis of liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

This section details the Group s liquidity risk profile and provides information on the way the Group manages that risk.

Key metrics

133% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements.

£9bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt.

Risk review

Risk performance

Funding risk liquidity

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm s inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

All disclosures in this section (pages 155 to 171) are unaudited and exclude BAGL unless otherwise stated.

Overview

The Group has a comprehensive Key Risk Control Framework for managing the Group s liquidity risk. The Liquidity Framework meets the PRA s standards and is designed to ensure the Group maintains liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Liquidity risk is managed separately at Barclays Africa Group Limited (BAGL) due to local currency and funding requirements. Unless stated otherwise, all disclosures in this section exclude BAGL and they are reported on a stand-alone basis. Adjusting for local requirements, BAGL liquidity risk is managed on a consistent basis to the Group.

This section provides an analysis of the Group s: i) liquidity risk stress testing; ii) internal and regulatory stress tests; iii) liquidity pool; iv) funding structure and funding relationships; v) wholesale funding; vi) term financing; vii) encumbrance; viii) repurchase agreements; ix) credit ratings; x) liquidity management at BAGL and xi) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework see page 105.

Summary of performance in the period

The Group maintained a surplus to its internal and regulatory requirements in 2015. The liquidity pool was £145bn (2014: £149bn) and Liquidity Coverage Ratio (LCR) was 133% (2014: 124%), equivalent to a surplus of £37bn (2014: £30bn). While the liquidity pool may reduce in future, the Group intends to continue to maintain a prudent surplus to regulatory requirements.

Wholesale funding outstanding excluding repurchase agreements reduced to £142bn (2014: £171bn). The Group issued £9bn of term funding net of early redemptions during 2015, of which £4bn was in public and private senior unsecured debt issued by the holding company, Barclays PLC. During Q415, Barclays PLC also issued EUR Tier 2 securities of £1bn equivalent. All the capital and debt proceeds raised by Barclays PLC have been used to subscribe for instruments at Barclays Bank PLC, the operating company with a ranking corresponding to the securities issued by Barclays PLC.

Liquidity risk stress testing

Under the Liquidity Framework, the Group has established a Liquidity Risk Appetite (LRA) together with the appropriate limits for the management of the liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through internal stress tests. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for each of three stress scenarios.

Liquidity Risk Appetite

As part of the LRA, the Group runs three primary liquidity stress scenarios, aligned to the PRA s prescribed stresses:

§ a 90-day market-wide stress event

§ a 30-day Barclays-specific stress event

§ a combined 30-day market-wide and Barclays-specific stress event.

Under normal market conditions, the liquidity pool is managed to be at a target of at least 100% of anticipated outflows under each of these stress scenarios. The 30-day Barclays-specific stress scenario, results in the greatest net outflows of each of the liquidity stress tests .The combined 30-day scenario assumes outflows consistent with a firm specific stress for the first two weeks of the stress period, followed by relatively lower outflows consistent with a market-wide stress for the remainder of the stress period.

Key LRA assumptions include:

For the year ended 31 December 2015

Liquidity risk driver	Barclays-specific stress
Wholesale secured and unsecured funding	§ Zero rollover of wholesale unsecured liabilities maturing, senior unsecured debt and conduit commercial paper. § No benefit assumed from reverse repos covering firm short positions. § Rollover of trades secured on extremely liquid collateral. § Varying rollover of trades secured on liquid collateral, subject to haircut widening. § Zero rollover of trades secured on less-liquid collateral. § 100% of contractual buybacks will occur. § Haircuts applied to the market value of marketable assets held in the liquidity buffer.
Deposit outflow	§ Substantial deposit outflows in PCB and Barclaycard as the Group is seen as greater credit risk than competitors.
Funding concentration	§ Additional outflows recognised against concentration of providers of wholesale financing (largest unsecured counterparty unwilling to roll).

Intra-day liquidity	§ Anticipated liquidity required to support additional intra-day requirements at cash payment and securities settlement venues based on historical peak usage and triparty settlement based on forward maturities of trades.
Intra-group	§ Anticipated liquidity required to support material subsidiaries, based on stand-alone stress tests. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group.
Off-balance sheet	§ Drawdown on committed facilities based on facility type, counterparty type and counterparty creditworthiness.
	§ Outflow of all collateral owed to counterparties but not yet called.
	§ Collateral outflows based on Monte Carlo simulation and historical stress outflows.
	§ Increase in the Group s initial margin requirement across all major exchanges.
	§ Outflows as a result of a multi-notch downgrade in credit rating.
Franchise viability	§ Liquidity required in order to meet outflows that are non-contractual in nature but necessary in order to support the Group s ongoing franchise (for example, market-making activities and non contractual debt buyback).
Cross currency risk	§ Net settlement cash flows at contractual maturity for physically settled FX forwards and cross currency swaps are reflected.
	§ No benefit assumed from surplus net inflows in non-G10 currencies.
Mitigating actions	§ Monetisation of unencumbered assets that are of known liquidity value to the firm but held outside the liquidity pool (subject to haircut/valuation adjustment).
Internalisation Risk	§ Loss of internal sources of funding within the Prime Brokerage Synthetic Business.

§ Acceleration of term profile associated with Prime Brokerage Clients deleveraging their portfolios asymmetrically by closing short positions.

Liquidity regulation

Since October 2015, the Group manages its liquidity profile against the new CRD IV liquidity regime implemented by PRA. The CRD IV regime defines the liquidity risk ratio, liquidity pool asset eligibility and net stress outflow applied against Barclays reported balances.

The Group monitors its position against the CRD IV Interim LCR and the Basel III Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a bank s liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of at least six months and has been developed to promote a sustainable maturity structure of assets and liabilities.

The PRA regime requires phased compliance with the LCR standard from 1 October 2015 at a minimum of 80% increasing to 100% by January 2018. The methodology for the LCR is based off the final published Delegated Act which became EU law in October 2015.

In October 2014, the BCBS published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100% on an ongoing basis. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRD IV.

Based on the CRD IV and Basel III standards respectively, as at 31 December 2015, the Group had a surplus to both of these metrics with a CRD IV Interim LCR of 133% (2014: 124%) and a Basel III NSFR of 106% (2014: 102%).

Risk review

Risk performance

Funding risk liquidity

Comparing internal and regulatory liquidity stress tests

The LRA stress scenarios and the CRD IV Interim LCR are all broadly comparable short-term stress scenarios in which the adequacy of defined liquidity resources is assessed against contractual and contingent stress outflows. The CRD IV Interim LCR stress tests provide an independent assessment of the Group s liquidity risk profile.

Stress Test	**Barclays LRA**	**CRD IV Interim LCR**	**Basel III NSFR**
Time Horizon	30 90 days	30 days	6+ months
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

As at 31 December 2015, the Group held eligible liquid assets in excess of 100% of stress requirements for all three LRA scenarios and the CRD IV Interim LCR requirement.

Compliance with internal and regulatory stress tests

	Barclays LRA (one month Barclays specific requirement)[a]	**CRD IV Interim LCR[b]**
As at 31 December 2015	**£bn**	**£bn**
Total eligible liquidity pool	**145**	**147**
Asset inflows	**1**	**18**
Stress outflows		
Retail and commercial deposit outflows	**(50)**	**(72)**
Wholesale funding	**(15)**	**(12)**
Net secured funding	**(12)**	**(1)**
Derivatives	**(8)**	**(6)**
Contractual credit rating downgrade exposure	**(6)**	**(5)**
Drawdowns of loan commitments	**(7)**	**(32)**
Intraday	**(13)**	

Total stress net cash flows	**(110)**	**(110)**
Surplus	**35**	**37**
Liquidity pool as a percentage of anticipated net cash flows	**131%**	**133%**
As at 31 December 2014	124%	124%

In 2015, the Group strengthened its liquidity position, building a larger surplus to its internal and regulatory requirements. The Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while considering risks to market funding conditions and its liquidity position. The continuous reassessment of these risks may lead to appropriate actions being taken with respect to sizing of the liquidity pool.

Note

a Of the three stress scenarios monitored as part of the LRA, the 30-day Barclays-specific scenario results in the lowest ratio at 131% (2014: 124%). This compares to 144% (2014: 135%) under the 90-day market-wide scenario, and 133% (2014: 127%) under the 30-day combined scenario.

b Includes BAGL.

Liquidity pool

The Group liquidity pool as at 31 December 2015 was £145bn (2014: £149bn). During 2015, the month-end liquidity pool ranged from £142bn to £168bn (2014: £134bn to £156bn), and the month-end average balance was £155bn (2014: £145bn). 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 2015

		Liquidity pool of which CRD IV LCR eligible			
	Liquidity pool £bn	Cash £bn	Level 1 £bn	Level 2A £bn	2014 Liquidity pool
Cash and deposits with central banks[a]	**48**	**45**	**1**		37
Government bonds[b]					
AAA rated	**63**		**63**		73
AA+ to AA- rated	**11**		**7**	**4**	12
Other government bonds	**1**		**1**		
Total government bonds	**75**		**71**	**4**	85
Other					
Supranational bonds and multilateral development banks	**7**		**7**		9
Agencies and agency mortgage-backed securities	**8**		**6**	**2**	11
Covered bonds (rated AA- and above)	**4**		**2**	**2**	3
Other	**3**				4
Total Other	**22**		**15**	**4**	27
Total as at 31 December 2015	**145**	**45**	**87**	**8**	
Total as at 31 December 2014	149	37	99	7	

The Group liquidity pool is well diversified by major currency and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD	EUR	GBP	Other	Total
	£bn	£bn	£bn	£bn	£bn
Liquidity pool as at 31 December 2015	**41**	**33**	**46**	**25**	**145**
Liquidity pool as at 31 December 2014	46	27	54	22	149

Management of the Group liquidity pool

The composition of the Group liquidity pool is efficiently managed. The maintenance of the liquidity pool increases the Group s costs as the interest expense paid on the liabilities used to fund the liquidity pool is greater than the interest income received on liquidity pool assets. This cost can be reduced by investing a greater portion of the Group liquidity pool in highly liquid assets other than cash and deposits with central banks while maintaining a minimum level of cash in the liquidity pool to meet cash outflows on the first day of a Barclays-specific stress and enough cash and same day settlement securities to meet all outflows in the first three days of the stress. These assets in the liquidity pool primarily comprise highly rated government bonds, and their inclusion in the liquidity pool does not compromise the liquidity position of the Group.

The composition of the liquidity pool is subject to limits set by the Board, Treasury Committee and the independent Credit risk and Market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency and asset type. Given the incremental returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

The Group manages the liquidity pool on a centralised basis. As at 31 December 2015, 94% of the liquidity pool was located in Barclays Bank PLC (2014: 92%) and was available to meet liquidity needs across the Group. The residual liquidity pool is held predominantly within Barclays Capital Inc. (BCI). The portion of the liquidity pool outside of Barclays Bank PLC is held against entity-specific stressed outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Group.

Notes

a Of which over 97% (2014: over 95%) was placed with the BoE, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
b Of which over 92% (2014: over 95%) are UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

Risk review

Risk performance

Funding risk liquidity

Contingent liquidity

In addition to the Group liquidity pool, the Group has access to other unencumbered assets which provide a source of contingent liquidity. While these are not relied on in the Group s LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

In either a Barclays-specific or market-wide liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Group could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral pre-positioned at central banks and available to raise funding.

For more detail on the Group s other unencumbered assets see page 163.

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 commercial customer loans and advances are largely funded by customer deposits, with the surplus funding the liquidity pool. Other assets, together with other loans and advances and unencumbered assets are funded by long-term wholesale debt and equity.

The majority of reverse repurchase agreements are matched by repurchase agreements. The liquidity pool is predominantly funded through wholesale markets. These funding relationships are summarised below:

Assets	2015 £bn	2014 £bn	Liabilities	2015 £bn	2014 £bn
Loans and advances to customers[a]	**336**	346	Customer accounts[a]	**374**	366
Group liquidity pool	**145**	149	< 1 Year wholesale funding	**54**	75
			> 1 Year wholesale funding	**88**	96
Other assets[b]	**135**	153	Equity and other liabilities[b]	**104**	112
Reverse repurchase agreements and other similar secured lending[c]	**178**	271	Repurchase agreements and other similar secured borrowing[c]	**178**	271

Derivative financial instruments	**326**	439	Derivative financial instruments	**322**	438
Total assets	**1,120**	1,358	Total liabilities and equity	**1,120**	1,358

Deposit funding (Includes BAGL) (audited)

Funding of loans and advances to customers As at 31 December 2015	2015 Loans and advances to customers £bn	Customer deposits £bn	Loan to deposit ratio %	2014 Loan to deposit ratio %
Personal and Corporate Banking	**218**	**305**		
Barclaycard	**40**	**10**		
Africa Banking	**30**	**31**		
Non-Core (retail)	**12**	**2**		
Total retail and corporate funding	**300**	**348**	**86**	89
Investment Bank, Non-Core (wholesale) and Other	**99**	**70**		
Total	**399**	**418**	**95**	100

Notes

a Excluding cash collateral and settlement balances.
b BAGL Group balances other than customer loans and advances of £29bn and customer deposits of £29bn are included in other assets and liabilities.
c Comprised of reverse repurchase that provide financing to customers collateralised by highly liquid securities on a short-term basis or are used to settle short-term inventory positions and repo financing of trading portfolio assets.

PCB, Barclaycard, Non-Core (Retail) and Africa Banking activities are largely funded with customer deposits. As at 31 December 2015, the loan to deposit ratio for these businesses was 86% (2014: 89%). The Group loan to deposit ratio as at 31 December 2015 was 95% (2014: 100%).

The excess of the Investment Bank s loans and advances over customer deposits is funded with long-term debt and equity. The Investment Bank does not rely on customer retail deposit funding from PCB.

As at 31 December 2015, £129bn (2014: £128bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits, there were £4bn (2014: £4bn) of other liabilities insured by governments.

Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers, numerically and by depositor type, helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group s operations and liquidity needs. The Group 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 for historical experience, current customer composition, and macroeconomic projections. These behavioural profiles represent our forward looking expectation of the run-off profile. The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched with customer assets from a behavioural perspective.

Behavioural maturity profile (Includes BAGL)

				Behavioural maturity profile cash outflow/(inflow)			
	Loans and advances to customers £bn	Customer deposits £bn	Customer funding surplus/ (deficit) £bn	Not more than one year £bn	Over one year but not more than five years £bn	More than five years £bn	Total £bn
As at 31 December 2015							
Personal and Corporate Banking	218	305	87	18	3	66	87
Barclaycard	40	10	(30)	(10)	(10)	(10)	(30)

Africa Banking	**30**	**31**	**1**	**2**	**1**	**(2)**	**1**
Non-Core (Retail)	**12**	**2**	**(10)**	**(1)**	**(2)**	**(7)**	**(10)**
Total	**300**	**348**	**48**	**9**	**(8)**	**47**	**48**
As at 31 December 2014							
Personal and Corporate Banking	217	299	82	19	3	60	82
Barclaycard	37	7	(30)	(10)	(10)	(10)	(30)
Africa Banking	35	35		2	(2)		
Non-Core (Retail)	20	8	(12)		(2)	(10)	(12)
Total	309	349	40	11	(11)	40	40

Wholesale funding

Wholesale funding relationships are summarised below:

Assets	**2015 £bn**	2014 £bn	**Liabilities**	**2015 £bn**	2014 £bn
Trading portfolio assets	**28**	37	Repurchase agreements	**70**	124
Reverse repurchase agreements	**42**	87			
Reverse repurchase agreements	**34**	45	Trading portfolio liabilities	**34**	45
Derivative financial instruments	**326**	440	Derivative financial instruments	**322**	439
Liquidity pool	**97**	109	Less than one year wholesale debt	**54**	75
Other assets[a]	**103**	122	Greater than one year wholesale debt and equity	**150**	157

Repurchase agreements fund reverse repurchase agreements and trading portfolio assets. Trading portfolio liabilities are settled by the remainder of reverse repurchase agreements (see Note 19 Offsetting financial assets and liabilities for further detail on netting).

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.

Wholesale debt, along with the surplus of customer deposits to loans and advances to customers, is used to fund the liquidity pool. Term wholesale debt and equity largely fund other assets.

Note

a Predominantly available for sale investments, financial assets designated at fair value and loans and advances to banks funded by greater than one year wholesale debt and equity and trading portfolio assets.

Risk review

Risk performance

Funding risk liquidity

Composition of wholesale funding

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a 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 2015, the Group s total wholesale funding outstanding (excluding repurchase agreements) was £142bn (2014: £171bn). £54bn (2014: £75bn) of wholesale funding matures in less than one year, of which £14bn (2014: £22bn)[a] relates to term funding.

As at 31 December 2015, outstanding wholesale funding comprised £25bn (2014: £33bn) of secured funding and £117bn (2014: £138bn) of unsecured funding.

In preparation for a Single Point of Entry resolution model, Barclays continues to issue debt capital and term senior unsecured funding out of Barclays PLC, the holding company, replacing maturing debt in Barclays Bank PLC.

Maturity profile of wholesale funding[b]

	Not more than one month	Over one month but not more than three months	Over three months but not more than six months	Over six months but not more than one year	Sub-total less than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than four years
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Barclays PLC								
Senior unsecured (public benchmark)							**0.8**	**1.3**
Senior unsecured (privately placed)							**0.1**	

Subordinated liabilities								
Barclays Bank PLC								
Deposits from banks	**9.5**	**3.1**	**1.3**	**0.8**	**14.7**	**0.1**		
Certificates of deposit and commercial paper	**0.5**	**4.9**	**3.4**	**5.3**	**14.1**	**1.0**	**0.6**	**0.9**
Asset backed commercial paper	**2.2**	**3.3**	**0.2**		**5.7**			
Senior unsecured (public benchmark)		**1.3**		**1.4**	**2.7**	**3.6**		**4.3**
Senior unsecured (privately placed)[c]	**0.6**	**1.6**	**2.3**	**4.8**	**9.3**	**5.1**	**5.4**	**3.7**
Covered bonds			**1.1**		**1.1**	**4.4**	**1.0**	**1.6**
Asset backed securities	**0.7**				**0.7**	**0.5**	**1.4**	**1.3**
Subordinated liabilities						**1.1**	**3.0**	**0.2**
Other[d]	**2.3**	**1.1**	**0.3**	**1.5**	**5.2**	**0.7**	**0.3**	**0.4**
Total as at 31 December 2015	**15.8**	**15.3**	**8.6**	**13.8**	**53.5**	**16.5**	**12.6**	**13.7**
Of which secured	**4.2**	**3.9**	**1.6**	**0.3**	**10.0**	**5.1**	**2.4**	**2.8**
Of which unsecured	**11.6**	**11.4**	**7.0**	**13.5**	**43.5**	**11.4**	**10.2**	**10.9**
Total as at 31 December 2014	16.8	23.2	14.4	21.0	75.4	14.0	16.1	6.5
Of which secured	5.3	7.8	1.7	2.2	17.0	2.7	5.1	0.1
Of which unsecured	11.5	15.4	12.7	18.8	58.4	11.3	11.0	6.4

Outstanding wholesale funding includes £35bn (2014: £45bn) of privately placed senior unsecured notes in issue. These notes are issued through a variety of distribution channels including intermediaries and private banks. Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £91bn (2014: £74bn).

Notes

a Term funding maturities comprise public benchmark and privately placed senior unsecured notes, covered bonds/asset backed securities (ABS) and subordinated debt where the original maturity of the instrument was more than one year.

b The composition of wholesale funds comprises the balance sheet reported deposits from banks, financial liabilities at fair value, debt securities in issue and subordinated liabilities, excluding cash collateral and settlement balances. It does not include collateral swaps, including participation in the BoE s Funding for Lending Scheme. Included within deposits from banks are £6bn of liabilities drawn in the European Central Bank s facilities.

c Includes structured notes of £28bn, £8bn of which mature within one year.

d Primarily comprised of fair value deposits £5bn and secured financing of physical gold £3bn.

Currency composition of wholesale debt

As at 31 December 2015, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding

	USD	EUR	GBP	Other
	%	%	%	%
Deposits from banks	**25**	**51**	**19**	**5**
Certificates of deposits and commercial paper	**25**	**60**	**14**	**1**
Asset backed commercial paper	**92**	**8**		
Senior unsecured (public benchmark)	**43**	**20**	**28**	**9**
Senior unsecured (privately placed)	**39**	**21**	**18**	**22**
Covered bonds/ABS	**27**	**41**	**31**	**1**
Subordinated liabilities	**44**	**19**	**37**	
Total as at 31 December 2015	**38**	**31**	**23**	**8**
Total as at 31 December 2014	35	32	25	8

To manage cross-currency refinancing risk the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities. Across wholesale funding, the composition of wholesale funding is materially unchanged.

Term financing

The Group issued £9bn (2014: £15bn) of term funding net of early redemptions during 2015. The Group has £14bn of term debt maturing in 2016 and £16bn maturing in 2017[a].

The Group expects to continue issuing public wholesale debt in 2016, in order to maintain a stable and diverse funding base by type, currency and distribution channel.

Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar borrowing, and pledges a portion of customer loans and advances as collateral in securitisations, covered bond and other similar secured structures. Barclays monitors the mix of secured and unsecured funding sources within the Group s funding plan and seeks to efficiently utilise available collateral to raise secured funding and meet other collateralised obligations.

Encumbered assets have been defined consistently with the Group s reporting requirements under Article 100 of the CRR. Securities and commodities assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. This includes external repurchase or other similar agreements with market counterparts.

Excluding assets positioned at central banks, as at 31 December 2015, £157bn (2014: £176bn) of the Group s assets were encumbered, primarily due to cash collateral posted, firm financing of trading portfolio assets and other securities and funding secured against loans and advances to customers.

Assets may also be encumbered under secured funding arrangements with central banks, such as the Funding for Lending Scheme. In advance of such encumbrance, assets are often positioned with central banks to facilitate efficient future draw down. £88bn (2014: £99bn) of on-balance sheet assets were positioned at the central banks, consisting of encumbered assets and collateral pre-positioned and available for use in secured financing transactions.

£212bn (2014: £270bn) of on and off-balance sheet assets not positioned at the central bank were identified as readily available and available for use in secured financing transactions. Additionally, they include cash and securities held in the Group liquidity pool as well as unencumbered assets which provide a source of contingent liquidity. While these additional assets are not relied upon in the Group s LRA, a portion of these assets may be monetised to generate liquidity through use as collateral for secured funding or through outright sale. Loans and advances to customers are only classified as readily available if they are already in a form, such that, they can be used to raise funding without further management actions. This includes excess collateral already in secured funding vehicles.

£208bn (2014: £208bn) of assets not positioned at the central bank were identified as available as collateral. These assets are not subject to any restrictions on their ability to secure funding, to be offered as collateral, or to be sold to reduce potential future funding requirements, but are not immediately available in the normal course of business in their current form. They primarily consist of loans and advances which would be suitable for use in secured funding structures but are conservatively classified as not readily available because they are not in transferable form.

Not available as collateral consist of assets that cannot be pledged or used as security for funding due to restrictions that prevent their pledge or use as security for funding in the normal course of business.

Derivatives and reverse repo assets relate specifically to derivatives, reverse repurchase agreements and other similar secured lending. These are shown separately as these on-balance sheet assets cannot be pledged. However, these assets can give rise to the receipt of non-cash assets which are held off-balance sheet, and can be used to raise secured funding or meet additional funding requirements.

In addition, £265bn (2014: £313bn) of the total £306bn (2014: £396bn) securities accepted as collateral, and held off-balance sheet, were on-pledged, the significant majority of which related to matched-book activity where reverse repurchase agreements are matched by repurchase agreements entered into to facilitate client activity. The remainder relates primarily to reverse repurchases used to settle trading portfolio liabilities as well as collateral posted against derivative margin requirements.

Note

a Includes £0.6bn of bilateral secured funding in 2016 and £0.4bn in 2017.

Risk review

Risk performance

Funding risk liquidity

Asset encumbrance[a]

		Assets encumbered as a result of transactions with counterparties other than central banks				Other assets (comprising assets encumbered a and unencumbered assets)				
						Assets positioned	Assets not positioned at the central			
On-balance sheet **As at 31 December 2015**	**Assets £bn**	**As a result of covered bonds £bn**	**As a result of securitis-ations £bn**	**Other £bn**	**Total £bn**	**at central banks[c] £bn**	**Readily available assets £bn**	**Available as collateral £bn**	**Not available as collateral £bn**	**D**
Cash and balances at central banks	47.9						47.9			
Trading portfolio assets	74.8			49.1	49.1		25.7			
Financial assets at fair value	72.5			2.5	2.5		3.2	17.7	1.3	
Derivative financial instruments	325.5									
Loans and advances banks[b]	19.6						7.9	10.2	1.5	
Loans and advances customers[b]	307.3	16.4	5.9	8.0	30.3	86.4	14.8	175.8		
Cash collateral	62.6			62.6	62.6					
Settlement balances	20.4								20.4	
Available for sale financial investments	87.0			12.2	12.2		72.2	1.0	1.6	
Reverse repurchase	28.2									

agreements									
Non-current assets held for sale	**7.3**					**1.9**	**1.2**	**3.2**	**1.0**
Other financial assets	**19.9**								**19.9**
Total on-balance sheet	**1,073.0**	**16.4**	**5.9**	**134.4**	**156.7**	**88.3**	**172.9**	**207.9**	**45.7**

Off-balance sheet

	Collateral received £bn	Collateral received of which on-pledged £bn	Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn
Fair value of securities accepted as collateral	**305.9**	**265.4**	**39.0**		**1.5**
Total unencumbered collateral			**211.9**	**207.9**	**47.2**

Notes

a The format of this disclosure has been updated following the issuance of a Dear CFO letter by the PRA. The revised format continues to satisfy the recommendations of the Enhanced Disclosure Task Force on encumbrance disclosure.
b Excluding cash collateral and settlement balances.
c Includes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 40 to the financial statements.

Asset encumbrance[a]

On-balance sheet		Assets encumbered as a result of transactions with counterparties other than central banks				Other assets (comprising assets encumbered at th				
							and unencumbered assets)			
						Assets positioned	Assets not positioned at the central ban			
		As a result	As a			at the	Readily	Available	Not available	Deriv
		of covered	result of securitis-			central	available	as	as	Re
As at 31 December 2014	Assets	bonds	ations	Other	Total	banks[c]	assets	collateral	collateral	
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	
Cash and balances at central banks	37.8						37.8			
Trading portfolio assets	111.9			50.7	50.7		61.2			
Financial assets at fair value	34.2			2.3	2.3		3.5	20.7	2.5	
Derivative financial instruments	438.6									
Loans and advances banks[b]	19.5						8.6	9.2	1.7	
Loans and advances customers[b]	311.1	20.4	9.2	10.3	39.9	93.4	8.7	169.1		
Cash collateral	72.6			72.6	72.6					
Settlement balances	30.8								30.8	
Available for sale financial investments	82.0			9.3	9.3		70.0	0.5	2.2	

Reverse repurchase agreements	131.7								
Non-current assets held for sale	15.6		1.5		1.5	5.1	0.2	8.3	0.5
Other financial assets	18.8								18.8
Total on-balance sheet	1,304.6	20.4	10.7	145.2	176.3	98.5	190.0	207.8	56.5

Off-balance sheet

	Collateral received £bn	Collateral received of which on-pledged £bn	Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn
Fair value of securities accepted as collateral	395.7	313.0	79.9		2.8
Total unencumbered collateral			269.9	207.8	59.3

Notes

a The format of this disclosure has been updated following the issuance of a Dear CFO letter by the PRA. The revised format continues to satisfy the recommendations of the Enhanced Disclosure Task Force on encumbrance disclosure.
b Excluding cash collateral and settlement balances.
c Includes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 40 to the financial statements.

Risk review

Risk performance

Funding risk liquidity

Repurchase agreements and reverse repurchase agreements

Barclays enters into repurchase and other similar secured borrowing agreements to finance its trading portfolio assets. The majority of reverse repurchase agreements are matched by offsetting repurchase agreements entered into to facilitate client activity. The remainder are used to settle trading portfolio liabilities.

Due to the high quality of collateral provided against secured financing transactions, the liquidity risk associated with this activity is significantly lower than unsecured financing transactions. Nonetheless, Barclays manages to gross and net secured mismatch limits to limit refinancing risk under a severe stress scenario and a portion of the Group s liquidity pool is held against stress outflows on these positions. The Group secured mismatch limits are calibrated based on market capacity, liquidity characteristics of the collateral and risk appetite of the Group.

The cash value of repurchase and reverse repurchase transactions will typically differ from the market value of the collateral against which these transactions are secured by an amount referred to as a haircut (or over-collateralisation). Typical haircut levels vary depending on the quality of the collateral that underlies these transactions. For transactions secured against extremely liquid fixed income collateral, lenders demand relatively small haircuts (typically ranging from 0-2%). For transactions secured against less liquid collateral, haircuts vary by asset class (typically ranging from 5-10% for corporate bonds and other less liquid collateral).

As at 31 December 2015, the significant majority of repurchases related to matched-book activity. The Group may face refinancing risk on the net maturity mismatch for matched-book activity.

Net matched-book activity[a,b]

Negative number represents net repurchase agreement (net liability)	Less than one month £bn	One month to three months £bn	Over three months £bn
As at 31 December 2015			
Extremely liquid fixed income	**(12.9)**	**7.3**	**5.6**
Liquid fixed income	**0.3**	**0.6**	**(0.9)**
Equities	**7.0**	**(1.5)**	**(5.5)**
Less liquid fixed income	**1.6**	**(0.4)**	**(1.2)**
Total	**(4.0)**	**6.0**	**(2.0)**
As at 31 December 2014			
Extremely liquid fixed income	(8.9)	6.3	2.6
Liquid fixed income	(0.1)	0.5	(0.4)
Equities	8.9	(3.0)	(5.9)
Less liquid fixed income	1.2	0.3	(1.5)

Total	1.1	4.1	(5.2)

The residual repurchase agreement activity is the firm-financing component and reflects the Group funding of a portion of its trading portfolio assets. The primary risk related to firm-financing activity is the inability to roll-over transactions as they mature. However, 50% (2014: 54%) of firm-financing activity was secured against highly liquid assets.

Firm financing repurchase agreements[a,b]

	Less than one month £bn	One month to three months £bn	Over three months £bn	Total £bn
As at 31 December 2015				
Extremely liquid fixed income	**28.8**	**8.3**	**0.3**	**37.4**
Liquid fixed income	**2.0**	**0.6**	**1.1**	**3.7**
Highly liquid	**10.9**	**6.3**	**10.2**	**27.4**
Less liquid	**2.7**	**1.1**	**1.9**	**5.7**
Total	**44.4**	**16.3**	**13.5**	**74.2**
As at 31 December 2014				
Extremely liquid fixed income	33.4	4.1	2.2	39.7
Liquid fixed income	3.6	0.3	0.6	4.5
Highly liquid	13.1	5.0	4.1	22.2
Less liquid	2.3	1.3	3.3	6.9
Total	52.4	10.7	10.2	73.3

Notes

a Includes collateral swaps.
b Includes financing positions for prime brokerage clients which are reported as customer payables/receivables on-balance sheet.

Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the Group, Barclays also subscribe to independent credit rating agency reviews by Standard & Poor s (S&P), Moody s, Fitch and Rating and Investment Information (R&I). These ratings assess the creditworthiness of the Group, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance.

Credit ratings[a]

As at 31 December 2015	Standard & Poor s	Moody s	Fitch
Barclays Bank PLC			
Long-term	A- (Stable)	A2 (Stable)	A (Stable)
Short-term	A-2	P-1	F1
Stand-alone rating	BBB+	BAA2	A
Barclays PLC			
Long-term	BBB (Stable)	Baa3 (Stable)	A (Stable)
Short-term	A-2	P-3	F1

Barclays ratings carry a stable outlook with S&P, Moody s and Fitch. Fitch affirmed the ratings in December 2015 as part of its periodic review, noting the balance of Barclays stable PCB and strong Barclaycard businesses against the Investment Bank and Barclays Non-Core performance.

Credit rating agencies took industry wide actions in 2015 driven by evolving resolution frameworks. This involved the reassessment of the likelihood of sovereign support resulting in downward pressure on senior credit ratings. They also updated their methodologies which provided some mitigation to reflect the subordination of junior debt available to absorb losses ahead of senior bank creditors.

As a consequence, S&P downgraded Barclays PLC, the holding company, by two notches and Barclays Bank PLC, the operating company, by one notch in H115. Moody s downgraded Barclays PLC by three notches while affirming the rating of Barclays Bank PLC also in H115. There was no impact on Barclays stand-alone credit ratings with all credit rating agencies.

During the year, Barclays also solicited issuer ratings from R&I for which they assigned ratings of A- for Barclays PLC and A for Barclays Bank PLC with stable outlooks.

Contractual credit rating downgrade exposure (cumulative cash flow)

	Cumulative cash outflow	
	One-notch downgrade £bn	Two-notch downgrade £bn
As at 31 December 2015		
Securitisation derivatives	**2**	**3**
Contingent liabilities	**1**	**1**
Derivatives margining		**1**
Liquidity facilities	**1**	**1**
Total contractual funding or margin requirements	**4**	**6**
As at 31 December 2014		
Securitisation derivatives	5	6
Contingent liabilities	8	8
Derivatives margining		1
Liquidity facilities	1	2
Total contractual funding or margin requirements	14	17

Note

a Refers to Standard & Poor s Stand-Alone Credit Profile (SACP), Moody s Bank Financial Strength Ratio (BFSR)/Baseline Credit Assessment (BCA) and Fitch Viability Rating (VR).

Liquidity management at BAGL Group (audited)

Liquidity risk is managed separately at BAGL Group due to local currency, funding and regulatory requirements.

In addition to the Group liquidity pool, as at 31 December 2015, BAGL Group held £6bn (2014: £7bn) of liquidity pool assets against BAGL specific anticipated stressed outflows. The liquidity pool consists of notes and coins, central bank deposits, government bonds and Treasury bills.

The BAGL loan to deposit ratio as at 31 December 2015 was 102% (2014: 102%).

As at 31 December 2015, BAGL had £9bn (2014: £9bn) of wholesale funding outstanding, of which £5bn (2014: £5bn) matures in less than 12 months.

Additional information on liquidity management at BAGL can be found in the Barclays Africa Group Annual Report.

Contractual maturity of financial assets and liabilities (audited)

The table on the next page 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 (including BAGL) (audited)

As at 31 December 2015	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
Assets							
Cash and balances at central banks	49,580	131					
Items in the course of collection from other banks	631	380					
Trading portfolio assets	77,348						
Financial assets designated at fair value	5,692	46,941	1,722	1,372	583	1,021	587
Derivative financial instruments	326,772	28	3	1	53	328	61
Loans and advances to banks	5,354	31,539	1,954	366	468	588	991
Loans and advances to customers	29,117	76,337	13,935	7,084	12,332	27,616	27,318
Reverse repurchase agreements and other similar secured lending	2	24,258	3,296	292	205	74	35
Available for sale investments	467	2,396	1,792	4,936	2,088	11,537	14,659
Other financial assets		1,304				100	
Total financial assets	494,963	183,314	22,702	14,051	15,729	41,264	43,651

Other assets[a]								
Total assets								
Liabilities								
Deposits from banks	**5,717**	**38,720**	**1,355**	**540**	**335**	**97**	**9**	
Items in the course of collection due to other banks	**1,013**							
Customer accounts	**312,921**	**80,114**	**7,605**	**4,253**	**5,304**	**2,845**	**912**	
Repurchase agreements and other similar secured borrowing	**66**	**17,346**	**3,479**	**1,975**	**876**	**843**	**52**	
Trading portfolio liabilities	**33,967**							
Financial liabilities designated at fair value	**319**	**52,185**	**3,152**	**3,470**	**2,317**	**6,093**	**5,458**	
Derivative financial instruments	**323,786**	**80**	**92**	**49**	**49**	**42**	**13**	
Debt securities in issue	**50**	**14,270**	**5,615**	**4,322**	**4,469**	**10,164**	**4,797**	
Subordinated liabilities	**2**			**9**	**28**	**1,254**	**2,994**	
Other financial liabilities		**2,685**				**1,075**		
Total financial liabilities	**677,841**	**205,400**	**21,298**	**14,618**	**13,378**	**22,413**	**14,235**	
Other liabilities[a]								
Total liabilities								
Cumulative liquidity gap	**(182,878)**	**(204,964)**	**(203,560)**	**(204,127)**	**(201,776)**	**(182,925)**	**(153,509)**	**(**

Note

a Other assets includes balances of £7,364m (2014: £15,574m) and other liabilities includes balances of £5,997m (2014: £13,115m) relating to amounts held for sale. Please refer to Note 44 for details.

Risk review

Risk performance

Funding risk liquidity

Contractual maturity of financial assets and liabilities (including BAGL) (audited)

As at 31 December 2014	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
Assets								
Cash and balances at central banks	39,466	229						
Items in the course of collection from other banks	828	382						
Trading portfolio assets	114,717							
Financial assets designated at fair value	5,732	3,139	1,540	797	602	2,696	1,322	1,253
Derivative financial instruments	438,270	26	6	8	7	204	274	443
Loans and advances to banks	5,875	31,138	3,236	225	944	404	233	20
Loans and advances to customers	24,607	99,208	9,225	6,900	9,241	35,477	24,653	48,486
Reverse repurchase agreements and other	144	117,977	9,857	2,013	941	28	116	109

similar secured lending								
Available for sale investments	513	1,324	2,045	3,576	844	10,804	16,705	10,107
Other financial assets		1,469				176		
Total financial assets	630,152	254,892	25,909	13,519	12,579	49,789	43,303	60,418
Other assets[a]								
Total assets								
Liabilities								
Deposits from banks	7,978	48,155	1,041	504	298	187	95	69
Items in the course of collection due to other banks	1,177							
Customer accounts	317,449	86,626	7,284	5,442	3,245	4,208	494	1,219
Repurchase agreements and other similar secured borrowing	40	111,766	7,175	2,847	1,989	119	116	
Trading portfolio liabilities	45,124							
Financial liabilities designated at fair value	665	6,554	3,493	4,056	3,244	7,015	5,524	9,573
Derivative financial instruments	438,623	29	7	12	5	62	69	78
Debt securities in issue	10	19,075	11,146	9,712	4,791	7,568	10,560	10,350
Subordinated liabilities		235	48	15		37	1,259	1,947
Other financial liabilities		3,060				815		
Total financial	811,066	275,500	30,194	22,588	13,572	20,011	18,117	23,236

liabilities								
Other liabilities[a]								
Total liabilities								
Cumulative liquidity gap	(180,914)	(201,522)	(205,807)	(214,876)	(215,869)	(186,091)	(160,905)	(123,723)

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 160) and

§ financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities.

Note

a Other assets includes balances of £7,364m (2014: £15,574m) and other liabilities includes balances of £5,997m (2014: £13,115m) relating to amounts held for sale. Please refer to Note 44 for details.

Contractual maturity of financial liabilities on an undiscounted basis (audited)

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

The balances in the below table do not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them.

Contractual maturity of financial liabilities undiscounted (including BAGL Group) (audited)

	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m
As at 31 December 2015							
Deposits from banks	**5,717**	**38,721**	**1,357**	**877**	**108**	**70**	**239**
Items in the course of collection due to other banks	**1,013**						
	312,921	**80,142**	**7,640**	**9,655**	**3,858**	**1,854**	**744**

Customer accounts							
Repurchase agreements and other similar secured lending	**66**	**17,349**	**3,482**	**2,853**	**898**		**491**
Trading portfolio liabilities	**33,967**						
Financial liabilities designated at fair value	**319**	**52,202**	**3,165**	**5,830**	**11,851**	**7,840**	**4,690**
Derivative financial instruments	**323,786**	**81**	**94**	**102**	**57**	**59**	**80**
Debt securities in issue	**50**	**14,352**	**5,845**	**9,277**	**16,777**	**14,175**	**11,276**
Subordinated liabilities	**2**	**253**	**403**	**344**	**6,057**	**3,737**	**9,969**
Other financial liabilities		**2,685**			**1,075**		
Total financial liabilities	**677,841**	**205,785**	**21,986**	**28,938**	**40,681**	**27,735**	**27,489**
As at 31 December 2014							
Deposits from banks	7,978	48,155	1,042	804	287	75	62
Items in the course of collection due to other banks	1,177						
Customer accounts	317,449	86,659	7,364	8,854	4,851	1,399	1,046
Repurchase agreements and other similar secured lending	40	111,769	7,178	4,837	236		428
Trading portfolio liabilities	45,124						
	665	6,561	3,508	7,378	12,854	10,285	7,170

Financial liabilities designated at fair value							
Derivative financial instruments	438,623	30	7	17	137	85	314
Debt securities in issue	10	19,481	11,406	14,952	19,416	11,352	12,075
Subordinated liabilities		380	324	171	1,403	4,339	11,218
Other financial liabilities		3,060			815		
Total financial liabilities	811,066	276,095	30,829	37,013	39,999	27,535	32,313

Risk review

Risk performance

Funding risk liquidity

Maturity of off-balance sheet commitments received and given (audited)

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 (including BAGL)

	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 t years not r than y
As at 31 December 2015								
Guarantees, letters of credit and credit insurance	**6,329**	**138**	**4**	**5**	**32**	**84**	**12**	
Forward starting repurchase agreements[a]		**392**		**73**				
Total off-balance sheet commitments received	**6,329**	**530**	**4**	**78**	**32**	**84**	**12**	
As at 31 December 2014								
Guarantees, letters of credit and credit	6,571	60	37	38	39	152	138	

insurance							
Forward starting repurchase agreements[a]		10,778					
Total off-balance sheet commitments received	6,571	10,838	37	38	39	152	138

Maturity analysis of off-balance sheet commitments given (including BAGL) (audited)

	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over t years not r than y
As at 31 December 2015								
Contingent liabilities	**17,421**	**933**	**493**	**140**	**590**	**423**	**158**	
Documentary credits and other short-term trade-related transactions	**617**	**30**	**10**		**61**	**119**		
Forward starting reverse repurchase agreements[a]		**93**						
Standby facilities, credit lines and other commitments	**274,020**	**1,152**	**1,564**	**1,116**	**1,071**	**873**	**554**	
Total off-balance sheet commitments given	**292,058**	**2,208**	**2,067**	**1,256**	**1,722**	**1,415**	**712**	**1**
As at 31 December 2014								
	17,304	1,770	352	162	102	410	55	

Contingent liabilities								
Documentary credits and other short-term trade-related transactions	869	75	13		19	115		
Forward starting reverse repurchase agreements[a]		13,735		121				
Standby facilities, credit lines and other commitments	262,540	4,045	1,722	844	646	3,638	877	1
Total off-balance sheet commitments given	280,713	19,625	2,087	1,127	767	4,163	932	1

Note

a Forward starting reverse repurchase and repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting reverse repurchase and repurchase agreements are within the scope of IAS 39 and are recognised as derivatives on the balance sheet.

Operational risk

Analysis of operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.

This section provides an analysis of the Group s operational risk profile, including events which have had a significant impact in 2015.

A small reduction in the number of recorded incidents occurring during the period

83%

of the Group s net reportable operational risk events had a loss value of £50,000 or less

67%

of events are due to external fraud

Risk review

Risk performance

Operational risk

Operational risk is defined as any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

All disclosures in this section (page 173) are unaudited.

Overview

Operational risks are inherent in all the Group s business activities and are typical of any large enterprise. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Small losses from operational risks are expected to occur and are accepted as part of the normal course of business. More material losses are less frequent and the Group seeks to reduce the likelihood of these in accordance with its risk appetite.

The Operational Principal Risk comprises the following Key Risks: External suppliers, Financial crime, Financial reporting, Fraud, Information, Legal, Payments process, People, Premises and security, Taxation, Technology (including cyber security) and Transaction operations. For definitions of these key risks see page 106. In order to ensure complete coverage of the potential adverse impacts on the Group arising from Operational risk, the Operational risk taxonomy extends beyond the Operational key risks listed above to cover areas included within Conduct risk.

This section provides an analysis of the Group s operational risk profile, including events, those which are above the Bank s reportable threshold, which have had a financial impact in 2015.

For more information on Conduct risk events please see page 175.

Summary of performance in the period

During 2015, total operational risk losses[a] increased to £241.3m (2014: £143.9m) with a 3% reduction in number of recorded events as compared to last year driven by a limited number of events in execution, delivery and process management category.

Losses were mainly due to execution, delivery and process management impacts, external fraud and business disruption and system failures.

Operational risk profile

Within operational risk a high proportion of risk events have a low associated financial cost and a very small proportion of operational risk events will have a material impact on the financial results of the Group. In 2015, 82.6% (2014: 78.0%) of the Group s net reportable operational risk events had a value of £50,000 or less and accounted for 11.1% (2014: 30.5%) of the Group s total net loss impact.

The analysis below presents the Group s operational risk events by Basel event category:

§ Execution, delivery and process management impacts increased to £137.5m (2014: £81.3m) and accounted for 57.0% (2014: 56.5%) 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 increases in impacts were largely driven by limited number of events with higher loss values

§ External fraud (66.6%) is the category with the highest frequency of events where high volume, low value events are also consistent with industry experience, driven by debit and credit card fraud. This accounted for 27.4% of overall operational risk losses in the year from 29.7% last year.

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 Governance Risk and Control Committees for each of the key risks. External fraud and technology are highlighted as key operational risk exposures. Developments of enhanced fraud prevention and transaction profiling tools underway to combat increasing external fraud frequency especially in the credit cards, digital banking, unauthorised trading and social engineering.

Cyber security risk continues to be an area of attention given the increasing sophistication and scope of potential cyber-attack. Risks to technology and Cyber security change rapidly and require continued focus and investment.

For further information see Risk management section pages 106 to 107.

Note

a Figures include operational risk losses for reportable events having impact of +/- £10,000 and exclude events that are conduct risk, aggregated and boundary events. A boundary event is an operational risk event that results in a credit risk impact.

Risk review

Risk performance

Conduct risk

Analysis of conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

This section details Barclays conduct risk profile and provides information on key 2015 risk events and risk mitigation actions Barclays has taken.

Conduct risk

5.4/10 on the conduct

Reputation Balanced

Scorecard Measure

Driven by improvements in the following components:

§ Operates openly and transparently

§ Has high quality products and services

§ Delivers value for money for customers and clients

Risk review

Risk performance

Conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

All disclosures in this section (pages 175 to 176) are unaudited unless otherwise stated

Conduct risk

Doing the right thing in the right way and providing suitable products and services for customers and clients is central to Barclays strategy. Barclays is committed to Group-wide changes to business practices, governance and mindset and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates. Improving our reputation in the market will demonstrate to customers that in Barclays they have a partner they can trust.

The FCA expects Barclays Board and Senior Management, supported by a governance structure and suitable management information to: have oversight of and mitigate conduct risks; consistently promote appropriate conduct outcomes; and drive the embedding of a conduct focused culture.

A key driver in delivering effective structural reform is balancing regulatory requirements and ensuring good outcomes for customers. The structural reform programme expects conduct risks to be managed through existing committees with escalation to the Structural Reform Programme Implementation Steering Committee as appropriate.

Furthermore, Barclays is working to implement new regulatory requirements related to Individual Accountability which apply to all UK banks and certain investment firms. The three new interlinking elements under the new rules on Strengthening Personal Accountability are: Senior Managers Regime, Certification Regime and a new set of Conduct Rules. These represent some of the most important regulatory changes in banking to date. At Barclays, we welcome these changes, and recognise the importance of how strengthening personal accountability will enhance the way we work, and will provide us with a framework to demonstrate our integrity and professionalism.

Reputation risk

Reputation risk is designated as a key risk by Barclays. It is defined as the risk of damage to the Group s brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. While reputation risk can arise anywhere in the business, it is aligned with the Conduct Principal Risk due to the significant correlation between them as issues relating to conduct have material reputation impact.

The Reputation Key Risk Framework governs how Barclays businesses and functions implement effective risk management in this area, including identification, evaluation, prioritisation, mitigation, escalation and reporting of current and emerging reputation risks. Forward looking reputation risk horizon scanning is undertaken centrally and validated via ongoing stakeholder dialogue with a variety of relevant opinion formers. This provides an informed and broad view of the external reputation environment and identifies issues and themes likely to impact the reputation of

Barclays and the finance sector.

Summary of performance in the period

Throughout 2014 the Conduct Risk Programme designed relevant governance, reporting, training, and definition of roles and responsibilities, and from January 2015 conduct risk management was fully integrated within the businesses.

Following stakeholder feedback additional improvements have been made to enhance conduct risk management in 2015. The main aims have been to:

§ simplify the governance processes

§ improve the quality, completeness and reliability of Management information reported, including reporting against forward looking risk indicators

§ improve the quality of Conduct Material Risk Assessment through more explanation of what good looks like and provision of targeted support to both the business and Compliance

§ develop more productive relationships with internal stakeholders and other control functions, including colleagues across Compliance

§ increase staff awareness of Conduct risk through e-learning

§ align Conduct risk management more closely with HR colleagues

§ build a relationship with Operational risk to leverage technology and in recognition of the high level of crossover between the two risks

§ improve the consideration of Conduct risk in strategy setting and review processes.

Throughout 2015, conduct risks were raised by businesses for consideration by the RepCo. RepCo has reviewed the risks raised and whether the management actions proposed were appropriate to ensure conduct risks were managed effectively.

Below are general themes of conduct risk and control discussed by Senior Management at the RepCo in 2015.

§ Barclays continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Details in respect of such investigations and related litigation are included in Note 29 Legal, competition and regulatory matters on page (261).

§ The need to ensure that customers, and especially vulnerable customers, experiencing financial difficulty are treated appropriately and with due regard to their circumstances as a means to ensuring good customer outcomes.

§ There are potential risks arising from conflicts of interest, including those related to the benchmark submission process. While primarily relevant to the Investment Bank, these potential risks may also impact the corporate and retail customer base. Barclays seeks to mitigate these risks by the maintaining of clear operating models and effective identification and management of conflicts of interest controls and supervisory oversight.

§ The risk of mismanagement of customer data.

§ Due to the volume and pace of strategic change, good customer outcomes are not sufficiently considered and achieved.

§ Customers have degraded access to systems and information such as transaction delays, inability to access funds and incorrect information, increased risk of fraudulent activity and payment delays.

§ The risk of digitisation that automated channels may not deliver the services that customers expect, the impact on vulnerable customers, fraud and cyber security risk. The need for strong and robust product design to ensure the minimisation or avoidance of adverse customer outcomes through the sale of products, services and advice inappropriate for a target market.

§ Client assets sourcebook (CASS) Due to the unprecedented level of change the firm is to implement over the next 12 months, the current stable environment relating to CASS is affected.

Such conduct related themes also carry material reputation risk implications. Another area of reputation risk that continues to intensify relates to public, regulatory and political concerns around the integration of climate change issues and impacts into finance sector operations and strategy.

§ The intergovernmental conference on climate change in December 2015 agreed to keep global warming to within 2ºC, which will require significant and far reaching policy and regulation to constrain the combustion of fossil fuel reserves. This will impact many sectors, however, there has been significant activity during 2015 on furthering the finance sector s understanding of the potential financial, operational and strategic implications of climate change. In particular, the Financial Stability Board (FSB) recommended a proposal to the G20 for the creation of an industry-led disclosure task force on climate-related risks in November 2015. This taskforce has been established with the mandate to consider the physical, liability and transition risks associated with climate change; identify effective corporate financial disclosures and develop a set of recommendations for climate-related disclosures. Improving the quality and consistency of climate financial risk disclosures by companies will enable the effective disclosure and analysis of material information by lenders, insurers, investors and other stakeholders.

Barclays participates in a number of industry groups looking at these issues and is assessing the implications for our global business.

Increasing the awareness of all staff of the importance of good customer outcomes and protecting market integrity has been a priority in 2015. Over 97% of Barclays staff have successfully completed training in this area.

The Group continued to incur significant costs in relation to litigation and conduct matters, please refer to Note 29 Legal, competition and regulatory matters and Note 27 Provisions for further detail. Litigation and conduct charges include customer redress as well as expenses including damages, fines, remediation of affected customers or clients, other penalties or settlements incurred in connection with legal, competition and regulatory matters.

Resolution of these matters remains a necessary and important part of delivering the Group s strategy, but there are early signs that we are driving better outcomes for customers from a more thoughtful consideration of our customers needs.

As a result of increased awareness and early consideration of conduct risk in the business, a number of actions have been taken to improve customer outcomes including:

§ proactive consideration and management of potential customer detriment associated with Barclays strategy to simplify its business and product. For example, change programmes monitoring customers subject to multiple changes including platform and online migrations

§ application of more stringent residential mortgage requirements to buy-to-let mortgage applicants, ensuring better lending decisions

§ enhanced surveillance monitoring in the Investment Bank identifying and proactively managing activity which appear to cause unusual market impact

§ improvements in key areas such as bereavement and power of Attorney and ongoing training to equip staff to support customers in vulnerable circumstances and

§ separation plans of Non-Core businesses to consider customer outcomes.

Salz recommendations

The Board commissioned a review of Barclays business practices in July 2012, led by Sir Anthony Salz. The report contained 34 recommendations that can be categorised broadly under Regulatory, Culture, Board Governance, People Pay and Management Oversight and Risk Management. Please refer to previous annual updates for further detail of past actions taken. All actions to implement the recommendations have been completed and independently validated. The Group continues to monitor the actions to ensure that they become fully embedded throughout the organisation.

Conduct reputation measure

To aid monitoring of progress in the management of conduct, a Conduct Reputation measure is included within Barclays Balanced Scorecard. The conduct measure is developed through a conduct and reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers across key geographies (the UK, Europe, Africa, the US and Asia).

In 2015 Barclays made progress on its Conduct measure recording a score of 5.4 (2014: 5.3). Operates openly and transparently , Has high quality products and services and Delivers value for money for customers and clients have all improved according to audience perception. Performance on two components, Treats staff well at all levels of the business and it can be trusted have declined slightly. In terms of target we are below where we would like to be for 2015, although overall progress on the measure is in line with our expectations and puts our 2018 target within reach.

Risk review

Supervision and regulation

Supervision of the Group

The Group s operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business. These apply to business operations, affect financial returns and include reserve and reporting requirements and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, among others, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions. They also reflect requirements imposed directly by, or derived from, EU legislation.

In the UK, the BoE has responsibility for monitoring the UK financial system as a whole. The day-to-day regulation and supervision of the Group is divided between the PRA which is established as part of the Bank of England and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has significant influence on the prudential requirements that may be imposed on the banking system through powers of direction and recommendation. The FPC has direction powers over leverage ratios and sectoral capital requirements, which it sets in relation to exposures to specific sectors judged to pose a risk to the financial system as a whole and which apply to all UK banks and building societies generally, rather than to the Group specifically. The government has also made the FPC responsible for the Basel III countercyclical capital buffer, introduced in the EU under the CRD and CRR (collectively known as CRD IV).

The Financial Services and Markets Act 2000 (as amended)(FSMA) remains the principal statute under which financial institutions are regulated in the UK. Barclays Bank PLC is authorised under FSMA to carry on a range of regulated activities within the UK. It is also authorised and subject to solo and consolidated prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The regulation and supervision of conduct matters is the responsibility of the FCA. FCA regulation of the Group is carried out through a combination of continuous assessment; regular thematic and project work based on the FCA s sector assessments, which analyse the different areas of the market and the risks that may lie ahead; and responding to crystallised risks, seeking to ensure remediation as appropriate.

Global regulatory developments

Regulatory change continues to affect all large financial institutions; globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), regionally through the EU and nationally, especially in the UK and US. Further changes to prudential requirements and further refinements to the definitions of capital and liquid assets may affect the Group s planned activities and could increase costs and contribute to adverse impacts on the Group s earnings. Similarly, increased requirements in relation to capital markets activities and to market conduct requirements may affect the Group s planned activities and could increase costs and thereby contribute to adverse impacts on the Group s earnings.

The programme of reform of the global regulatory framework previously agreed by G20 Heads of Government in April 2009 has continued to be taken forward throughout 2015 and into 2016.

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 Systematically Important Financial Institutions (G-SIFIs), including Global Systematically Important Banks (G-SIBs). A key element of this programme is that G-SIFIs should be capable of being resolved without recourse to taxpayer support. Barclays has been designated a G-SIB by the FSB. G-SIBs are subject to a number of requirements, including additional loss absorption capacity above that required by Basel III standards (see below). The surcharges rise in increments from 1% to 2.5% of risk weighted assets (with an empty category of 3.5% for institutions that increase the extent of the systemic risk they pose which is intended to discourage institutions from developing their business in a way that heightens their systemic nature). This additional buffer must be met with common equity.

In its November 2015 list of G-SIBs, the FSB confirmed Barclays position in a category that requires it to meet a 2% surcharge. The additional loss absorbency requirements apply to those financial institutions identified in November 2014 as G-SIBs and will be phased in starting from January 2016, with full implementation due to have taken place by January 2019. G-SIBs have also been required to meet higher supervisory expectations for data aggregation capabilities since 1 January 2016. In the EU the requirements for a systemic risk buffer have been implemented through mechanisms under CRD IV.

The BCBS issued the final guidelines on Basel III capital and liquidity standards in June 2011, with revisions to counterparty credit risk in July and November 2011. Regulatory liquidity revisions were agreed in January 2013 to the definitions of high quality liquid assets and net cash outflows for the purpose of calculating the Liquidity Coverage Ratio, as well as establishing a timetable for phasing in the standard from January 2016. The requirements of Basel III as a whole are subject to a number of transitional provisions that run to the end of 2018. The Group is, however, primarily subject to the EU s implementation of the Basel III standard through CRD IV (see below).

The BCBS also maintains a number of active workstreams that will affect the Group. 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, which will take effect in 2019. The Committee also continues to focus on the consistency of risk weighting of assets and explaining the variations between banks. This includes revisions to the standardised rules for credit risk, counterparty credit risk, CVA volatility risk and operational risk. The Committee is also considering whether to limit the use of internal models in certain areas (for example, removing the Advanced Measurement Approach for operational risk) and applying RWA floors based on the standardised approaches. The final standards for measuring and controlling large exposures were published by the Basel Committee in April 2014 to take effect in 2019. Also in April 2014, the Basel Committee published the final standard for calculating regulatory capital for banks exposure to Central Counterparties (CCPs). In conjunction with the International Organization of Securities Commissions, the BCBS published a revised version of the framework for margin requirements for non-centrally cleared derivatives in March 2015, which recommends the phasing in of requirements for initial and variation margin from 1 September 2016.

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). From 1 January 2019, the FSB will expect Barclays and other G-SIBs to meet a minimum TLAC requirement of 16% of the risk weighted assets of their respective resolution groups, rising to 18% from 1 January 2022. From that time, G-SIBs will also be expected to hold TLAC equivalent to at least 6% of the Basel III leverage ratio denominator, rising to 6.75% from 1 January 2022. The BCBS is also consulting on the capital treatment of banks TLAC holdings from other issuers.

Also in November 2015, Barclays re-adhered to a protocol which was developed by the International Swaps and Derivatives Association (ISDA) in coordination with the FSB to support cross-border resolution and reduce systemic risk. By re-adhering to this protocol Barclays is able, in ISDA Master Agreements and related credit support agreements, as well as certain repo and stock lending agreements, entered into with other adherents, to opt in to different resolution regimes such that cross-default and direct default rights that would otherwise arise under the terms of such agreements would be stayed temporarily (and in some circumstances overridden) on the resolution of one of the parties.

Influence of European legislation

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home and host regulators.

EU developments

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) has had responsibility for the supervision of the most significant credit institutions, financial holding companies or mixed financial holding companies within the Eurozone since November 2014. The ECB can also extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities.

Notwithstanding the new responsibilities of the ECB, the European Banking Authority (EBA), along with the other European Supervisory Authorities, remains charged with the development of a single rulebook for the EU as a whole and with enhancing co-operation between national supervisory authorities. The European Securities Markets Authority (ESMA) has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. The progressive reduction of national discretion on the part of national regulatory authorities within the EU may lead to the elimination of prudential arrangements that have been agreed with those authorities. This may serve to increase or decrease the amount of capital and other resources that the Group is required to hold. The overall effect is not clear and may only become evident over a number of years. The EBA and ESMA each have the power to mediate between and override national authorities under certain circumstances.

Responsibility for day-to-day supervision remains with national authorities and for banks, like Barclays Bank PLC, that are incorporated in countries that will not participate in the single supervisory mechanism, is expected to remain so. Barclays Bank PLC Italian and French branches are, however, also subject to direct supervision by the ECB.

Basel III and the capital surcharge for G-SIBs have been, or will be, implemented in the EU by CRD IV. The provisions of CRD IV either entered into force automatically on, or had to be implemented in member states by, 1 January 2014. Much of the ongoing and outstanding implementation is expected to be done through binding technical standards being developed by the EBA, that are intended to ensure a harmonised application of rules through the EU, some of which are still in the process of being developed and adopted.

A significant addition to the EU legislative framework for financial institutions has been the Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The BRRD is intended to implement many of the requirements of the FSB s Key Attributes of Effective Resolution Regimes for Financial Institutions . The BRRD entered into force in July 2014. All of the provisions of the BRRD had to be implemented in the law of EU Member States by 1 January 2015 except for those relating to bail-in which had to be implemented in Member States by 1 January 2016.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities (MREL) on financial institutions to facilitate the effective exercise of the bail-in tool referred to above. This will have to be co-ordinated with the FSB s TLAC standards mentioned above and, as set out in more detail below, the BoE has stated that MREL for UK G-SIBs will be set consistently with those standards. The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonised set of resolution tools across the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal envisages that national deposit guarantee schemes may be able to fulfil this function (see directly below). The UK Government uses the bank levy to meet the ex ante funding requirements set out in the BRRD.

The Directive on Deposit Guarantee Schemes provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme are to total 0.8% of the covered deposits of its members by the date 10 years after the entry into force of the recast directive. In the UK, the pre-funding requirements of the UK Financial Services Compensation Scheme are met through the bank levy.

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the Group recommended the mandatory separation of proprietary trading and other high risk trading activities from other banking activities. The European Commission issued proposals to implement these recommendations in January 2014. These proposals would apply to institutions that have been identified as G-SIBs under CRD IV and envisage, among other things: (i) a ban on proprietary trading in financial instruments and commodities; and (ii) rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group.

Contemporaneously, the European Commission also adopted proposals to enhance the transparency of shadow banking, especially in relation to securities financing transactions. These proposals have still yet to be considered formally by the European Parliament and by the Council.

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 brought in. When it is fully in force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives: to report specified details of every derivative contract that they enter to a trade repository (this requirement is already in force); implement risk management standards for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty (this requirement is also partly in force, but requirements relating to the mandatory provision of margin are to be phased in from 2016); and clear, through a central counterparty, over-the-counter derivatives, but only where those derivatives are subject to a mandatory clearing obligation. The obligation to clear derivatives will only apply to certain counterparties and specified types of derivative. EMIR has potential operational and financial impacts on the Group, including by imposing collateral requirements.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared over-the-counter derivative trades. Lower capital requirements for cleared derivatives trades are only available if the central counterparty through which the trade is cleared is recognised as a qualifying central counterparty which has been authorised or recognised under EMIR (in accordance with binding technical standards).

Amendments to the Markets in Financial Instruments Directive (known as MiFID II) came into force in July 2014. These amendments take the form of a directive and a regulation, and will affect many of the investment markets in which the Group operates and the instruments in which it trades, and how it transacts with market counterparties and other customers. Changes to the MiFID regime include the introduction of a new type of trading venue (the organised trading facility), to capture non-equity trading that falls outside the current regime.

Investor protections have been strengthened, and new curbs imposed on high frequency and commodity trading. Pre- and post-trade transparency has been increased, and a new regime for third country firms introduced. The changes also include new requirements for non-discriminatory access to trading venues, central counterparties, and benchmarks, and harmonised supervisory powers and sanctions across the EU. While the final implementation date of MiFID II remains subject to discussions between various European bodies, member states will not have to apply the provisions of MiFID II until 3 January 2017 at the earliest, although recent communications by several European bodies has suggested that this date might be delayed by 12 months. Many of the provisions of MiFID II and its accompanying regulation will be implemented by means of technical standards to be drafted by ESMA. While ESMA has published its final report in respect of some of these technical standards, the impacts on the Group will not be clear until all of the relevant technical standards have been finalised and adopted.

Regulation in the UK

Recent developments in banking law and regulation in the UK have been dominated by legislation designed to ring-fence the retail and SME deposit-taking business of large banks. The content and the impact of this legislation are outlined above. The Banking Reform Act put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing rules have been consulted on by the PRA and the FCA and it is expected that final rules will be published during the first half of 2016 which will further determine how ring-fenced banks will be permitted to operate.

In addition to, and complementing a EU-wide stress testing exercise conducted on a sample of EU banks by the EBA, and in response to recommendations from the FPC, the BoE conducted a variant of the EU-wide stress test in 2014. The UK variant test explored particular UK macroeconomic vulnerabilities facing the UK banking system. Key parameters of the test including the design of the UK elements of the stress scenario were designed by the BoE and approved by the FPC and the PRA. The BoE published key elements of its 2014 stress test in March 2015 and the results of its 2015 stress test on 1 December 2015. The FPC determined that no macroprudential actions on bank capital were required in response to the results of either test.

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 PRA has implemented the European capital regime under CRD IV in the UK and has required banks to meet a 4.5% Pillar 1 CET1 requirement since 1 January 2015, which is up from 4% in 2014. The PRA has expected Barclays, in common with six other major UK banks and building societies, to meet a 7% CET1 ratio at the level of the consolidated Group since 1 January 2016.

The FCA has retained an approach to enforcement based on credible deterrence that has continued to see significant growth in the size of regulatory fines. The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. This may impact both the incidence of conduct costs and increase the cost of remediation.

On 1 April 2014 the FCA took over the regulation of consumer credit in the UK. This has led to a regulatory regime for consumer credit which is considerably more intensive and intrusive than was the case when consumer credit was regulated by the Office of Fair Trading.

In 2014 the PRA and the FCA consulted on new accountability mechanisms for individuals working in banks, including the introduction of a new Senior Managers Regime (aimed at a limited number of individuals with senior management responsibilities within a firm) and a Certification Regime (aimed at assessing and monitoring the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or any of its customers). This represents the implementation of recommendations made by the Parliamentary Committee on Banking Standards in this area. The FCA and PRA have published final rules on most aspects of the Senior Managers Regime and the regime will enter into force on 7 March 2016.

Resolution of UK banking groups

The Banking Act 2009 (the Banking Act) provides a regime to allow the BoE (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK, in consultation with the PRA and HM Treasury as appropriate. Under the Banking Act the BoE is given powers to: (i) make share transfer instruments pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser; (ii) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or a bridge bank, which is a company wholly owned by the BoE; and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, under the Banking Act, HM Treasury is given the power to take a bank into temporary public ownership by making one or more share transfer orders in which the transferee is a nominee of HM Treasury or a company wholly owned by HM Treasury. A share transfer instrument or share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. Certain of these powers also extend to companies within the same group as a UK bank.

The Banking Act also gives the authorities powers to override events of default or termination rights that might otherwise be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable in the context of both share transfer orders and property appropriation.

The resolution powers described above were supplemented with effect from 31 December 2014 by a bail-in power introduced under the Banking Reform Act. This power allows for the cancellation or modification of one or more liabilities (with the exception of excluded liabilities).

Excluded liabilities include (among other things): deposits protected under a deposit insurance scheme, secured liabilities (to the extent that they are secured), client assets and assets with an original maturity of less than seven days which are owed to a credit institution or investment firm. The BoE s new bail-in powers were brought into force with effect from 1 January 2015.

In a consultation paper published in 2015, the BoE indicated that during 2016 it would notify banks of the final MREL requirements which would apply to them from 1 January 2020, when the regime will become fully effective. The Bank intends to apply MREL standards on a transitional basis from 2016 until that time. As noted above, during the consultation process, the BoE announced that it intends to set MREL for UK G-SIBs consistently with the FSB s TLAC standards, and will not set any TLAC requirement for a UK G-SIB which is separate from or different to its MREL.

Since 20 February 2015, UK banks and their parents have also been required to include in debt instruments, issued by them under the law of a non-EEA country, terms under which the relevant creditor recognises that the liability is subject to the exercise of bail-in powers by the BoE. Similar terms will be required in contracts governing other liabilities of UK banks and their parents if those liabilities are governed by the law of a non-EEA country, are not excluded liabilities under the Banking Act 2009 and are issued, entered into or arise after 31 December 2015. The PRA has made rules and will be consulting further in relation to contractual recognition of bail-in of liabilities governed by third country laws.

The Banking Act also 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 the regime powers effectively, potentially with retrospective effect.

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.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the authorised firm in question which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In addition to establishing the FPC, PRA and FCA, the Financial Services Act 2012 among other things clarifies responsibilities between HM Treasury and the BoE in the event of a financial crisis by giving the Chancellor of the Exchequer powers to direct the BoE where public funds are at risk and there is a serious threat to financial stability. The Financial Services Act 2012 also establishes the objectives and accountabilities of the FPC, PRA and FCA; amends the conditions which need to be met by a firm before it can be authorised; gives the FPC, PRA and FCA additional powers, including powers of direction over unregulated parent undertakings (such as Barclays PLC) where this is necessary to ensure effective consolidated supervision of the Group; and gives the FCA a power to make temporary product intervention rules for a maximum period of six months, if necessary without consultation. The Financial Services Act 2013 also created a new criminal offence relating to the making of a false or misleading statement, or the creation of a false or misleading impression, in connection with the setting of a benchmark.

Structural reform of banking groups

In addition to providing for the bail-in stabilisation power referred to above, the Banking Reform Act requires, among other things: (i) the separation of the retail and SME deposit-taking activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which will not be permitted to undertake a range of activities (so called ring-fencing); (ii) the increase of the loss absorbing capacity of ring-fenced banks and UK headquartered global systemically important banks to levels higher than required under CRD IV and (iii) preference to deposits protected under the Financial Services Compensation Scheme if a bank enters insolvency.

The Banking Reform Act also implements key recommendations of the Parliamentary Commission on Banking Standards. Recommendations that have been implemented include: (i) the establishment of a reserve power for the PRA to enforce full separation of UK banks under certain circumstances; (ii) the creation of a senior manager s regime for senior individuals in the banking and investment banking sectors to ensure better accountability for decisions made; (iii) the establishment of a criminal offence of causing a financial institution to fail; and (iv) the establishment of a regulator for payment systems.

The Banking Reform Act is primarily an enabling statute which provides HM Treasury with the requisite powers to implement the policy underlying the legislation through secondary legislation. Secondary legislation relating to the ring-fencing of banks has now been passed. Parts of the secondary legislation became effective on 1 January 2015 and the rest will come into effect on 1 January 2019 by which date UK banks will be required to be compliant with the structural reform requirements. The PRA published near final rules on the legal structure and governance of ring-fenced banks in May 2015 and a consultation paper on post-ring-fencing prudential requirements and intra-group arrangements (among other things) in October 2015. PRA final rules are expected in 2016.

Compensation schemes

Banks, insurance companies and other financial institutions in the UK are subject to a single compensation scheme (the Financial Services Compensation Scheme FSCS) which operates when an authorised firm is unable or is likely to be unable to meet claims made against it by its customers because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the EEA are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in question in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results.

Risk review

Supervision and regulation

Regulation in the US

In the US, Barclays PLC, Barclays Bank PLC and their US subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001 and the DFA. This legislation regulates the activities of Barclays, including its US banking subsidiaries and the US branches of Barclays Bank PLC, as well as imposing prudential restrictions, such as limits on extensions of credit by Barclays Bank PLC s US branches and the US banking subsidiaries to a single borrower and to affiliates. The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the Board of Governors of the Federal Reserve System (FRB) and, as applicable, the New York State Department of Financial Services and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Federal Deposit Insurance Corporation (FDIC), the Delaware Office of the State Bank Commissioner and the Consumer Financial Protection Bureau (CFPB). The deposits of Barclays Bank Delaware are insured by the FDIC. The licensing authority of each US branch of Barclays Bank PLC has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses or to revoke or suspend such licence. Such circumstances generally include violations of law, unsafe business practices and insolvency.

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB, which exercises umbrella supervisory authority over Barclays US operations. Barclays is required to implement by July 2016 a US intermediate holding company (IHC) which will hold substantially all of Barclays US subsidiaries and assets (including Barclays Capital Inc. and Barclays Bank Delaware, other than Barclays US branches and certain other assets and subsidiaries). This IHC will also be a US bank holding company and generally regulated as such under the BHC Act. As part of this supervision, the IHC will also generally be subject to substantially similar enhanced prudential supervision requirements as US bank holding companies of similar size, including: (i) regulatory capital requirements and leverage limits; (ii) mandatory stress testing of capital levels , and submission of a capital plan; (iii) supervisory approval of capital distributions by the IHC to Barclays Bank PLC; (iv) additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC (and also, separately, for Barclays Bank PLC s US branch network), and to maintain a 30-day buffer of highly liquid assets; (v) other liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB, and maintenance of an independent function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays combined US operations; and (vi) overall risk management requirements, including a US risk committee and a US chief risk officer. The IHC will also be subject to TLAC requirements pursuant to proposed regulations issued by the Federal Reserve in the fall of 2015. Barclays is well advanced in its plans to transfer the relevant US subsidiaries and assets into a newly incorporated IHC, and to implement the related DFA and other requirements, to meet the prescribed deadlines.

Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may generally engage in a broader range of financial and related activities, including underwriting and dealing in all types of securities, than are permitted to registered bank holding companies that do not maintain financial holding company status. Financial holding companies such as Barclays PLC and Barclays Bank PLC are required to meet or exceed certain regulatory capital ratios and other requirements to be considered well capitalised and be deemed to be well managed in order to maintain their status as such. Once established, Barclays IHC would also need to meet similar requirements for FHC purposes. Barclays Bank Delaware is also required to meet certain capital ratio requirements and be deemed to be well managed . In addition, Barclays Bank Delaware must have at least a satisfactory rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements are allotted a period of time in which to restore capital levels or the management or CRA rating. Should the relevant Barclays entities fail to meet the above requirements, during the allotted period of time they could be prohibited from engaging in new types of financial activities or making certain types of acquisitions in the US. If the capital level or rating is not restored, the Group may ultimately be required by the FRB to cease certain activities in the US. More generally, Barclays US activities and operations may be subject to other requirements and restrictions by the FRB under its supervisory authority, including with respect to safety and soundness.

Under the Federal Deposit Insurance Act, as amended by the DFA, Barclays and the IHC (once established) are required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require Barclays and/or the IHC to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. The enforcement of these regulations has been a major focus of US government policy relating to financial institutions in recent years. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution.

Barclays US securities broker/dealer, investment advisory and investment banking operations are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under the US federal and state securities laws.

Similarly, Barclays US commodity futures and commodity options-related operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs.

Barclays US credit card activities are subject to ongoing supervision and regulation by the CFPB, which was established by the DFA. The statute gave the CFPB the authority to examine and take enforcement action against any US financial institution with over $10bn in total assets, such as Barclays Bank Delaware, with respect to its compliance with federal laws and regulations regarding the provision of consumer financial services (including credit card and deposit services) and with respect to unfair, deceptive or abusive acts and practices. One of the laws the CFPB enforces is the Credit Card Accountability, Responsibility and Disclosure Act of 2009 which prohibits certain pricing and marketing practices for consumer credit card accounts.

The DFA s ultimate impact on the Group continues to remain uncertain and some rules are not yet fully implemented. In addition, market practices and structures may change in response to the requirements of the DFA in ways that are difficult to predict but that could impact Barclays business. Nonetheless, certain provisions of the DFA are particularly likely to have a significant effect on the Group, including:

§ *Restrictions on proprietary trading and fund-related activities:* The so-called Volcker Rule which was promulgated by the relevant US regulatory agencies, including the FRB, the FDIC, the SEC, and the CFTC, prohibits banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates, from undertaking certain proprietary trading activities and will limit the sponsorship of, and investment in, private equity funds (including non-conforming real estate and credit funds) and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain exceptions and exemptions, including exemptions for underwriting, market-making and risk-mitigating hedging activities as well as exemptions applicable to transactions and investments occurring solely outside of the US. As required by the rule, Barclays has developed and implemented an extensive compliance and monitoring programme (both inside and outside of the US) addressing proprietary trading and covered fund activities. These efforts are expected to continue as the FRB and the other relevant US regulatory agencies further implement and monitor these requirements and Barclays may incur additional costs in relation to such efforts. The Volcker Rule is highly complex and its full impact will not be known with certainty until market practices and structures further develop under it. The prohibition on proprietary trading and the requirement to develop an extensive compliance programme came into effect in July 2015. The FRB subsequently extended the compliance period through July 2016 for investments in and relationships with covered funds that were in place prior to 31 December 2013, and indicated that it intends to further extend the compliance period through July 2017.

§ *Resolution plans:* The DFA requires non-bank financial companies supervised by the FRB, such as Barclays, and bank holding companies with total consolidated assets of $50bn or more to submit annually to the FRB, the FDIC, and the Financial Stability Oversight Council (FSOC), a plan for a the firm s rapid and orderly resolution in the event of material financial distress or failure. As required, Barclays submitted its most recent annual US resolution plan to the US regulators on 1 July 2015.

§ *Regulation of derivatives markets:* Among the changes mandated by the DFA is a requirement that many types of derivatives that used to be traded in the over-the-counter markets be traded on an exchange or swap execution facility and centrally cleared through a regulated clearing house. The DFA also mandates that many swaps and security-based swaps be reported and that certain of that information be made available to the public on an anonymous basis. In addition, certain participants in these 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 would be subject to CFTC and SEC regulation and oversight. SEC finalised the rules for security based swap dealers in August 2015 with an effective date of October 2015. The SEC clarified that registration timing is contingent upon the finalisation of rules under Title VII of DFA in 2016 and no earlier than six months after such date. Barclays Bank PLC has registered as a swap dealer. Entities required to register are subject to business conduct and record-keeping requirements and will be subject to capital and margin requirements.

In this regard, US prudential regulators and the CFTC recently finalised and issued their respective rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. Such requirements will become effective over a period of time beginning in September, 2016. The margin requirements can be expected to increase the costs of over-the-counter derivative transactions and could adversely affect market liquidity.

These registration, execution, clearing, reporting and compliance requirements could adversely affect the business of Barclays Bank PLC and its affiliates, including by reducing market liquidity and increasing the difficulty and cost of hedging and trading activities.

§ *CFPB and consumer protection regulations and enforcement:* Since its creation, the CFPB has issued a number of regulations aimed at protecting consumers of financial products including credit card and deposit customers. The CFPB has also initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements, and commitments to modify business practices.

§ *TLAC in the US:* In 2015, the FRB also issued its own TLAC proposal that, while generally following the FSB framework, contains a number of provisions that are more restrictive. If ultimately adopted in its current form, the US TLAC proposal would require the Barclays IHC, subject to certain phase-in provisions between 2019 and 2022: (i) a specified outstanding amount of eligible long term debt (LDT), (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus LTD), and (iii) a specified internal common equity buffer, in each case issued to a controlling parent of the IHC. The US TLAC proposal also contains certain other requirements, including that the LTD must be cancellable or convertible into equity of the IHC upon the order to the FRB if the IHC is in default or danger of default and certain other requirements are met. If finally adopted by the FRB, these requirements may increase the funding costs of the IHC.

Regulation in Africa

Barclays operations in South Africa, including Barclays Africa Group Limited, are supervised and regulated mainly by the South African Reserve Bank (SARB), the Financial Services Board (SAFSB) as well as the Department of Trade and Industry (DTI). The SARB oversees the banking industry and follows a risk-based approach to supervision, while the SAFSB oversees financial services such as insurance and investment business and focuses on enhancing consumer protection and regulating market conduct. The DTI regulates consumer credit through the National Credit Regulator, established under the National Credit Act (NCA) 2005, as well as other aspects of consumer protection not regulated under the jurisdiction of the SAFSB through the Consumer Protection Act (CPA) 2008. It is intended that regulatory responsibilities in South Africa will in future be divided between the SARB which will be responsible for prudential regulation and the SAFSB will be responsible for matters of market conduct. The transition to twin peaks regulation will commence in 2016. Barclays operations in other African countries are primarily supervised and regulated by the central banks in the jurisdictions where Barclays has a banking presence. In some African countries, the conduct of Barclays operations and the non-banking activities are also regulated by Financial Market Authorities.

Contents

A review of the performance of Barclays, including the key performance indicators, and our businesses contribution to the overall performance of the Group.

Financial review

Key performance indicators

In assessing the financial performance of the Group, management uses a range of Key Performance Indicators (KPIs) which focus on the Group s financial strength, the delivery of sustainable returns and cost management.

Definition	Why is it important and how the Group performed	
CRD IV fully loaded Common Equity Tier 1 (CET1) ratio Capital requirements are part of the regulatory framework governing how banks and depository institutions are supervised. Capital ratios express a bank s capital as a percentage of its risk weighted assets (RWAs) as defined by the PRA. In the context of CRD IV, the fully loaded CET1 ratio is a measure of capital that is predominantly common equity as defined by the Capital Requirements Regulation.	The Group s capital management objective is to maximise shareholders value by prudently optimising the level, mix, and distribution to businesses of its capital resources, while maintaining sufficient capital resources to: ensure the Group is well capitalised relative to its minimum regulatory capital requirements set by the PRA and other regulatory authorities; support its credit rating; and support its growth and strategic objectives. The Group s CRD IV fully loaded CET1 ratio increased to 11.4% (2014: 10.3%) due to a £44bn reduction in RWAs to £358bn, demonstrating continued progress on the Non-Core rundown together with reductions in the Investment Bank, which was partially offset by a decrease in CET1 capital to £40.7bn (2014: £41.5bn).	**2015:** 11.4% 2014: 10.3% 2013: 9.1%
Leverage ratio The ratio is calculated as fully loaded Tier 1 Capital divided by leverage exposure.	The leverage ratio is non-risk based and is intended to act as a supplementary measure to the risk based capital metrics such as the CET1 ratio.	**2015:** 4.5% 2014: 3.7% 2013: n/a

	The leverage ratio increased to 4.5% (2014: 3.7%), reflecting a reduction in the leverage exposure of £205bn to £1,028bn and an increase in Tier 1 Capital to £46.2bn (2014: £46.0bn). Tier 1 Capital includes £5.4bn (2014: £4.6bn) of Additional Tier 1 (AT1) securities.	
Return on average shareholders equity (RoE) RoE is calculated as profit for the year attributable to ordinary equity holders of the parent, divided by average shareholders equity for the year excluding non-controlling and other equity interests.	This measure indicates the return generated by the management of the business based on shareholders equity. Achieving a target RoE demonstrates the Group s ability to execute its strategy and align management s interests with the shareholders . RoE lies at the heart of the Group s capital allocation and performance management process.	**Group adjusted RoE** **2015:** 4.9% 2014: 5.1% 2013: 4.3%[a]
Adjusted RoE excludes post tax adjusting items for gains on US Lehman acquisition assets, movements in own credit, the revision to the Education, Social Housing and Local Authority (ESHLA) valuation methodology, provisions for UK customer redress, provisions for ongoing investigations and litigation including Foreign Exchange, the gain on valuation of a component of the defined retirement benefit liability, impairment of goodwill and other assets relating to businesses being disposed, and losses on sale relating to the Spanish, Portuguese and Italian businesses. Average shareholders equity for adjusted RoE excludes the impact of own credit on retained earnings.	Adjusted RoE for the Group decreased to 4.9% (2014: 5.1%) driven by a 3% reduction in Group adjusted attributable profit, as average shareholders equity remained in line at £56bn (2014: £56bn). Statutory RoE for the Group decreased to negative 0.6% (2014: negative 0.2%) driven by an increase in attributable loss.	**Group statutory RoE** **2015:** (0.6%) 2014: (0.2%) 2013: 1.0%

Note

a 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

Definition	Why is it important and how the Group performed	
Operating expenses excluding costs to achieve Defined as adjusted total operating expenses excluding costs to achieve. Adjusted operating expenses exclude provisions for UK customer redress, provisions for ongoing investigations and litigation including Foreign Exchange, the gain on valuation of a component of the defined retirement benefit liability, impairment of goodwill and other assets relating to businesses being disposed, and losses on sale relating to the Spanish, Portuguese and Italian businesses.	Barclays views the active management and control of operating expenses as a key strategic objective. Adjusted operating expenses excluding costs to achieve of £793m (2014: £1,165m), decreased 4% to £16,205m. Statutory operating expenses, excluding costs to achieve of £793m (2014: £1,165m), increased 3% to £19,884m. Operating expenses in the Core business, excluding costs to achieve of £693m (2014: £953m), were broadly in line at £15,106m (2014: £15,105m).	**Group adjusted** **2015:** £16,205m 2014: £16,904m 2013: £18,511m[a] **Group statutory** **2015:** £19,884m 2014: £19,264m 2013: £20,763m **Core** **2015:** £15,106m 2014: £15,105m

2013: £16,377m

Non-Core RWAs

RWAs are a measure of assets adjusted for associated risks. Risk weightings are established in accordance with the rules as implemented by CRD IV and local regulators.

Barclays Non-Core was established as a separate unit in 2014 and groups together assets which do not fit with the strategic objectives of the Group. Reducing Non-Core RWAs will rebalance the Group to deliver higher and more sustainable returns.

Non-Core RWAs have reduced from £110bn in December 2013 to £47bn, resulting in an equity allocation of £7.2bn as at December 2015, 13% of the Group total. This is down from £15.1bn as at December 2013, which was 28% of the Group total.

Non-Core

2015: £47bn

2014: £75bn

2013: £110bn

Note

a 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigation and litigation including Foreign Exchange to aid comparability.

Financial review

Consolidated summary income statement

	2015	2014	2013[a]	2012	2011
For the year ended 31 December	**£m**	£m	£m	£m	£m
Continuing operations					
Net interest income	**12,558**	12,080	11,600	11,654	12,201
Non-interest income net of claims and benefits on insurance contracts	**11,970**	13,648	16,296	17,707	16,312
Adjusted total income net of insurance claims	**24,528**	25,728	27,896	29,361	28,513
Gain on US Lehman acquisition assets	**496**	461	259		
Own credit gain/(charge)	**430**	34	(220)	(4,579)	2,708
Revision of ESHLA valuation methodology		(935)			
Gain/(loss) on disposal of BlackRock, Inc. investment				227	(58)
Gains on debt buy-backs					1,130
Statutory total income net of insurance claims	**25,454**	25,288	27,935	25,009	32,292
Adjusted credit impairment charges and other provisions	**(2,114)**	(2,168)	(3,071)	(3,340)	(3,802)
Impairment of BlackRock, Inc. investment					(1,800)
Statutory credit impairment charges and other provisions	**(2,114)**	(2,168)	(3,071)	(3,340)	(5,602)
Adjusted operating expenses	**(16,998)**	(18,069)	(19,720)	(18,562)	(19,289)
Provisions for UK customer redress	**(2,772)**	(1,110)	(2,000)	(2,450)	(1,000)
Provisions for ongoing investigations and litigation including Foreign Exchange	**(1,237)**	(1,250)	(173)		
Gain on valuation of a component of the defined retirement benefit liability	**429**				
Impairment of goodwill and other assets relating to businesses being disposed	**(96)**		(79)		(597)
Losses on sale relating to the Spanish, Portuguese and Italian businesses	**(3)**				
Statutory operating expenses	**(20,677)**	(20,429)	(21,972)	(21,012)	(20,886)
Adjusted other net (expenses)/income	**(13)**	11	(24)	140	60
Losses on sale relating to the Spanish, Portuguese and Italian businesses	**(577)**	(446)			
Losses on acquisitions and disposals					(94)
Statutory other net (expenses)/income	**(590)**	(435)	(24)	140	(34)

Statutory profit before tax	**2,073**	2,256	2,868	797	5,770
Statutory taxation	**(1,450)**	(1,411)	(1,571)	(616)	(1,902)
Statutory profit after tax	**623**	845	1,297	181	3,868
Statutory (loss)/profit attributable to equity holders of the parent	**(394)**	(174)	540	(624)	2,924
Statutory profit attributable to non-controlling interests	**672**	769	757	805	944
Statutory profit attributable to other equity holders[b]	**345**	250			
	623	845	1,297	181	3,868
Selected statutory financial statistics					
Basic (loss)/earnings per share	**(1.9p)**	(0.7p)	3.8p	(4.8p)	22.9p
Diluted (loss)/earnings per share	**(1.9p)**	(0.7p)	3.7p	(4.8p)	21.9p
Dividends per ordinary share	**6.5p**	6.5p	6.5p	6.5p	6.0p
Return on average tangible shareholders equity[b]	**(0.7%)**	(0.3%)	1.2%	(1.4%)	7.1%
Return on average shareholders equity[b]	**(0.6%)**	(0.2%)	1.0%	(1.2%)	5.9%
Adjusted profit before tax	**5,403**	5,502	5,081	7,599	5,482
Adjusted taxation	**(1,690)**	(1,704)	(2,029)	(2,159)	(1,299)
Adjusted profit after tax	**3,713**	3,798	3,052	5,440	4,183
Adjusted profit attributable to equity holders of the parent	**2,696**	2,779	2,295	4,635	3,239
Adjusted profit attributable to non-controlling interests	**672**	769	757	805	944
Adjusted profit attributable to other equity interests[b]	**345**	250			
	3,713	3,798	3,052	5,440	4,183
Selected adjusted financial statistics					
Basic earnings per share	**16.6p**	17.3p	16.0p	35.5p	25.3p
Dividend payout ratio	**39%**	38%	41%	18%	24%
Return on average tangible shareholders equity[b]	**5.8%**	5.9%	5.1%	10.6%	8.1%
Return on average shareholders equity[b]	**4.9%**	5.1%	4.3%	9.0%	6.7%

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.

Notes

[a] 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

[b] The profit after tax attributable to other equity holders of £345m (2014: £250m) is offset by a tax credit recorded in reserves of £70m (2014: £54m). The net amount of £275m (2014: £196m), along with non-controlling interests (NCI) is deducted from profit after tax in order to calculate earnings per share, return on average tangible shareholders equity and return on average shareholders equity.

Financial review

Income statement commentary

2015 compared to 2014

Statutory profit before tax decreased to £2,073m (2014: £2,256m), adjusted profit before tax decreased 2% to £5,403m.

Statutory total income net of insurance claims increased 1% to £25,454m, including adjusting items for a £496m (2014: £461m) gain on the US Lehman acquisition assets and an own credit gain of £430m (2014: £34m). 2014 statutory total income net of insurance claims included a loss of £935m (2015: nil) relating to a revision to the ESHLA valuation methodology.

Adjusted total income net of insurance claims decreased 5% to £24,528m, as Non-Core income reduced to a net expense of £164m following assets and securities rundown, business sales, including the impact of the sales of the Spanish and UAE retail businesses, and fair value losses on the ESHLA portfolio of £359m (2014: £156m). Core income remained in line at £24,692m (2014: £24,678m) reflecting: a 13% increase to £4,927m in Barclaycard, primarily reflecting growth in US cards; Investment Bank income remaining broadly in line at £7,572m (2014: £7,588m); a 1% reduction in PCB due to the impact of customer redress in, and the sale of, the US Wealth business; and a 2% reduction in Africa Banking as the ZAR depreciated against GBP. On a constant currency basis[a] income in Africa Banking increased 7% reflecting good growth in Retail and Business Banking and corporate banking in South Africa, and Wealth, Investment Management and Insurance (WIMI).

Net interest income increased 4% to £12,558m, with higher net interest income in PCB, Barclaycard and Non-Core, partially offset by reductions in Africa Banking, the Investment Bank and Head Office. Net interest income for PCB, Barclaycard and Africa Banking increased 5% to £12,024m due to an increase in average customer assets to £287.7bn (2014: £280.0bn) with growth in PCB and Barclaycard, partially offset by reductions in Africa Banking as the ZAR depreciated against GBP. Net interest margin increased 10bps to 4.18% primarily due to growth in interest earning lending within Barclaycard.

Credit impairment charges improved 2% to £2,114m, with a loan loss rate of 47bps (2014: 46bps). This reflected higher recoveries in Europe and the sale of the Spanish business in Non-Core, and lower impairments in PCB due to the benign economic environment in the UK resulting in lower default rates and charges. This was partially offset by a number of single name exposures in the Investment Bank, and increased impairment in Barclaycard reflecting asset growth and updates to impairment model methodologies.

Statutory operating expenses increased 1% to £20,677m. This included adjusting items for additional UK customer redress provisions of £2,772m (2014: £1,110m), £1,237m (2014: £1,250m) of additional provisions for ongoing investigations and litigation including Foreign Exchange, a £429m (2014: nil) gain on valuation of a component of the defined retirement benefit liability, £96m (2014: nil) of impairment of goodwill and other assets relating to businesses being disposed, and £3m (2014: nil) of losses on sale relating to the Spanish, Portuguese and Italian businesses.

Adjusted operating expenses decreased 6% to £16,998m as a result of savings from strategic cost programmes, particularly in the Investment Bank and PCB, in addition to the continued rundown of Non-Core. Total compensation costs decreased 6% to £8,339m, with the Investment Bank reducing 5% to £3,423m, reflecting lower deferred and current year bonus charges and reduced headcount. Reductions in costs to achieve of 32% to £793m, and in litigation and conduct charges of 16% to £378m, were partially offset by costs associated with the implementation of the structural reform programme and a 3% increase in the UK bank levy to £476m.

The statutory cost:income ratio remained in line at 81% (2014: 81%). The adjusted cost:income ratio decreased to 69% (2014: 70%).

Statutory other net expenses increased to £590m (2014: £435m) and included an adjusting item for losses on sale relating to the Spanish, Portuguese and Italian businesses of £577m (2014: £446m).

The tax charge of £1,450m (2014: £1,411m) on statutory profit before tax of £2,073m (2014: £2,256m) represents an effective tax rate of 69.9% (2014: 62.5%). The effective tax rate on adjusted profit before tax of 31.3% (2014: 31.0%) is less than the effective tax rate on statutory profit before tax mainly because it excludes the impact of adjusting items such as non-deductible provisions for ongoing investigations and litigation including Foreign Exchange and provisions for UK customer redress. The adjusted measure of profit before tax is considered to provide a more consistent basis for comparing business performance between periods as it is more representative of the underlying, ongoing performance. Consistent with this, the effective tax rate on adjusted profit before tax is considered a more representative measure of the Group s underlying, ongoing tax charge.

Note

a Constant currency results are calculated by converting ZAR results into GBP using the average exchange rate for 2015.

Financial review

Income statement commentary

2014 compared to 2013

Statutory profit before tax decreased to £2,256m (2013: £2,868m), adjusted profit before tax increased 8% to £5,502m.

Statutory total income net of insurance claims decreased 9% to £25,288m including adjusting items for an own credit gain of £34m (2013: loss of £220m), a £461m (2013: £259m) gain on the US Lehman acquisition assets and a valuation revision of £935m (2013: nil) relating to changes in discount rates applied in the valuation methodology of the ESHLA loan portfolio held at fair value.

Adjusted total income net of insurance claims decreased 8% to £25,728m, reflecting a 54% reduction in Non-Core following assets and securities rundown and business disposals, a 12% reduction in the Investment Bank, driven by a decrease in the Markets business, particularly Macro, and a 9% reduction in Africa Banking, due to adverse currency movements, partially offset by growth in Barclaycard and PCB.

Net interest income increased 4% to £12,080m, with higher net interest income in PCB, the Investment Bank and Barclaycard, partially offset by reductions in Africa Banking, Head Office and Non-Core. Net interest income for PCB, Barclaycard and Africa Banking increased 4% to £11,435m driven by strong savings income growth in PCB, and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements. This resulted in a net interest margin of 4.08% (2013: 4.02%).

Credit impairment charges improved 29% to £2,168m, with a loan loss rate of 46bps (2013: 64bps). This reflected the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio, and improved performance in Europe within Non-Core. Within the Core business there were lower impairments in PCB due to the improving UK economic environment, particularly impacting Corporate Banking which benefited from one-off releases and lower defaults from large UK corporate clients, and reduced impairments in the Africa Banking South Africa mortgages portfolio.

As a result, statutory net operating income for the Group decreased 7% to £23,120m. Net adjusted operating income excluding movements in own credit, the gains on US Lehman acquisition assets and the revision of the ESHLA valuation methodology decreased 5% to £23,560m.

Statutory operating expenses reduced 7% to £20,429m. This included adjusting items for an additional PPI redress provision of £1,270m, resulting in a full year net charge of £1,110m (2013: £2,000m) in relation to UK customer redress, £1,250m (2013: £173m) of provisions for ongoing investigations and litigation including Foreign Exchange and goodwill impairment of nil (2013: £79m). Adjusted operating expenses decreased 8% to £18,069m, driven by savings from strategic cost programmes, including a 5% reduction in headcount and currency movements. Total compensation costs decreased 8% to £8,891m, with the Investment Bank reducing 9% to £3,620m, reflecting reduced headcount, and lower deferred and current year bonus charges. Costs to achieve were £1,165m (2013: £1,209m) and the UK bank levy was £462m (2013: £504m).

The statutory cost:income ratio increased to 81% (2013: 79%). The adjusted cost:income ratio excluding movements in own credit, the gains on US Lehman acquisition assets, provisions for UK customer redress, the provision for ongoing investigations and litigation including Foreign Exchange, the revision of the ESHLA valuation methodology and goodwill impairment decreased to 70% (2013: 71%).

Statutory other net expense increased to £435m (2013: £24m) including an adjusting item for a loss on the sale of the Spanish business of £446m, which completed on 2 January 2015. In addition, accumulated currency translation reserve losses of approximately £100m were recognised on completion in Q115.

The tax charge was £1,411m (2013: £1,571m) on statutory profit before tax of £2,256m (2013: £2,868m), representing an effective tax rate of 62.5% (2013: 54.8%). The effective tax rate on adjusted profit before tax decreased to 31.0% (2013: 39.9%). 2013 included a charge of £440m relating to the write-down of deferred tax assets in Spain.

Financial review

Consolidated summary balance sheet

	2015	2014	2013	2012	2011
As at 31 December	**£m**	£m	£m	£m	£m
Assets					
Cash and balances at central banks	**49,711**	39,695	45,687	86,191	106,894
Items in the course of collection from other banks	**1,011**	1,210	1,282	1,473	1,812
Trading portfolio assets	**77,348**	114,717	133,069	146,352	152,183
Financial assets designated at fair value	**76,830**	38,300	38,968	46,629	36,949
Derivative financial instruments	**327,709**	439,909	350,300	485,140	559,010
Available for sale investments	**90,267**	86,066	91,756	75,109	68,491
Loans and advances to banks	**41,349**	42,111	39,422	41,799	48,576
Loans and advances to customers	**399,217**	427,767	434,237	430,601	437,355
Reverse repurchase agreements and other similar secured lending	**28,187**	131,753	186,779	176,522	153,665
Other assets	**28,383**	36,378	22,128	22,535	23,745
Total assets	**1,120,012**	1,357,906	1,343,628	1,512,351	1,588,680
Liabilities					
Deposits from banks	**47,080**	58,390	55,615	77,345	90,905
Items in the course of collection due to other banks	**1,013**	1,177	1,359	1,587	969
Customer accounts	**418,242**	427,704	431,998	390,828	371,806
Trading portfolio liabilities	**33,967**	45,124	53,464	44,794	45,887
Financial liabilities designated at fair value	**91,745**	56,972	64,796	78,561	87,997
Derivative financial instruments	**324,252**	439,320	347,118	480,987	548,944
Debt securities in issue	**69,150**	86,099	86,693	119,525	129,736
Subordinated liabilities	**21,467**	21,153	21,695	24,018	24,870
Repurchase agreements and other similar secured borrowings	**25,035**	124,479	196,748	217,178	207,292
Other liabilities	**22,197**	31,530	20,193	17,542	16,315
Total liabilities	**1,054,148**	1,291,948	1,279,679	1,452,365	1,524,721
Equity					
Called up share capital and share premium	**21,586**	20,809	19,887	12,477	12,380
Other equity instruments	**5,305**	4,322	2,063		
Other reserves	**1,898**	2,724	249	3,674	3,837
Retained earnings	**31,021**	31,712	33,186	34,464	38,135
Total equity excluding non-controlling interests	**59,810**	59,567	55,385	50,615	54,352
Non-controlling interests	**6,054**	6,391	8,564	9,371	9,607
Total equity	**65,864**	65,958	63,949	59,986	63,959

Total liabilities and equity	**1,120,012**	1,357,906	1,343,628	1,512,351	1,588,680
Net tangible asset value per share	**275p**	285p	283p	349p	381p
Net asset value per ordinary share	**324p**	335p	331p	414p	446p
Number of ordinary shares of Barclays PLC (in millions)	**16,805**	16,498	16,113	12,243	12,199
Year-end US Dollar exchange rate	**1.48**	1.56	1.65	1.62	1.54
Year-end Euro exchange rate	**1.36**	1.28	1.20	1.23	1.19
Year-end South African Rand exchange rate	**23.14**	18.03	17.37	13.74	12.52

Financial review

Balance sheet commentary

2015 compared to 2014

Total assets

Total assets decreased £238bn to £1,120bn.

Cash and balances at central banks and items in the course of collection from other banks increased £10bn to £51bn, as the cash contribution to the Group liquidity pool was increased.

Trading portfolio assets decreased £37bn to £77bn primarily driven by balance sheet deleveraging resulting in lower securities positions, consistent with client demand in the Investment Bank, and exiting of positions in Non-Core.

Financial assets designated at fair value increased by £39bn to £77bn. During the period, new reverse repurchase agreements in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance. This has resulted in an increase of £44bn in this account line. Across fair value and amortised cost classifications, total reverse repurchase agreements have decreased £59bn due to a reduction in matched book trading and general firm financing due to balance sheet deleveraging. Additionally, within financial assets designated at fair value, there was a partial offset by decreases in loans and advances and debt securities.

Derivative financial instrument assets decreased £112bn to £328bn, consistent with the decrease in derivative financial instrument liabilities. This included a £79bn decrease in interest rate derivatives due to net trade reductions and increases in major forward interest rates and a £19bn decrease in foreign exchange derivatives reflecting trade reductions.

Available for sale investments increased £4bn to £90bn due to an increase in government bonds held in the liquidity pool.

Total loans and advances decreased by £29bn to £441bn driven by a net £20bn decrease in settlement and cash collateral balances, a £6bn reclassification of loans to other assets, relating to the Portuguese retail business and Italian retail banking branch network which are now held for sale and a £5bn decrease in Africa reflecting the depreciation of ZAR against GBP. This was partially offset by lending growth of £5bn in Barclaycard.

Reverse repurchase agreements and other similar secured lending decreased £104bn to £28bn reflecting a reduction in matched book trading and general firm financing due to balance sheet deleveraging and as a result of the designation to fair value described in the financial assets designated at fair value comment above.

Total liabilities

Total liabilities decreased £238bn to £1,054bn.

Deposits from banks decreased £11bn to £47bn primarily driven by a £9bn decrease in cash collateral due to lower derivative mark to market.

Customer accounts decreased £10bn to £418bn as a result of reclassification of £4bn to other liabilities relating to the Portuguese retail business and Italian retail banking branch network which are now held for sale, a £7bn reduction in settlement balances, a £3bn decrease in cash collateral due to lower derivative mark to market and a £7bn decrease due to depreciation of ZAR. This is partially offset by £13bn growth within PCB, Barclaycard and Africa.

Trading portfolio liabilities decreased £11bn to £34bn primarily driven by balance sheet deleveraging resulting in lower securities positions, consistent with client demand in the Investment Bank, and exiting of positions in Non-Core.

Financial liabilities designated at fair value increased by £35bn to £92bn. In line with financial assets designated at fair value, the designation of repurchase agreements to fair value resulted in an increase of £45bn during the year. Across fair value and amortised cost classifications, total repurchase agreements have decreased £54bn due to a reduction in matched book trading and general firm financing due to balance sheet deleveraging. Additionally, within financial liabilities designated at fair value, there was a partial offset in debt securities due to reduced funding requirements.

Derivative financial instrument liabilities decreased £115bn to £324bn in line with the decrease in derivative financial assets.

Debt Securities in issue decreased by £17bn to £69bn primarily driven by a decrease in Certificate of Deposits and Bonds and MTNs due to reduced funding requirements.

Subordinated liabilities increased £0.3bn to £21.5bn due to issuances of dated subordinated notes, partially offset by the redemptions of dated and undated subordinated notes, and fair value hedge movements.

Repurchase agreements and other similar secured borrowings decreased £99bn to £25bn reflecting a reduction in matched book trading and general firm financing due to balance sheet deleveraging and as a result of the designation to fair value described in the financial assets designated at fair value comment above.

Shareholders equity

Total shareholders equity remained flat at £66bn.

Share capital and share premium increased by £0.8bn to £22bn due to the issuance of shares under employee share schemes and the Barclays PLC scrip dividend programme. Other equity instruments increased by £1.0bn to £5.3bn due to issuance of equity accounted AT1 securities to investors.

The available for sale reserve decreased £0.2bn to £0.3bn driven by £0.4bn of losses from changes in the fair value of government bonds, predominantly held in the liquidity pool, £0.1bn of losses from related hedging, £0.4bn of net gains transferred to net profit, partially offset by £0.4bn gains from changes in fair value of equity investments in Visa Europe and an £0.1bn change in insurance liabilities. A tax credit of £0.1bn was recognised in the period relating to these items.

The cash flow hedging reserve decreased £0.6bn to £1.3bn driven by a £0.4bn decrease in the fair value of interest rate swaps held for hedging purposes as interest rate forward curves increased, and £0.2bn of gains recycled to the income statement in line with when the hedged item affects profit or loss, partially offset by a tax credit of £0.1bn.

The currency translation reserve remained stable as the effect of ZAR depreciating against GBP was offset by the appreciation of USD against GBP.

Net tangible asset value per share decreased to 275p (2014: 285p). The decrease was primarily attributable to dividends paid and a decrease in the cash flow hedging reserve as explained.

Capital and indebtedness

The capital and indebtedness tables with respect to Barclays PLC and Barclays Bank PLC that are exhibited to this Annual Report on Form 20-F as Exhibits 99.1 and 99.2, respectively, are incorporated by reference into this Form 20-F.

Financial review

Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated.

Segmental analysis (audited)

Analysis of adjusted results by business

For the year ended 31 December 2015	Personal and Corporate Banking £m	Barclaycard £m	Africa Banking £m	Investment Bank £m	Head Office £m	Barclays Core £m	Barclays Non-Core £m
Total income net of insurance claims	**8,726**	**4,927**	**3,574**	**7,572**	**(107)**	**24,692**	**(164)**
Credit impairment charges and other provisions	**(378)**	**(1,251)**	**(352)**	**(55)**		**(2,036)**	**(78)**
Net operating income	**8,348**	**3,676**	**3,222**	**7,517**	**(107)**	**22,656**	**(242)**
Operating expenses	**(4,774)**	**(1,927)**	**(2,169)**	**(5,362)**	**(246)**	**(14,478)**	**(873)**
UK bank levy	**(93)**	**(42)**	**(52)**	**(203)**	**(8)**	**(398)**	**(78)**
Litigation and conduct	**(109)**			**(107)**	**(14)**	**(230)**	**(148)**
Costs to achieve	**(292)**	**(106)**	**(29)**	**(234)**	**(32)**	**(693)**	**(100)**
Other (losses)/income[a]	**(40)**	**33**	**7**		**5**	**5**	**(18)**
Profit/(loss) before tax from continuing operations	**3,040**	**1,634**	**979**	**1,611**	**(402)**	**6,862**	**(1,459)**
Total assets (£bn)	**287.2**	**47.4**	**49.9**	**375.9**	**56.4**	**816.9**	**303.1**

For the year ended 31 December 2014							
Total income net of insurance claims	8,828	4,356	3,664	7,588	242	24,678	1,050
Credit impairment charges and other provisions	(482)	(1,183)	(349)	14		(2,000)	(168)
Net operating income	8,346	3,173	3,315	7,602	242	22,678	882
Operating expenses	(4,951)	(1,727)	(2,244)	(5,504)	(57)	(14,483)	(1,510)
UK bank levy	(70)	(29)	(45)	(218)	(9)	(371)	(91)
Litigation and conduct	(54)		(2)	(129)	(66)	(251)	(198)
Costs to achieve	(400)	(118)	(51)	(374)	(10)	(953)	(212)
Other income/(losses)[a]	14	40	11		(3)	62	(51)
Profit/(loss) before tax from continuing operations	2,885	1,339	984	1,377	97	6,682	(1,180)
Total assets (£bn)	285.0	41.3	55.5	455.7	49.1	886.5	471.5
For the year ended 31 December 2013[b]							
Total income net of insurance claims	8,723	4,103	4,039	8,596	142	25,603	2,293
Credit impairment charges and other provisions	(621)	(1,096)	(479)	22	3	(2,171)	(900)
Net operating income	8,102	3,007	3,560	8,618	145	23,432	1,393
Operating expenses	(5,362)	(1,752)	(2,451)	(6,141)	(103)	(15,809)	(1,929)
UK bank levy	(66)	(22)	(42)	(236)	(29)	(395)	(109)
Litigation and conduct	(98)	(34)		(31)	(10)	(173)	(96)
Costs to achieve	(384)	(49)	(26)	(190)	(22)	(671)	(538)
Other income/(losses)[a]	41	33	8		4	86	(110)
Profit/(loss) before tax from	2,233	1,183	1,049	2,020	(15)	6,470	(1,389)

continuing operations								
Total assets (£bn)	278.5	34.4	54.9	438.0	26.6	832.4	511.2	1

Notes

[a] Other (losses)/income represents the share of post-tax results of associates and joint ventures, profit (or loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

[b] 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

Financial review

Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated.

Adjusted results reconciliation

	2015			2014			2013[a]	
For the year ended 31 December	**Group adjusted results £m**	**Adjusting items £m**	**Group statutory results £m**	Group adjusted results £m	Adjusting items £m	Group statutory results £m	Group adjusted results £m	Adjusting items £m
Total income net of insurance claims	**24,528**	**926**	**25,454**	25,728	(440)	25,288	27,896	39
Credit impairment charges and other provisions	**(2,114)**		**(2,114)**	(2,168)		(2,168)	(3,071)	
Net operating income	**22,414**	**926**	**23,340**	23,560	(440)	23,120	24,825	39
Operating expenses	**(15,351)**	**330**	**(15,021)**	(15,993)		(15,993)	(17,738)	(79)
UK bank levy	**(476)**		**(476)**	(462)		(462)	(504)	
Litigation and conduct	**(378)**	**(4,009)**	**(4,387)**	(449)	(2,360)	(2,809)	(269)	(2,173)
Costs to achieve	**(793)**		**(793)**	(1,165)		(1,165)	(1,209)	
Other (losses)/income[b]	**(13)**	**(577)**	**(590)**	11	(446)	(435)	(24)	
Profit/(loss) before tax from continuing operations	**5,403**	**(3,330)**	**2,073**	5,502	(3,246)	2,256	5,081	(2,213)

Adjusted profit reconciliation

For the year ended 31 December	**2015 £m**	2014 £m
Adjusted profit before tax	**5,403**	5,502
Provisions for UK customer redress	**(2,772)**	(1,110)
Provisions for ongoing investigations and litigation including Foreign Exchange	**(1,237)**	(1,250)
Losses on sale relating to the Spanish, Portuguese and Italian businesses	**(580)**	(446)
Gain on US Lehman acquisition assets	**496**	461

Own credit	**430**	34
Gain on valuation of a component of the defined retirement benefit liability	**429**	
Impairment of goodwill and other assets relating to businesses being disposed	**(96)**	
Revision of ESHLA valuation methodology		(935)
Statutory profit before tax	**2,073**	2,256

Income by geographic region (audited)

	Adjusted			Statutory	
	2015	2014	2013	**2015**	2014
	£m	£m	£m	**£m**	£m
Continuing operations					
UK[c]	**11,730**	12,357	11,681	**12,160**	11,456
Europe	**2,245**	2,896	4,019	**2,245**	2,896
Americas[d]	**6,114**	5,547	6,775	**6,610**	6,008
Africa and Middle East	**3,801**	4,152	4,137	**3,801**	4,152
Asia	**638**	776	1,284	**638**	776
Total	**24,528**	25,728	27,896	**25,454**	25,288

Statutory income from individual countries which represent more than 5% of total income (audited)[e]

	2015	2014
	£m	£m
Continuing operations		
UK	**12,160**	11,456
US	**6,228**	5,866
South Africa	**2,727**	2,915

Notes

a 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

b Other (losses)/income represents the share of post-tax results of associates and joint ventures, profit (or loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

c UK adjusted income excludes the impact of an own credit gain of £430m (2014: £34m gain) and ESHLA valuation revision of nil (2014: £935m).

d Americas adjusted income excludes the gains on US Lehman acquisition assets of £496m (2014: £461m).

e Total income net of insurance claims based on counterparty location. Income from any single external customer does not amount to 10% or greater of the Group s total income net of insurance claims.

Barclays Core

	2015	2014	2013
	£m	£m	£m
Income statement information			
Total income net of insurance claims	**24,692**	24,678	25,603
Credit impairment charges and other provisions	**(2,036)**	(2,000)	(2,171)
Net operating income	**22,656**	22,678	23,432
Operating expenses	**(14,478)**	(14,483)	(15,809)
UK bank levy	**(398)**	(371)	(395)
Litigation and conduct	**(230)**	(251)	(173)
Costs to achieve	**(693)**	(953)	(671)
Total operating expenses	**(15,799)**	(16,058)	(17,048)
Other net income	**5**	62	86
Profit before tax	**6,862**	6,682	6,470
Tax charge	**(1,749)**	(1,976)	(1,754)
Profit after tax	**5,113**	4,706	4,716
Non-controlling interests	**(610)**	(648)	(638)
Other equity interests	**(284)**	(194)	
Attributable profit	**4,219**	3,864	4,078
Balance sheet information			
Total assets	**£816.9bn**	£886.5bn	£832.4bn
Risk weighted assets	**£311.8bn**	£326.6bn	£332.6bn
Leverage exposure	**£906.5bn**	£955.9bn	n/a
Key facts			
Number of employees (full time equivalent)	**123,800**	123,400	129,700
Performance measures			
Return on average tangible equity	**10.9%**	11.3%	14.4%
Average allocated tangible equity	**£39.2bn**	£34.6bn	£28.4bn
Return on average equity	**9.0%**	9.2%	11.3%
Average allocated equity	**£47.3bn**	£42.3bn	£35.9bn
Period end allocated equity	**£47.6bn**	£44.9bn	£39.0bn
Cost:income ratio	**64%**	65%	67%
Loan loss rate (bps)	**51**	49	55

Financial review

Analysis of results by business

Personal and

Corporate Banking

£8,726m total income

£3,040m profit before tax

2015 compared to 2014

Profit before tax improved 5% to £3,040m driven by the continued reduction in operating expenses and lower impairment due to the benign economic environment in the UK. The reduction in operating expenses was delivered through strategic cost programmes including the restructure of the branch network and technology improvements to increase automation. Corporate performed strongly with income increasing 5% through growth in both lending and cash management.

PCB results were significantly impacted by customer redress in, and the sale of, the US Wealth business. Excluding the US Wealth business profit before tax improved 12% to £3,277m.

Total income reduced 1% to £8,726m. Excluding the US Wealth business income remained flat. Personal income decreased 3% to £4,054m driven by a reduction in fee income and mortgage margin pressure, partially offset by improved deposit margins and balance growth. Corporate income increased 5% to £3,754m due to balance growth in both lending and deposits and improved deposit margins, partially offset by reduced margins in the lending business. Wealth income reduced 15% to £918m primarily as a result of the impact of customer redress in, and the sale of, the US Wealth business. Excluding the US Wealth business income decreased 2%.

Net interest income increased 2% to £6,438m driven by growth in Corporate balances and the change in the overdraft proposition in June 2014. Net interest margin remained broadly in line at 2.99% (2014: 3.00%) as mortgage margin pressure and lower Corporate lending margins were partially offset by increased margins on Corporate and Personal deposits, and the benefit of the change in the overdraft proposition.

Net fee, commission and other income reduced 10% to £2,288m driven primarily by the impact of the change in the overdraft proposition and customer redress in the US.

Credit impairment charges improved 22% to £378m due to the benign economic environment in the UK resulting in lower default rates and charges across all businesses. The loan loss rate reduced 4bps to 17bps.

Total operating expenses reduced 4% to £5,268m reflecting savings realised from strategic cost programmes relating to restructuring of the branch network and technology improvements, and lower costs to achieve, partially offset by increased litigation and conduct charges.

Loans and advances to customers increased 1% to £218.4bn due to increased Corporate lending.

Total assets increased 1% to £287.2bn driven by the growth in loans and advances to customers.

Customer deposits increased 2% to £305.4bn primarily driven by the Personal and Corporate businesses.

RWAs were broadly flat at £120.4bn (2014: £120.2bn).

2014 compared to 2013

Profit before tax increased 29% to £2,885m driven by 3% growth in Personal income, lower impairment due to the improving economic environment in the UK, and the continued reduction in operating expenses delivered through strategic cost programmes. This resulted in a 2.2% increase in return on average equity to 11.9%. In Personal, income increased £119m alongside significant cost reductions, with the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels. Corporate increased both loans and deposits, and Wealth undertook a substantial reorganisation to reduce the number of target markets while simplifying operations.

Total income increased 1% to £8,828m. Personal income increased 3% to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income. Corporate income was broadly in line at £3,592m (2013: £3,620m), with balance growth in both lending and deposits, offset by margin compression. Wealth income was broadly in line at £1,077m (2013: £1,063m) driven by growth in the UK business, offset by client and market exits as part of the reorganisations in the US and EU businesses, and lower fee income.

Net interest income increased 7% to £6,298m driven by lending and deposit growth and margin improvement. Net interest margin improved 9bps to 3.00% primarily due to the launch of a revised overdraft proposition, which recognises the majority of overdraft income as net interest income as opposed to fee income, and higher savings margins within Personal and Wealth. These factors were partially offset by lower Corporate deposit margins.

Net fee, commission and other income reduced 11% to £2,530m due to the launch of the revised overdraft proposition and lower transactional income in Wealth.

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

Total operating expenses reduced 7% to £5,475m reflecting savings realised from strategic cost programmes relating to restructuring of the branch network and technology improvements to increase automation.

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth.

Total assets increased 2% to £285.0bn driven by the growth in loans and advances to customers.

Customer deposits increased to £299.2bn (2013: £295.9bn).

RWAs increased 2% to £120.2bn primarily driven by growth in mortgage and Corporate lending.

	2015	2014	2013
	£m	£m	£m
Income statement information			
Net interest income	**6,438**	6,298	5,893
Net fee, commission and other income	**2,288**	2,530	2,830
Total income	**8,726**	8,828	8,723
Credit impairment charges and other provisions	**(378)**	(482)	(621)
Net operating income	**8,348**	8,346	8,102
Operating expenses	**(4,774)**	(4,951)	(5,362)
UK bank levy	**(93)**	(70)	(66)
Litigation and conduct	**(109)**	(54)	(98)
Costs to achieve	**(292)**	(400)	(384)
Total operating expenses	**(5,268)**	(5,475)	(5,910)
Other net (expenses)/income	**(40)**	14	41
Profit before tax	**3,040**	2,885	2,233
Attributable profit	**2,179**	2,058	1,681
Balance sheet information			
Loans and advances to customers at amortised cost	**£218.4bn**	£217.0bn	£212.2bn
Total assets	**£287.2bn**	£285.0bn	£278.5bn
Customer deposits	**£305.4bn**	£299.2bn	£295.9bn
Risk weighted assets	**£120.4bn**	£120.2bn	£118.3bn
Key facts			
Average LTV of mortgage lending[a]	**49%**	52%	56%
Average LTV of new mortgage lending[a]	**64%**	65%	64%
Client assets[b]	**£112.2bn**	£148.6bn	£155.3bn
Number of branches	**1,362**	1,488	1,560
Number of employees (full time equivalent)	**45,700**	45,600	50,100
Performance measures			
Return on average tangible equity	**16.2%**	15.8%	12.7%
Average allocated tangible equity	**£13.6bn**	£13.1bn	£13.2bn
Return on average equity	**12.1%**	11.9%	9.7%
Average allocated equity	**£18.2bn**	£17.5bn	£17.3bn
Cost:income ratio	**60%**	62%	68%
Loan loss rate (bps)	**17**	21	28
Net interest margin	**2.99%**	3.00%	2.91%

Analysis of total income	£m	£m	£m
Personal	**4,054**	4,159	4,040
Corporate	**3,754**	3,592	3,620
Wealth	**918**	1,077	1,063
Total income	**8,726**	8,828	8,723
Analysis of loans and advances to customers at amortised cost			
Personal	**£137.0bn**	£136.8bn	£133.8bn
Corporate	**£67.9bn**	£65.1bn	£62.5bn
Wealth	**£13.5bn**	£15.1bn	£15.9bn
Total loans and advances to customers at amortised cost	**£218.4bn**	£217.0bn	£212.2bn
Analysis of customer deposits			
Personal	**£151.3bn**	£145.8bn	£140.5bn
Corporate	**£124.4bn**	£122.2bn	£118.5bn
Wealth	**£29.7bn**	£31.2bn	£36.9bn
Total customer deposits	**£305.4bn**	£299.2bn	£295.9bn

Notes

a Average LTV of mortgage lending and new mortgage lending calculated on the balance weighted basis.
b Includes assets managed or administered by Barclays on behalf of clients including Assets Under Management (AUM), custody assets, assets under administration, and Wealth client deposits and client lending.

Financial review

Analysis of results by business

Barclaycard

£4,927m total income

£1,634m profit before tax

2015 compared to 2014

Profit before tax increased 22% to £1,634m. Strong growth was delivered through the diversified consumer and merchant business model with asset growth across all geographies. The cost to income ratio improved to 42% (2014: 43%) whilst investment in business growth continued. The business focus on risk management was reflected in stable 30 day delinquency rates and improved loan loss rates.

Total income increased 13% to £4,927m driven primarily by business growth in US cards and the appreciation of the average USD rate against GBP.

Net interest income increased 16% to £3,520m driven by business growth. Net interest margin also improved to 9.13% (2014: 8.75%) reflecting growth in interest earning lending.

Net fee, commission and other income increased 7% to £1,407m due to growth in payment volumes, partially offset by the impact of rate capping from European Interchange Fee Regulation.

Credit impairment charges increased 6% to £1,251m primarily reflecting asset growth and updates to impairment model methodologies, partially offset by improved performance in UK Cards. Delinquency rates remained broadly stable and the loan loss rate reduced 19bps to 289bps.

Total operating expenses increased 11% to £2,075m due to continued investment in business growth, the appreciation of the average USD rate against GBP and the impact of one-off items, including a write-off of intangible assets of £55m relating to the withdrawal of the Bespoke product.

Loans and advances to customers increased 9% to £39.8bn reflecting growth across all geographies.

Total assets increased 15% to £47.4bn primarily due to the increase in loans and advances to customers.

Customer deposits increased 40% to £10.2bn driven by the deposits funding strategy in the US.

RWAs increased 4% to £41.3bn primarily driven by the growth in the US cards business.

2014 compared to 2013

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 29m (2013: 26m) and asset growth across all geographies generating a 6% increase in income. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43% (2013: 45%). The business focus on risk management is reflected in stable 30 day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%).

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

Net interest income increased 8% to £3,044m driven by volume growth. Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, particularly in the US, partially offset by lower funding costs.

Net fee, commission and other income increased 3% to £1,312m due to growth in payment volumes.

Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance. Delinquency rates remained broadly stable and the loan loss rate reduced 24bps to 308bps.

Total operating expenses increased 1% to £1,874m driven by higher costs to achieve of £118m (2013: £49m), partially offset by depreciation of average USD against GBP, VAT refunds, and savings from strategic cost programmes, including insourcing of services, consolidation of sites and digitalisation.

Loans and advances to customers increased 16% to £36.6bn reflecting growth across all geographies, including the impact of promotional offers and the acquisition of portfolios in the US.

Total assets increased 20% to £41.3bn due to the increase in loans and advances to customers.

Customer deposits increased 43% to £7.3bn driven by the deposits funding strategy in the US.

RWAs increased 12% to £39.9bn primarily driven by the growth in loans and advances to customers.

	2015	2014	2013
	£m	£m	£m
Income statement information			
Net interest income	**3,520**	3,044	2,829
Net fee, commission and other income	**1,407**	1,312	1,274
Total income	**4,927**	4,356	4,103
Credit impairment charges and other provisions	**(1,251)**	(1,183)	(1,096)
Net operating income	**3,676**	3,173	3,007
Operating expenses	**(1,927)**	(1,727)	(1,752)
UK bank levy	**(42)**	(29)	(22)
Litigation and conduct			(34)
Costs to achieve	**(106)**	(118)	(49)
Total operating expenses	**(2,075)**	(1,874)	(1,857)
Other net income	**33**	40	33
Profit before tax	**1,634**	1,339	1,183
Attributable profit	**1,106**	938	822
Balance sheet information			
Loans and advances to customers at amortised cost	**£39.8bn**	£36.6bn	£31.5bn
Total assets	**£47.4bn**	£41.3bn	£34.4bn
Customer deposits	**£10.2bn**	£7.3bn	£5.1bn
Risk weighted assets	**£41.3bn**	£39.9bn	£35.7bn
Key facts			
30 days arrears rates UK cards	**2.3%**	2.5%	2.4%
30 days arrears rates US cards	**2.2%**	2.1%	2.1%
Total number of Barclaycard consumer customers	**28.2m**	29.1m	26.3m
Total number of Barclaycard business clients	**341,000**	340,000	350,000
Value of payments processed	**£293bn**	£257bn	£236bn
Number of employees (full time equivalent)	**13,100**	12,200	11,000
Performance measures			
Return on average tangible equity	**22.3%**	19.9%	19.9%
Average allocated tangible equity	**£5.0bn**	£4.7bn	£4.1bn
Return on average equity	**17.7%**	16.0%	15.5%
Average allocated equity	**£6.3bn**	£5.9bn	£5.3bn
Cost:income ratio	**42%**	43%	45%
Loan loss rate (bps)	**289**	308	332
Net interest margin	**9.13%**	8.75%	8.99%

Financial review

Analysis of results by business

Africa Banking

£3,574m total income net

of insurance claims

£979m profit before tax

2015 compared to 2014

Profit before tax decreased 1% to £979m and total income net of insurance claims decreased 2% to £3,574m. The ZAR depreciated against GBP by 10% based on average rates and by 28% based on the closing exchange rate in 2015. The deterioration was a significant contributor to the movement in the reported results of Africa Banking and therefore the discussion of business performance below is based on results on a constant currency basis.

Results on a constant currency basis

Profit before tax increased 11% to £979m reflecting an increase of 18% in operations outside South Africa and an increase of 9% in South Africa despite the challenging macroeconomic environment. Good growth was delivered in the focus areas of Retail and Business Banking (RBB) and corporate banking in South Africa, and Wealth, Investment Management and Insurance (WIMI), whilst performance in the corporate business outside South Africa was impacted by higher impairment.

Total income net of insurance claims increased 7% to £3,574m.

Net interest income increased 8% to £2,066m driven by higher average customer advances in Corporate and Investment Banking (CIB) and strong growth in customer deposits in RBB. Net interest margin increased 11bps to 6.06% primarily due to improved asset margins in retail in South Africa.

Net fee, commission and other income increased 5% to £1,668m reflecting increased transactional income in RBB, partially offset by lower investment banking income in South Africa.

Credit impairment charges increased 11% to £352m driven by an increase in single name exposures and additional coverage on performing loans. The loan loss rate increased 16bps to 109bps.

Total operating expenses increased 5% to £2,250m reflecting inflationary impacts, partially offset by savings from strategic cost programmes including the restructure of the branch network, technology improvements and property rationalisation.

Loans and advances to customers increased 8% to £29.9bn driven by strong CIB growth.

Total assets increased 14% to £49.9bn primarily due to the increase in loans and advances to customers.

Customer deposits increased 11% to £30.6bn reflecting strong growth in the RBB business.

RWAs increased 8% to £33.9bn primarily due to an increase in corporate lending.

2014 compared to 2013

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

Results on a constant currency basis

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

Total income net of insurance claims increased 7% to £3,664m.

Net interest income increased 9% to £2,093m, primarily driven by higher average loans and advances to customers in CIB and growth in customer deposits in RBB in South Africa. Net interest margin on a reported basis increased 14bps to 5.95% following the rise in the South African benchmark interest rate and the favourable impact of higher deposit margins, partially offset by lower rates outside South Africa.

Net fee, commission and other income increased 4% to £1,741m mainly reflecting increased RBB transactions in South Africa.

Credit impairment charges decreased 14% to £349m and on a reported basis the loan loss rate improved 35bps to 93bps, driven by reduced impairments in the South Africa mortgages portfolio and business banking, partially offset by increased impairments in the card portfolio.

Total operating expenses increased 8% to £2,342m largely reflecting inflationary increases, resulting in higher staff costs and increased investment spend on key initiatives, including higher costs to achieve of £51m (2013: £23m), partially offset by savings from strategic cost programmes.

Loans and advances to customers increased 5% to £35.2bn primarily driven by strong corporate banking growth across Africa in CIB and limited growth in RBB, mainly due to a modest reduction in the South Africa mortgages portfolio.

Total assets increased 5% to £55.5bn due to the increase in loans and advances to customers.

Customer deposits increased 5% to £35.0bn reflecting strong growth in the South African RBB business.

RWAs increased 1% to £38.5bn on a reported basis, primarily driven by growth in loans and advances to customers, partially offset by the depreciation of ZAR against GBP.

	2015	2014	2013	Constant currency[a] 2015	2014
	£m	£m	£m	£m	£m
Income statement information					
Net interest income	**2,066**	2,093	2,245	**2,066**	1,908
Net fee, commission and other income	**1,668**	1,741	1,979	**1,668**	1,583
Total income	**3,734**	3,834	4,224	**3,734**	3,491
Net claims and benefits incurred under insurance contracts	**(160)**	(170)	(185)	**(160)**	(155)
Total income net of insurance claims	**3,574**	3,664	4,039	**3,574**	3,336
Credit impairment charges and other provisions	**(352)**	(349)	(479)	**(352)**	(317)
Net operating income	**3,222**	3,315	3,560	**3,222**	3,019
Operating expenses	**(2,169)**	(2,244)	(2,451)	**(2,169)**	(2,051)
UK bank levy	**(52)**	(45)	(42)	**(52)**	(45)
Litigation and conduct		(2)			(2)
Costs to achieve	**(29)**	(51)	(26)	**(29)**	(46)
Total operating expenses	**(2,250)**	(2,342)	(2,519)	**(2,250)**	(2,144)
Other net income	**7**	11	8	**7**	10
Profit before tax	**979**	984	1,049	**979**	885
Attributable profit	**332**	360	356	**332**	320
Balance sheet information					
Loans and advances to customers at amortised cost	**£29.9bn**	£35.2bn	£34.9bn	**£29.9bn**	£27.6bn
Total assets	**£49.9bn**	£55.5bn	£54.9bn	**£49.9bn**	£43.8bn
Customer deposits	**£30.6bn**	£35.0bn	£34.6bn	**£30.6bn**	£27.6bn
Risk weighted assets	**£33.9bn**	£38.5bn	£38.0bn	**£33.9bn**	£31.3bn
Key facts					
Average LTV of mortgage portfolio[b]	**58.4%**	59.9%	62.3%		
Average LTV of new mortgage lending[b]	**74.7%**	74.8%	74.9%		
Number of employees (full time equivalent)	**44,400**	45,000	45,900		
Performance measures					
Return on average tangible equity	**11.7%**	12.9%	11.3%		
Average allocated tangible equity	**£2.8bn**	£2.8bn	£3.2bn		
Return on average equity	**8.7%**	9.3%	8.1%		
Average allocated equity	**£3.8bn**	£3.9bn	£4.4bn		
Cost:income ratio	**63%**	64%	62%		
Loan loss rate (bps)	**109**	93	128		
Net interest margin	**6.06%**	5.95%	5.81%		

Notes

a Constant currency results are calculated by converting ZAR results into GBP using the average 2015 exchange rate for the income statement and the closing 2015 exchange rate for the balance sheet to eliminate the impact of movement in exchange rates between the two periods.
b Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.

Financial review

Analysis of results by business

Investment Bank

£7,572m total income

£1,611m profit before tax

2015 compared to 2014

Profit before tax increased 17% to £1,611m. Income remained flat despite reductions in RWAs. Focusing on its home markets of the UK and US, the business continued to build on existing strengths in the face of challenging market conditions. Costs decreased as a result of improved cost efficiency and a reduction in costs to achieve.

Total income was broadly flat at £7,572m (2014: £7,588m), including the appreciation of the average USD rate against GBP.

Banking income was flat at £2,529m (2014: £2,528m). Investment Banking fee income reduced 1% to £2,093m driven by lower equity underwriting fees, partially offset by higher financial advisory and debt underwriting fees. Lending income increased to £436m (2014: £417m) due to lower losses on fair value hedges.

Markets income was broadly flat at £5,030m (2014: £5,040m). Credit income decreased 5% to £995m driven by lower income in securitised products as a result of the accelerated strategic repositioning in this asset class and lower income from distressed credit. This was partially offset by higher income as a result of client driven credit flow trading. Equities income decreased 2% to £2,001m driven by lower client activity in EMEA in equity derivatives, partially offset by higher performance in cash equities. Macro income increased 4% to £2,034m due to higher income in rates and currency products reflecting increased market volatility and client activity.

Credit impairment charges of £55m (2014: release of £14m) arose from a number of single name exposures.

Total operating expenses decreased 5% to £5,906m reflecting a 5% reduction in compensation costs to £3,423m and lower costs to achieve. Further cost savings were achieved from strategic cost programmes, including business restructuring, operational streamlining and real estate rationalisation, partially offset by the appreciation of the average

USD rate against GBP.

Derivative financial instrument assets and liabilities decreased 25% to £114.3bn and 24% to £122.2bn respectively, due to net trade reduction and increases in major interest rate forward curves.

Trading portfolio assets decreased 31% to £65.1bn primarily driven by balance sheet deleveraging, resulting in lower securities positions.

Total assets decreased 18% to £375.9bn due to a decrease in derivative financial instrument assets, trading portfolio assets, and settlement and cash collateral balances within loans and advances to banks and customers.

RWAs decreased 12% to £108.3bn mainly due to a reduction in securities and derivatives, and improved RWA efficiency.

2014 compared to 2013

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

Total income decreased 12% to £7,588m, including the impact of depreciation of average USD against GBP. Banking income increased 2% to £2,528m. Investment Banking fee income decreased 2% to £2,111m driven by lower debt underwriting fees, partially offset by higher financial advisory and equity underwriting fees. Lending income increased to £417m (2013: £325m) due to lower fair value losses on hedges and higher net interest and fee income.

Markets income decreased 18% to £5,040m. Credit decreased 17% to £1,044m driven by reduced volatility and client activity, with lower income in distressed credit, US high yield and US high grade products. Equities decreased 11% to £2,046m due to declines in cash equities and equity derivatives, reflecting lower client volumes, partially offset by higher income in equity financing. Macro decreased 24% to £1,950m reflecting subdued client activity in rates and lower volatility in currency markets in the first half of the year.

Net credit impairment release of £14m (2013: £22m) arose from a number of single name exposures.

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs to £3,620m, savings from strategic cost programmes, including business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased costs to achieve of £374m (2013: £190m) and litigation and conduct charges.

Loans and advances to customers and banks increased 2% to £106.3bn driven by an increase in cash collateral and lending, partially offset by a reduction in settlement balances due to reduced activity.

Derivative financial instrument assets and liabilities increased 40% to £152.6bn and 38% to £160.6bn respectively, driven by decreases in predominantly GBP, USD and EUR forward interest rates, and strengthening of USD against major currencies.

Reverse repurchase agreements and other similar secured lending decreased 18% to £64.3bn due to decreased match book trading and funding requirements.

Total assets increased 4% to £455.7bn due to an increase in derivative financial instrument assets, partially offset by a decrease in reverse repurchase agreements and other similar secured lending, and financial assets at fair value.

RWAs decreased 2% to £122.4bn primarily driven by risk reductions in the trading book, partially offset by the implementation of a revised credit risk model for assessing counterparty probability of default.

	2015	2014	2013
	£m	£m	£m
Income statement information			
Net interest income	**588**	647	393
Net trading income	**3,859**	3,735	4,969
Net fee, commission and other income	**3,125**	3,206	3,234
Total income	**7,572**	7,588	8,596
Credit impairment (charges)/releases and other provisions	**(55)**	14	22
Net operating income	**7,517**	7,602	8,618
Operating expenses	**(5,362)**	(5,504)	(6,141)
UK bank levy	**(203)**	(218)	(236)
Litigation and conduct	**(107)**	(129)	(31)
Costs to achieve	**(234)**	(374)	(190)
Total operating expenses	**(5,906)**	(6,225)	(6,598)
Profit before tax	**1,611**	1,377	2,020
Attributable profit	**804**	397	1,308
Balance sheet information			
Loans and advances to banks and customers at amortised cost[a]	**£92.2bn**	£106.3bn	£104.5bn
Trading portfolio assets	**£65.1bn**	£94.8bn	£96.6bn
Derivative financial instrument assets	**£114.3bn**	£152.6bn	£108.7bn
Derivative financial instrument liabilities	**£122.2bn**	£160.6bn	£116.6bn
Reverse repurchase agreements and other similar secured lending[b]	**£25.5bn**	£64.3bn	£78.2bn
Financial assets designated at fair value[b]	**£48.1bn**	£8.9bn	£16.5bn
Total assets	**£375.9bn**	£455.7bn	£438.0bn
Risk weighted assets	**£108.3bn**	£122.4bn	£124.4bn
Key facts			
Number of employees (full time equivalent)	**19,800**	20,500	22,600
Performance measures			
Return on average tangible equity	**6.0%**	2.8%	8.5%
Average allocated tangible equity	**£13.9bn**	£14.6bn	£15.3bn
Return on average equity	**5.6%**	2.7%	8.2%
Average allocated equity	**£14.8bn**	£15.4bn	£15.9bn
Cost:income ratio	**78%**	82%	77%
Analysis of total income			
Investment banking fees	**2,093**	2,111	2,160

Lending	**436**	417	325
Banking	**2,529**	2,528	2,485
Credit	**995**	1,044	1,257
Equities	**2,001**	2,046	2,297
Macro	**2,034**	1,950	2,580
Markets	**5,030**	5,040	6,134
Banking & Markets	**7,559**	7,568	8,619
Other	**13**	20	(23)
Total income	**7,572**	7,588	8,596

Notes

a As at 31 December 2015 loans and advances included £74.8bn (2014: £86.4bn) of loans and advances to customers (including settlement balances of £18.6bn (2014: £25.8bn) and cash collateral of £24.8bn (2014: £32.2bn)) and loans and advances to banks of £17.4bn (2014: £19.9bn) (including settlement balances of £1.6bn (2014: £2.7bn) and cash collateral of £5.7bn (2014: £6.9bn)).

b During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance. Included within financial assets designated at fair value are reverse repurchase agreements designated at fair value of £42.5bn (2014: £3.4bn).

Financial review

Analysis of results by business

Head Office

2015 compared to 2014

The loss before tax of £402m (2014: profit of £97m) was primarily due to the net expense from Treasury operations and costs relating to the implementation of the structural reform programme.

Net operating income decreased to an expense of £107m (2014: income of £242m) primarily reflecting the net expense from Treasury operations and the non-recurrence of gains in 2014, including net gains from foreign exchange recycling arising from the restructure of Group subsidiaries.

Total operating expenses increased £158m to £300m primarily due to costs relating to the implementation of the structural reform programme and an increase in costs to achieve, partially offset by reduced litigation and conduct charges.

Total assets increased £7.3bn to £56.4bn due to an increase in the element of the liquidity buffer held centrally.

2014 compared to 2013

Profit before tax of £97m improved from a loss of £15m in 2013.

Net operating income increased to £242m (2013: £145m) predominantly due to net gains of £88m from foreign exchange recycling arising from the restructure of Group subsidiaries.

Total operating expenses decreased £22m to £142m mainly due to a reduction in UK bank levy to £9m (2013: £29m), the non-recurrence of costs associated with the Salz Review and the establishment of the strategic cost programme in the prior year, partially offset by increased litigation and conduct charges.

Total assets increased £22.5bn to £49.1bn reflecting an increase in the Group liquidity pool assets.

RWAs decreased £10.6bn to £5.6bn, including receipt of certain US Lehman acquisition assets and a £6.9bn revision to 2013 RWAs following full implementation of CRD IV reporting, as disclosed in the 30 June 2014 Results Announcement.

Negative average allocated equity reduced to £0.4bn (2013: £7.0bn) as the Group moved towards the allocation rate of 10.5% fully loaded CRD IV CET1 ratio during the year, resulting in a reduction in excess equity allocated to businesses.

	2015	2014	2013
	£m	£m	£m
Income statement information			
Total income	**(107)**	242	142
Credit impairment releases and other provisions			3
Net operating (expense)/income	**(107)**	242	145
Operating expenses	**(246)**	(57)	(103)
UK bank levy	**(8)**	(9)	(29)
Litigation and conduct	**(14)**	(66)	(10)
Cost to achieve	**(32)**	(10)	(22)
Total operating expenses	**(300)**	(142)	(164)
Other net income/(expense)	**5**	(3)	4
(Loss)/profit before tax	**(402)**	97	(15)
Attributable (loss)/profit	**(202)**	112	(89)
Balance sheet information			
Total assets	**£56.4bn**	£49.1bn	£26.6bn
Risk weighted assets	**£7.7bn**	£5.6bn	£16.2bn
Key facts			
Number of employees (full time equivalent)	**800**	100	100

Barclays Non-Core

(£164m) total income net of

insurance claims

£1,459m loss before tax

2015 compared to 2014

Loss before tax increased 24% to £1,459m driven by continued progress in the exit of Businesses, Securities and loans, and Derivative assets. RWAs reduced £29bn to £47bn including a £10bn reduction in Derivatives, £9bn reduction in Securities and loans, and Business reductions from the completion of the sales of the Spanish and UK Secured Lending businesses. The announced sales of the Portuguese and Italian retail businesses, which are due to be completed in H116, are expected to result in a further £2.5bn reduction in RWAs.

Total income net of insurance claims reduced to an expense of £164m (2014: income of £1,050m). Businesses income reduced 44% to £613m due to the impact of the sale of the Spanish business and the sale and rundown of legacy portfolio assets. Securities and loans income reduced to an expense of £481m (2014: income of £117m) primarily driven by fair value losses and funding costs on the ESHLA portfolio, the active rundown of securities, exit of historical investment bank businesses and the non-recurring gain on the sale of the UAE retail banking portfolio in 2014. Fair value losses on the ESHLA portfolio were £359m (2014: £156m), of which £156m was in Q415, as gilt swap spreads widened. Derivatives income reduced 76% to an expense of £296m reflecting the active rundown of the portfolios and funding costs.

Credit impairment charges improved 54% to £78m due to higher recoveries in Europe and the sale of the Spanish business.

Total operating expenses improved 40% to £1,199m reflecting savings from the sales of the Spanish, UAE retail, commodities, and several principal investment businesses, as well as a reduction in costs to achieve, and conduct and litigation charges.

Loans and advances to banks and customers reduced 28% to £45.9bn due to the reclassification of £5.5bn of loans relating to the announced sales of the Portuguese and Italian businesses to assets held for sale, and the rundown and exit of historical investment bank assets.

Derivative financial instrument assets and liabilities decreased 26% to £210.3bn and 28% to £198.7bn respectively, largely as a result of trade reduction.

Total assets decreased 36% to £303.1bn due to reduced reverse repurchase agreements and other similar secured lending, and lower derivative financial instrument assets.

Leverage exposure reduced £156.2bn to £121.3bn primarily in reverse repurchase agreements, potential future exposure on derivatives and trading portfolio assets.

RWAs decreased £28.7bn to £46.6bn and period end equity decreased £3.8bn to £7.2bn primarily driven by the sale of the Spanish business, the active rundown of legacy structured and credit products, and derivative trade unwinds.

2014 compared to 2013

Loss before tax reduced 15% to £1,180m as Non-Core made good progress in exiting and running down certain businesses and securities during 2014. This drove a £34.6bn reduction in RWAs, making substantial progress towards the Non-Core target reductions as outlined in the Group Strategy Update on 8 May 2014.

Total income net of insurance claims reduced 54% to £1,050m. Businesses income reduced 27% to £1,101m due to the sale and rundown of legacy portfolio assets and the rationalisation of product offerings within the European retail business. Securities and loans income reduced 82% to £117m primarily driven by the active rundown of securities, fair value losses on wholesale loan portfolios and the non-recurrence of prior year favourable market movements on certain securitised products, partially offset by a £119m gain on the sale of the UAE retail banking portfolio. Derivatives income reduced £321m to an expense of £168m reflecting the funding costs of the traded legacy derivatives portfolio and the non-recurrence of fair value gains in the prior year.

Credit impairment charges improved 81% to £168m due to the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio as a result of confirmation on Spanish government subsidies in the renewable energy sector and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio.

Total operating expenses improved 25% to £2,011m reflecting savings from strategic cost programmes, including lower headcount and the results of the previously announced European retail restructuring. In addition, costs to achieve reduced 61% to £212m.

Loans and advances to banks and customers reduced 22% to £63.9bn due to a £12.9bn reclassification of loans relating to the Spanish business, which was held for sale, and a reduction in Europe retail driven by a run-off of assets.

Trading portfolio assets reduced 48% to £15.9bn due to the sale and rundown of legacy portfolio assets.

Derivative financial instrument assets and liabilities increased 19% to £285.4bn and 21% to £277.1bn respectively, driven by decreases in major forward interest rates.

Total assets decreased 8% to £471.5bn with reduced reverse repurchase agreements and other similar secured lending, and trading portfolio assets, due to the rundown of legacy portfolio assets, offset by an increase in derivative financial instrument assets. BCBS 270 leverage exposure reduced to £277bn.

RWAs decreased £34.6bn to £75.3bn and average allocated equity decreased £3.7bn to £13.4bn, reflecting the disposal of businesses, rundown and exit of securities and loans, and derivative risk reductions.

Financial review

Analysis of results by business

Barclays Non-Core continued

	2015	2014	2013
	£m	£m	£m
Income statement information			
Net interest income	**249**	214	307
Net trading income	**(805)**	120	1,327
Net fee, commission and other income	**765**	1,026	983
Total income	**209**	1,360	2,617
Net claims and benefits incurred under insurance contracts	**(373)**	(310)	(324)
Total income net of insurance claims	**(164)**	1,050	2,293
Credit impairment charges and other provisions	**(78)**	(168)	(900)
Net operating (expense)/income	**(242)**	882	1,393
Operating expenses	**(873)**	(1,510)	(1,929)
UK bank levy	**(78)**	(91)	(109)
Litigation and conduct	**(148)**	(198)	(96)
Costs to achieve	**(100)**	(212)	(538)
Total operating expenses	**(1,199)**	(2,011)	(2,672)
Other net expenses	**(18)**	(51)	(110)
Loss before tax	**(1,459)**	(1,180)	(1,389)
Attributable loss	**(1,523)**	(1,085)	(1,783)
Balance sheet information			
Loans and advances to banks and customers at amortised cost[b]	**£45.9bn**	£63.9bn	£81.9bn
Derivative financial instrument assets	**£210.3bn**	£285.4bn	£239.3bn
Derivative financial instrument liabilities	**£198.7bn**	£277.1bn	£228.3bn
Reverse repurchase agreements and other similar secured lending [c]	**£2.4bn**	£49.3bn	£104.7bn
Financial assets designated at fair value[c]	**£20.1bn**	£22.2bn	£19.5bn
Total assets	**£303.1bn**	£471.5bn	£511.2bn
Customer deposits	**£14.9bn**	£21.6bn	£29.3bn
Risk weighted assets	**£46.6bn**	£75.3bn	£109.9bn
Leverage exposure	**£121.3bn**	£277.5bn	n/a
Key facts			
Number of employees (full time equivalent)	**5,600**	8,900	9,900
Performance measures			

Return on average tangible equity[d]	**(5.1%)**	(5.4%)	(9.3%)
Average allocated tangible equity	**£8.9bn**	£13.2bn	£16.8bn
Return on average equity[d]	**(4.1%)**	(4.1%)	(7.0%)
Average allocated equity	**£9.0bn**	£13.4bn	£17.1bn
Period end allocated equity	**£7.2bn**	£11.0bn	£15.1bn

Analysis of total income net of insurance claims	**£m**	£m	£m
Businesses	**613**	1,101	1,498
Securities and loans	**(481)**	117	642
Derivatives	**(296)**	(168)	153
Total income net of insurance claims	**(164)**	1,050	2,293

Notes

a 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for onging investigations and litigations including Foreign Exchange to aid comparability.

b As at 31 December 2015 loans and advances included £35.2bn (2014: £51.6bn) of loans and advances to customers (including settlement balances of £0.2bn (2014: £1.6bn) and cash collateral of £19.0bn (2014: £22.1bn)) and loans and advances to banks of £10.6bn (2014: £12.3bn) (including settlement balances of nil (2014: £0.3bn) and cash collateral of £10.1bn (2014: £11.3bn)).

c During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance. Included within financial assets designated at fair value are reverse repurchase agreements designated at fair value of £1.4bn (2014: £1.0bn).

d Return on average equity and average tangible equity for Barclays Non-Core represents its impact on the Group. This does not represent the return on average tangible equity of the Non-Core business.

Returns and equity

by business

Returns on average equity and average tangible equity are calculated as profit for the year attributable to ordinary equity holders of the parent (adjusted for the tax credit recorded in reserves in respect of coupons on other equity instruments) divided by average allocated equity or average allocated tangible equity for the period as appropriate, excluding non-controlling and other equity interests for businesses, apart from Africa Banking (see below). Allocated equity has been calculated as 10.5% of CRD IV fully loaded risk weighted assets for each business, adjusted for CRD IV fully loaded capital deductions, including goodwill

and intangible assets, reflecting the assumptions the Group uses for capital planning purposes. The excess of allocated Group equity, caused by the fully loaded CRD IV CET1 ratio being below 10.5% on average in the period, is allocated as negative equity to Head Office. Allocated tangible equity is calculated using the same method, but excludes goodwill and intangible assets.

For Africa Banking, the equity used for return on average equity is Barclays share of the statutory equity of the BAGL entity (together with that of the Barclays Egypt and Zimbabwe businesses which remain outside the BAGL corporate entity), as well as Barclays goodwill on acquisition of these businesses. The tangible equity for return on tangible equity uses the same basis, but excludes both the Barclays goodwill on acquisition and the goodwill and intangibles held within the BAGL statutory equity.

Return on average tangible equity

	2015	2014	2013[c]
	%	%	%
Personal and Corporate Banking	**16.2**	15.8	12.7
Barclaycard	**22.3**	19.9	19.9
Africa Banking	**11.7**	12.9	11.3
Investment Bank	**6.0**	2.8	8.5
Barclays Core operating businesses	**12.7**	10.8	11.6
Head Office impact[a]	**(1.8)**	0.5	2.8
Barclays Core	**10.9**	11.3	14.4
Barclays Non-Core impact[a]	**(5.1)**	(5.4)	(9.3)
Barclays Group adjusted total[d]	**5.8**	5.9	5.1
Barclays Group statutory total	**(0.7)**	(0.3)	1.2

Return on average equity

	2015	2014	2013[c]
	%	%	%
Personal and Corporate Banking	**12.1**	11.9	9.7
Barclaycard	**17.7**	16.0	15.5

Africa Banking	**8.7**	9.3	8.1
Investment Bank	**5.6**	2.7	8.2
Barclays Core operating businesses	**10.4**	8.9	9.7
Head Office impact[a]	**(1.4)**	0.3	1.6
Barclays Core	**9.0**	9.2	11.3
Barclays Non-Core impact[a]	**(4.1)**	(4.1)	(7.0)
Barclays Group adjusted total[d]	**4.9**	5.1	4.3
Barclays Group statutory total	**(0.6)**	(0.2)	1.0

Profit/(loss) attributable to ordinary equity holders of the parent[b]

	2015	2014	2013[c]
	£m	£m	£m
Personal and Corporate Banking	**2,203**	2,075	1,681
Barclaycard	**1,114**	943	822
Africa Banking	**332**	360	356
Investment Bank	**829**	415	1,308
Head Office	**(202)**	112	(89)
Barclays Core	**4,276**	3,905	4,078
Barclays Non-Core	**(1,510)**	(1,072)	(1,783)
Barclays Group adjusted total[d]	**2,766**	2,833	2,295
Barclays Group statutory total	**(394)**	(174)	540

Notes

a Return on average equity and average tangible equity for Head Office and Barclays Non-Core represents their impact on Barclays Core and the Group respectively. This does not represent the return on average equity and average tangible equity of Head Office or the Non-Core business.

b Profit for the period attributable to ordinary equity holders of the parent includes the tax credit recorded in reserves in respect of interest payments on other equity instruments.

c 2013 adjusted total operating expenses and profit before tax have been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage-related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

d Adjusted Barclays Group profit excludes the impact of own credit of £430m gain (2014: £34m gain), impairment of goodwill and other assets relating to businesses being disposed of £96m (2014: nil), provisions for UK customer redress of £2,772m (2014: £1,110m), gain on US Lehman acquisition assets of £496m (2014:£461m), provisions for ongoing investigations and litigation including Foreign Exchange of £1,237m (2014: £1,250m), loss on sale relating to the Spanish, Portuguese and Italian businesses of £580m (2014: £446m), Education, Social Housing, and Local Authority (ESHLA) revision of valuation methodology of nil (2014: £935m), and gain on valuation of a component of the defined retirement benefit liability £429m gain (2014: nil).

Returns and equity by business continued

Average allocated tangible equity

	2015	2014	2013
	£bn	£bn	£bn
Personal and Corporate Banking	**13.6**	13.1	13.2
Barclaycard	**5.0**	4.7	4.1
Africa Banking	**2.8**	2.8	3.2
Investment Bank	**13.9**	14.6	15.3
Head Office[a]	**3.9**	(0.6)	(7.4)
Barclays Core	**39.2**	34.6	28.4
Barclays Non-Core	**8.9**	13.2	16.8
Barclays Group adjusted total	**48.1**	47.8	45.2
Barclays Group statutory total	**47.7**	47.0	44.3

Average allocated equity

	2015	2014	2013
	£bn	£bn	£bn
Personal and Corporate Banking	**18.2**	17.5	17.3
Barclaycard	**6.3**	5.9	5.3
Africa Banking	**3.8**	3.9	4.4
Investment Bank	**14.8**	15.4	15.9
Head Office[a]	**4.2**	(0.4)	(7.0)
Barclays Core	**47.3**	42.3	35.9
Barclays Non-Core	**9.0**	13.4	17.1
Barclays Group adjusted total	**56.3**	55.7	53.0
Barclays Group statutory total	**55.9**	54.9	52.2

Period end allocated equity

	2015	2014	2013
	£bn	£bn	£bn
Personal and Corporate Banking	**18.3**	17.9	17.3
Barclaycard	**6.3**	6.2	5.4
Africa Banking	**3.4**	4.0	3.8
Investment Bank	**13.0**	14.7	14.6

Head Office[a]	**6.6**	2.1	(2.1)
Barclays Core	**47.6**	44.9	39.0
Barclays Non-Core	**7.2**	11.0	15.1
Barclays Group adjusted total	**54.8**	55.9	54.1
Barclays Group statutory total	**54.5**	55.2	53.3

Note

a Based on risk weighted assets and capital deductions in Head Office plus the residual balance of average ordinary shareholders equity and tangible ordinary shareholders equity.

Margins analysis

Total PCB, Barclaycard and Africa Banking net interest income increased 5% to £12.0bn due to an increase in average customer assets to £287.7bn (2014: £280.0bn) with growth in PCB and Barclaycard, partially offset by reductions in Africa Banking as the ZAR depreciated against GBP. Net interest margin increased 10bps to 4.18% primarily due to growth in interest earning lending within Barclaycard.

Group net interest income increased to £12.6bn (2014: £12.1bn) including structural hedge contributions of £1.5bn (2014: £1.6bn). Equity structural hedge income decreased driven by the maintenance of the hedge in a continuing low rate environment.

Net interest margin by business reflects movements in the Group s internal funding rates which are based on the cost to the Group of alternative funding in wholesale markets. The internal funding rate prices intra-group funding and liquidity to give appropriate credit to businesses with net surplus liquidity and to charge those businesses in need of alternative funding at a rate that is driven by prevailing market rates and includes a term premium.

	Year ended 31 December 2015			Year ended 31 December 2014		
	Net interest income	Average customer assets	Net interest margin	Net interest income	Average customer assets	Net interest margin
	£m	£m	%	£m	£m	%
Personal and Corporate Banking	**6,438**	**214,989**	**2.99**	6,298	210,026	3.00
Barclaycard	**3,520**	**38,560**	**9.13**	3,044	34,776	8.75
Africa Banking	**2,066**	**34,116**	**6.06**	2,093	35,153	5.95
Total Personal and Corporate Banking, Barclaycard and Africa Banking	**12,024**	**287,665**	**4.18**	11,435	279,955	4.08
Investment Bank	**588**			647		
Head Office	**(303)**			(216)		
Barclays Core	**12,309**			11,866		

Barclays Non-Core	**249**	214
Group net interest income	**12,558**	12,080

Contents

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Presentation of information

Barclays approach to disclosures

The Group aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continues to support the recommendations and guidance made by the Enhanced Disclosure Taskforce (EDTF). The EDTF was formed by the Financial Stability Board with a remit to broaden and deepen the risk disclosures of global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has fully adopted the recommendations across the Annual Report and Pillar 3 Report.

In line with the Financial Reporting Council s guidance on Clear and Concise reporting, for 2015, Barclays has focused reporting on material items and sought to reorganise information to aid users understanding.

It is Barclays view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement with the banking sector. Barclays is committed to engaging with a published Code for Financial Reporting Disclosure (the Code). The Code sets out five disclosure principles together with supporting guidance which states that UK banks will:

§ provide high quality, meaningful and decision-useful disclosures

§ review and enhance their financial instrument disclosures for key areas of interest

§ assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance

§ seek to enhance the comparability of financial statement disclosures across the UK banking sector and

§ clearly differentiate in their annual reports between information that is audited and information that is unaudited.

British Bankers Association (BBA) Code for Financial Reporting Disclosure

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2015 Annual Report and Accounts in compliance with the Code.

Statutory accounts

The consolidated accounts of Barclays PLC and its subsidiaries are set out on pages 211 to 215 along with the accounts of Barclays PLC itself on pages 216 and 217. The accounting policies on pages 218 to 220 and the Notes commencing on page 221 apply equally to both sets of accounts unless otherwise stated.

The financial statements have been prepared on a going concern basis, in accordance with The Companies Act 2006 as applicable to companies using IFRS.

Capital Requirements Country by Country Reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country by Country Reporting Regulations 2013. The legislation requires Barclays PLC to publish additional information in respect of the year ended 31 December 2015. This information is available on the Barclays website: home.barclays/citizenship/reports-and-publications/country-snapshot.html

Report of Independent Registered Public Accounting Firm

To The Board of Directors and Shareholders of Barclays PLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements present fairly, in all material respects, the financial position of Barclays PLC and its subsidiaries at 31 December 2015 and 31 December 2014, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2015, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management s report on internal control over financial reporting included in the Directors Report appearing on page 40 of the Annual Report to Shareholders. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (US). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting

included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, UK

29 February 2016

Consolidated financial statements

Consolidated income statement

		2015	2014	2013
For the year ended 31 December	Notes	£m	£m	£m
Continuing operations				
Interest income	3	**17,201**	17,363	18,315
Interest expense	3	**(4,643)**	(5,283)	(6,715)
Net interest income		**12,558**	12,080	11,600
Fee and commission income	4	**9,655**	9,836	10,479
Fee and commission expense	4	**(1,763)**	(1,662)	(1,748)
Net fee and commission income		**7,892**	8,174	8,731
Net trading income	5	**3,623**	3,331	6,553
Net investment income	6	**1,138**	1,328	680
Net premiums from insurance contracts		**709**	669	732
Other income		**67**	186	148
Total income		**25,987**	25,768	28,444
Net claims and benefits incurred on insurance contracts		**(533)**	(480)	(509)
Total income net of insurance claims		**25,454**	25,288	27,935
Credit impairment charges and other provisions	7	**(2,114)**	(2,168)	(3,071)
Net operating income		**23,340**	23,120	24,864
Staff costs	8	**(9,960)**	(11,005)	(12,155)
Infrastructure costs	8	**(3,180)**	(3,443)	(3,531)
Administration and general expenses	8	**(3,528)**	(3,621)	(4,113)
Provision for UK customer redress	27	**(2,772)**	(1,110)	(2,000)
Provision for ongoing investigations and litigation including Foreign Exchange	27	**(1,237)**	(1,250)	(173)
Operating expenses	8	**(20,677)**	(20,429)	(21,972)
Share of post-tax results of associates and joint ventures		**47**	36	(56)
(Loss)/profit on disposal of subsidiaries, associates and joint ventures	9	**(637)**	(471)	6
Gain on acquisitions				26
Profit before tax		**2,073**	2,256	2,868
Taxation	10	**(1,450)**	(1,411)	(1,571)
Profit after tax		**623**	845	1,297
Attributable to:				
Equity holders of the parent		**(394)**	(174)	540
Other equity holders[a]		**345**	250	
Total equity holders		**(49)**	76	540
Non-controlling interests	33	**672**	769	757
Profit after tax		**623**	845	1,297
		p	p	p
Earnings per share				

Basic (loss)/earnings per share	11	**(1.9)**	(0.7)	3.8
Diluted (loss)/earnings per share	11	**(1.9)**	(0.7)	3.7

Note

a The profit after tax attributable to other equity holders of £345m (2014: £250m) is offset by a tax credit recorded in reserves of £70m (2014: £54m). The net amount of £275m (2014: £196m), along with NCI, is deducted from profit after tax in order to calculate earnings per share.

Consolidated financial statements

Consolidated statement of comprehensive income

	2015	2014	2013
For the year ended 31 December	**£m**	£m	£m
Profit after tax	**623**	845	1,297
Other comprehensive (loss)/income from continuing operations:			
Currency translation reserve			
Currency translation differences	**(476)**	486	(1,767)
Available for sale reserve			
Net gains/(losses) from changes in fair value	**33**	5,333	(2,734)
Net gains transferred to net profit on disposal	**(373)**	(619)	(145)
Net losses/(gains) transferred to net profit due to impairment	**17**	(31)	(7)
Net (gains)/losses transferred to net profit due to fair value hedging	**(148)**	(4,074)	2,376
Changes in insurance liabilities	**86**	(94)	28
Tax	**134**	(102)	100
Cash flow hedging reserve			
Net (losses)/gains from changes in fair value	**(407)**	2,687	(1,914)
Net gains transferred to net profit	**(268)**	(767)	(547)
Tax	**81**	(380)	571
Other	**21**	(42)	(37)
Total comprehensive (loss)/income that may be recycled to profit or loss	**(1,300)**	2,397	(4,076)
Other comprehensive income/(loss) not recycled to profit or loss:			
Retirement benefit remeasurements	**1,174**	268	(512)
Tax	**(260)**	(63)	(3)
Other comprehensive (loss)/income for the period	**(386)**	2,602	(4,591)
Total comprehensive income/(loss) for the year	**237**	3,447	(3,294)
Attributable to:			
Equity holders of the parent	**45**	2,756	(3,406)
Non-controlling interests	**192**	691	112
	237	3,447	(3,294)

Consolidated financial statements

Consolidated balance sheet

As at 31 December	Notes	2015 £m	2014 £m	2013 £m
Assets				
Cash and balances at central banks		**49,711**	39,695	45,687
Items in the course of collection from other banks		**1,011**	1,210	1,282
Trading portfolio assets	13	**77,348**	114,717	133,069
Financial assets designated at fair value	14	**76,830**	38,300	38,968
Derivative financial instruments	15	**327,709**	439,909	350,300
Available for sale investments	16	**90,267**	86,066	91,756
Loans and advances to banks	20	**41,349**	42,111	39,422
Loans and advances to customers	20	**399,217**	427,767	434,237
Reverse repurchase agreements and other similar secured lending	22	**28,187**	131,753	186,779
Prepayments, accrued income and other assets		**3,010**	3,607	3,920
Investments in associates and joint ventures	38	**573**	711	653
Property, plant and equipment	23	**3,468**	3,786	4,216
Goodwill and intangible assets	24	**8,222**	8,180	7,685
Current tax assets	10	**415**	334	219
Deferred tax assets	10	**4,495**	4,130	4,807
Retirement benefit assets	35	**836**	56	133
Non current assets classified as held for sale	44	**7,364**	15,574	495
Total assets		**1,120,012**	1,357,906	1,343,628
Liabilities				
Deposits from banks		**47,080**	58,390	55,615
Items in the course of collection due to other banks		**1,013**	1,177	1,359
Customer accounts		**418,242**	427,704	431,998
Repurchase agreements and other similar secured borrowing	22	**25,035**	124,479	196,748
Trading portfolio liabilities	13	**33,967**	45,124	53,464
Financial liabilities designated at fair value	17	**91,745**	56,972	64,796
Derivative financial instruments	15	**324,252**	439,320	347,118
Debt securities in issue		**69,150**	86,099	86,693
Subordinated liabilities	30	**21,467**	21,153	21,695
Accruals, deferred income and other liabilities	26	**10,610**	11,423	12,934
Provisions	27	**4,142**	4,135	3,886
Current tax liabilities	10	**903**	1,021	1,042
Deferred tax liabilities	10	**122**	262	373
Retirement benefit liabilities	35	**423**	1,574	1,958
Liabilities included in disposal groups classified as held for sale	44	**5,997**	13,115	
Total liabilities		**1,054,148**	1,291,948	1,279,679

Total equity				
Called up share capital and share premium	31	**21,586**	20,809	19,887
Other equity instruments	31	**5,305**	4,322	2,063
Other reserves	32	**1,898**	2,724	249
Retained earnings		**31,021**	31,712	33,186
Total equity excluding non-controlling interests		**59,810**	59,567	55,385
Non-controlling interests	33	**6,054**	6,391	8,564
Total equity		**65,864**	65,958	63,949
Total liabilities and equity		**1,120,012**	1,357,906	1,343,628

The Board of Directors approved the financial statements on pages 211 to 305 on 29 February 2016.

John McFarlane

Group Chairman

Jes Staley

Group Chief Executive

Tushar Morzaria

Group Finance Director

Consolidated financial statements

Consolidated statement of changes in equity

	Called up share capital and share premium £m	Other equity instruments £m	Available for sale reserve £m	Cash flow hedging reserve £m	Currency translation reserve £m	Other reserves and treasury shares £m	Retained earnings £m	Total equity excluding non-controlling interests £m	co
Balance as at 1 January 2015	**20,809**	**4,322**	**562**	**1,817**	**(582)**	**927**	**31,712**	**59,567**	
Profit after tax		**345**					**(394)**	**(49)**	
Currency translation movements					**(41)**			**(41)**	
Available for sale investments			**(245)**					**(245)**	
Cash flow hedges				**(556)**				**(556)**	
Pension remeasurement							**916**	**916**	
Other							**20**	**20**	
Total comprehensive (loss)/income for the year		**345**	**(245)**	**(556)**	**(41)**		**542**	**45**	
Issue of new ordinary shares	**137**							**137**	
Issue of shares under employee share schemes	**640**						**571**	**1,211**	
Issue and exchange of other equity instruments		**995**						**995**	
Other equity instruments coupons paid		**(345)**					**70**	**(275)**	

Redemption of preference shares								
Increase in treasury shares						**(602)**		**(602)**
Vesting of shares under employee share schemes						**618**	**(755)**	**(137)**
Dividends paid							**(1,081)**	**(1,081)**
Other reserve movements		**(12)**					**(38)**	**(50)**
Balance as at 31 December 2015	**21,586**	**5,305**	**317**	**1,261**	**(623)**	**943**	**31,021**	**59,810**
Balance as at 1 January 2014	19,887	2,063	148	273	(1,142)	970	33,186	55,385
Profit after tax		250					(174)	76
Currency translation movements					560			560
Available for sale investments			414					414
Cash flow hedges				1,544				1,544
Pension remeasurement							205	205
Other							(43)	(43)
Total comprehensive (loss)/income for the year		250	414	1,544	560		(12)	2,756
Issue of new ordinary shares	150							150
Issue of shares under employee share schemes	772						693	1,465
Issue and exchange of other equity instruments		2,263					(155)	2,108
Other equity instruments coupons paid		(250)					54	(196)
Redemption of preference shares							(104)	(104)
Increase in treasury shares						(909)		(909)

Vesting of shares under employee share schemes						866	(866)	
Dividends paid							(1,057)	(1,057)
Other reserve movements		(4)					(27)	(31)
Balance as at 31 December 2014	20,809	4,322	562	1,817	(582)	927	31,712	59,567
Balance as at 1 January 2013	12,477		527	2,099	59	989	34,464	50,615
Profit after tax							540	540
Currency translation movements					(1,201)			(1,201)
Available for sale investments			(379)					(379)
Cash flow hedges				(1,826)				(1,826)
Pension remeasurement							(503)	(503)
Other							(37)	(37)
Total comprehensive (loss)/income for the year			(379)	(1,826)	(1,201)			(3,406)
Issue of new ordinary shares	6,620							6,620
Issue of shares under employee share schemes	790						689	1,479
Issue and exchange of other equity instruments		2,063						2,063
Other equity instruments coupons paid								
Redemption of preference shares								
Increase in treasury shares						(1,066)		(1,066)
Vesting of shares under employee share schemes						1,047	(1,047)	
Dividends paid							(859)	(859)
							(61)	(61)

Other reserve movements								
Balance as at 31 December 2013	19,887	2,063	148	273	(1,142)	970	33,186	55,385

Consolidated financial statements

Consolidated cash flow statement

For the year ended 31 December	2015 £m	2014 £m	2013 £m
Continuing operations			
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	**2,073**	2,256	2,868
Adjustment for non-cash items:			
Allowance for impairment	**2,105**	2,168	3,071
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**1,324**	1,279	1,274
Other provisions, including pensions	**4,333**	3,600	3,674
Net loss on disposal of investments and property, plant and equipment	**(374)**	(619)	(145)
Other non-cash movements	**(635)**	(808)	(1,293)
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and advances to banks and customers	**27,565**	3,684	(3,915)
Net decrease/(increase) in reverse repurchase agreements and other similar secured lending	**103,566**	55,021	(10,264)
Net (decrease) in deposits and debt securities in issue	**(37,721)**	(2,113)	(13,392)
Net (decrease) in repurchase agreements and other similar secured borrowing	**(99,444)**	(72,269)	(20,430)
Net (increase)/decrease in derivative financial instruments	**(2,868)**	2,593	971
Net decrease in trading assets	**37,342**	18,368	13,443
Net (decrease)/increase in trading liabilities	**(11,157)**	(8,340)	8,670
Net (increase) in financial investments	**(3,757)**	(7,156)	(6,114)
Net (increase)/decrease in other assets	**(2,324)**	(14,694)	128
Net (decrease)/increase in other liabilities	**(2,230)**	8,141	(1,930)
Corporate income tax paid	**(1,670)**	(1,552)	(1,558)
Net cash from operating activities	**16,128**	(10,441)	(24,942)
Purchase of available for sale investments	**(120,251)**	(108,645)	(92,015)
Proceeds from sale or redemption of available for sale investments	**113,048**	120,843	69,473
Purchase of property, plant and equipment	**(852)**	(657)	(736)
Other cash flows associated with investing activities	**(379)**	(886)	633
Net cash from investing activities	**(8,434)**	10,655	(22,645)
Dividends paid	**(1,496)**	(1,688)	(1,672)
Proceeds of borrowings and issuance of subordinated debt	**1,138**	826	700
Repayments of borrowings and redemption of subordinated debt	**(682)**	(1,100)	(1,425)
Net issue of shares and other equity instruments	**1,278**	559	9,473
Net purchase of treasury shares	**(679)**	(909)	(1,066)
Net redemption of shares issued to non-controlling interests		(746)	(100)
Net cash from financing activities	**(441)**	(3,058)	5,910

Effect of exchange rates on cash and cash equivalents	**824**	(431)	198
Net increase/(decrease) in cash and cash equivalents	**8,077**	(3,275)	(41,479)
Cash and cash equivalents at beginning of year	**78,479**	81,754	123,233
Cash and cash equivalents at end of year	**86,556**	78,479	81,754
Cash and cash equivalents comprise:			
Cash and balances at central banks	**49,711**	39,695	45,687
Loans and advances to banks with original maturity less than three months	**35,876**	36,282	35,259
Available for sale treasury and other eligible bills with original maturity less than three months	**816**	2,322	644
Trading portfolio assets with original maturity less than three months	**153**	180	164
	86,556	78,479	81,754

Interest received was £20,376m (2014: £21,372m, 2013: £23,387m) and interest paid was £7,534m (2014: £8,566m, 2013: £10,709m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,369m (2014: £4,448m, 2013: £4,722m).

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.

Financial statements of Barclays PLC

Parent company accounts

Income statement

For the year ended 31 December	Notes	2015 £m	2014 £m	2013 £m
Dividends received from subsidiary		**876**	821	734
Net interest expense		**(7)**	(6)	(6)
Other income/(expense)	45	**227**	275	(137)
Management charge from subsidiary		**(6)**	(6)	(6)
Profit before tax		**1,090**	1,084	585
Tax		**(43)**	(57)	35
Profit after tax		**1,047**	1,027	620
Attributable to				
Ordinary equity holders		**702**	777	620
Other equity holders		**345**	250	

Profit after tax and total comprehensive income for the year was £1,047m (2014: £1,027m). There were no other components of total comprehensive income other than the profit after tax.

The Company had no staff during the year (2014: nil, 2013: nil).

Balance sheet

As at 31 December	Notes	2015 £m	2014 £m
Assets			
Investment in subsidiary	45	**35,303**	33,743
Loans and advances to subsidiary	45	**7,990**	2,866
Derivative financial instrument	45	**210**	313
Other assets		**133**	174
Total assets		**43,636**	37,096
Liabilities			
Deposits from banks		**494**	528
Subordinated liabilities	45	**1,766**	810
Debt securities in issue	45	**6,224**	2,056
Other liabilities			10
Total liabilities		**8,484**	3,404
Shareholders equity			
Called up share capital	31	**4,201**	4,125
Share premium account	31	**17,385**	16,684
Other equity instruments	31	**5,321**	4,326

Capital redemption reserve	**394**	394
Retained earnings	**7,851**	8,163
Total shareholders equity	**35,152**	33,692
Total liabilities and shareholders equity	**43,636**	37,096

The financial statements on pages 216 and 217 and the accompanying note on page 298 were approved by the Board of Directors on 29 February 2016 and signed on its behalf by:

John McFarlane

Group Chairman

Jes Staley

Group Chief Executive

Tushar Morzaria

Group Finance Director

Statement of changes in equity

	Notes	Called up share capital and share premium £m	Other equity instruments £m	Capital reserves and other equity £m	Retained earnings £m	Total eq
Balance as at 1 January 2015		**20,809**	**4,326**	**394**	**8,163**	**33**
Profit after tax and total comprehensive income			**345**		**702**	**1**
Issue of new ordinary shares		**137**				
Issue of shares under employee share schemes		**640**				
Issue of other equity instruments			**995**			
Dividends	**12**				**(1,081)**	**(1**
Other equity instruments coupons paid			**(345)**		**70**	
Other					**(3)**	
Balance as at 31 December 2015		**21,586**	**5,321**	**394**	**7,851**	**35**
Balance as at 1 January 2014		19,887	2,063	394	8,398	30
Profit after tax and total comprehensive income			250		777	1
Issue of new ordinary shares		150				
Issue of shares under employee share schemes		772				
Issue of other equity instruments			2,263			2
Dividends	12				(1,057)	(1

Other equity instruments coupons paid			(250)		54	
Other					(9)	
Balance as at 31 December 2014		20,809	4,326	394	8,163	33
Balance as at 1 January 2013		12,477		394	8,654	21
Profit after tax and total comprehensive income					620	
Issue of new ordinary shares		6,620				6
Issue of shares under employee share schemes		790				
Issue of other equity instruments			2,063			2
Dividends	12				(859)	
Other					(17)	
Balance as at 31 December 2013		19,887	2,063	394	8,398	30

Cash flow statement

For the year ended 31 December	2015 £m	2014 £m	
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	**1,090**	1,084	
Changes in operating assets and liabilities	**100**	734	
Other non-cash movements	**52**	(43)	
Corporate income tax (paid)/received	**(27)**	38	
Net cash from operating activities	**1,215**	1,813	
Capital contribution to subsidiary	**(1,560)**	(3,684)	(8
Net cash used in investing activities	**(1,560)**	(3,684)	(8
Issue of shares and other equity instruments	**1,771**	3,185	9

Net (increase) in loans and advances to bank subsidiaries of the Parent	**(4,973)**	(2,866)	
Net increase in deposits and debt securities in issue	**4,052**	2,056	
Proceeds of borrowings and issuance of subordinated debt	**921**	803	
Dividends paid	**(1,081)**	(1,057)	
Coupons paid	**(345)**	(250)	
Net cash from financing activities	**345**	1,871	8
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year			

Net cash from operating activities includes:		
Dividends received	**876**	821
Interest paid	**(7)**	(6)

The Parent Company s principal activity is to hold the investment in its wholly-owned subsidiary, Barclays Bank PLC. Dividends received are treated as operating income.

The Company was not exposed at 31 December 2015 or 2014 to significant risks arising from the financial instruments it holds, which comprised loans and advances and other assets which had no market risk or material credit risk.

Notes to the financial statements

For the year ended 31 December 2015

This section describes Barclays significant accounting 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 specific note, the applicable accounting policy and/or critical accounting estimate is contained within the relevant note.

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for Barclays PLC and its subsidiaries (the Barclays 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 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 EU. 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 PLC.

4. 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 PLC and all its subsidiaries. Subsidiaries are entities over which Barclays PLC has control. The Group has control over another entity when the Group has all of the following:

1) power over the relevant activities of the investee, for example through voting or other rights

2) exposure to, or rights to, variable returns from its involvement with the investee, and

3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation 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 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 46.

(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 rate 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 rate 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 loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

(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, which is the trade date or the settlement date.

1 Significant accounting policies continued

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 towards 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 18.

Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms generally a difference of 10% 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.

Critical accounting estimates and judgements

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 a present 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.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There were no new 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 2015 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 will replace IAS 39 *Financial Instruments: Recognition and Measurement* is effective for periods beginning on or after 1 January 2018 and is currently expected to be endorsed by the EU in 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information, replacing the existing incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred.

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, 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 (these were covered by IAS 37). In addition, the IAS 39 Available for Sale assets model is not fully aligned to the model for amortised cost assets.

IFRS 9 requires the recognition of lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition 12 month expected credit losses are recognised, being the expected credit losses from default events that are possible within 12 months after the reporting date.

Expected credit losses are the unbiased probability of default weighted average credit losses determined by evaluating a range of possible outcomes and forecast future economic conditions. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the effective interest rate.

Under IFRS 9, impairment will be recognised earlier than is the case under IAS 39 because it requires expected losses to be recognised before the loss event arises. Measurement will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is expected to have a material financial impact, but it will not be practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

Notes to the financial statements

For the year ended 31 December 2015

1 Significant accounting policies continued

Based on the current requirements of CRD IV, the expected increase in the accounting impairment provision would reduce CET1 capital but the impact would be partially mitigated by the excess of expected losses over impairment included in the CET1 calculation as discussed on page 150).

Classification and measurement

IFRS 9 will require 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.

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.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and loss. Gains and losses on such financial liabilities arising from changes in Barclays own credit risk will be presented in other comprehensive income rather than in profit and loss.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity s risk management strategies and risk management objectives. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations would not be allowed.

Adoption of the IFRS 9 hedge accounting requirements is optional, and certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, would continue 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. Barclays is considering the most appropriate approach to adopt in this area.

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 will establish a more systematic approach for revenue measurement and recognition. During July 2015, the IASB confirmed the deferral of the effective date by one year to 1 January 2018. The standard has not yet been endorsed by the EU. Adoption of the standard is not expected to have a significant impact.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases,* which will replace IAS 17 *Leases.* Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The expected effective date is 1 January 2019. The standard has not yet been endorsed by the EU.

Insurance contracts

The IASB also plans to issue a new standard on insurance contracts.

The Group is in the process of considering the financial impacts of the new standards.

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:

	Page		Page
Credit impairment charges and other provisions	223	Fair value of financial instruments	234
Income taxes	226	Provisions	259
Available for sale assets	234	Retirement benefit obligations	281

Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication, certain disclosures required under IFRS have been included within the Risk management section as follows:

§ Segmental reporting on pages 191 to 221

§ Credit risk management, on pages 99 and 100, including exposures to selected countries

§ Market risk, on pages 101 and 102

§ Funding risk capital, on pages 103 and 104 and

§ Funding risk liquidity, on page 105.

These are covered by the Audit opinion included on page 210.

Notes to the financial statements

Performance/return

The notes included in this section focus on the results and performance of the Group. Information on the income generated, expenditure incurred, segmental performance, tax, earnings per share and dividends are included here.

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.

An analysis of the Group s performance by business segment and income by geographic segment is included on pages 191 and 192. Further details on each of the segments are provided on pages 193 to 221.

3 Net interest income

Accounting for interest income and expense

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement.* Interest income on loans and advances at amortised cost, available for sale debt investments, 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. Due to the large number of product types (both assets and liabilities), in the normal course of business there are no individual estimates that are material to the results or financial position.

	2015	2014	2013
	£m	£m	£m
Cash and balances with central banks	**158**	193	219
Available for sale investments	**1,387**	1,615	1,804
Loans and advances to banks	**541**	446	468
Loans and advances to customers	**14,732**	14,677	15,613
Other	**383**	432	211
Interest income	**17,201**	17,363	18,315
Deposits from banks	**(177)**	(199)	(201)
Customer accounts	**(930)**	(1,473)	(2,656)
Debt securities in issue	**(1,722)**	(1,922)	(2,176)
Subordinated liabilities	**(1,644)**	(1,622)	(1,572)
Other	**(170)**	(67)	(110)
Interest expense	**(4,643)**	(5,283)	(6,715)
Net interest income	**12,558**	12,080	11,600

Interest income includes £149m (2014: £153m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements and hedging activity. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity.

Included in net interest income is hedge ineffectiveness as detailed on page 233.

2015

Net interest income increased by 4% to £12,558m, driven by margin improvement in Barclaycard and Africa Banking, and volume growth in both PCB and Barclaycard. This was partially offset by a decrease in Head Office due to a reduction in interest income on AFS investments. Interest income decreased by 1% to £17,201m, driven by a decline in income on AFS investments which fell 14% to £1,387m. Interest expense decreased 12% to £4,643m, driven by reduced interest expense on customer accounts falling by 37% to £930m.

2014

Net interest income increased by 4% to £12,080m, driven by improvements in PCB savings margins and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements and the sale and rundown of assets in Non-Core. Interest income decreased by 5% to £17,363m, driven by a reduction in income from loans and advances to customers which fell 6% to £14,677m. Interest expense reduced 21% to £5,283m, driven by a reduction in interest on customer accounts of £1,183m to £1,473m.

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.

	2015 £m	2014 £m	2013 £m
Fee and commission income			
Banking, investment management and credit related fees and commissions	**9,497**	9,681	10,311
Foreign exchange commission	**158**	155	168
Fee and commission income	**9,655**	9,836	10,479
Fee and commission expense	**(1,763)**	(1,662)	(1,748)
Net fee and commission income	**7,892**	8,174	8,731

2015

Net fee and commission income decreased £282m to £7,892m. This was primarily driven by lower income due to the sale of the US Wealth and Spanish retail businesses and launch of the revised PCB overdraft proposition in mid 2014, which recognises the majority of the overdraft income as net interest income as opposed to fee income. Investment Bank income decreased, driven by lower equity underwriting fees partially offset by higher financial advisory and debt underwriting fees. Growth in Africa Banking was offset by adverse currency movements. These movements were partly offset by increases in Barclaycard, driven by growth in payment volumes.

2014

Net fee and commission income decreased £557m to £8,174m. This was driven by lower fees as a result of decreased debt underwriting fees and declines in cash commissions, reflecting lower volumes in the Investment Bank. Further decreases were caused by the launch of the revised PCB overdraft proposition, which recognises the majority of the overdraft income as net interest income as opposed to fee income, and adverse currency movements in Africa Banking. These movements were partly offset by increases in Barclaycard, driven by growth in payment volumes.

5 Net trading income

Accounting for net trading income

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement,* 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 arise from the fair valuation of financial liabilities designated at fair value through profit and loss. See Note 17 Financial liabilities designated at fair value.

	2015 £m	2014 £m	2013 £m
Trading income	**3,193**	3,297	6,773
Own credit gains/(losses)	**430**	34	(220)
Net trading income	**3,623**	3,331	6,553

Included within net trading income were gains of £992m (2014: £1,051m loss, 2013: £914m gain) on financial assets designated at fair value and losses of £187m (2014: £65m loss, 2013: £684m loss) on financial liabilities designated at fair value.

2015

Net trading income increased 9% to £3,623m, primarily reflecting a £396m favourable variance in own credit due to widening of credit spreads on Barclays issued debt. Trading income decreased by £104m, mainly driven by the continued disposal and running down of certain businesses and fair value movements on the ESHLA portfolio within Non-Core, and depreciation of ZAR against GBP. This was partially offset by increases in various Investment Bank businesses driven by higher volatility and trading activity during the year.

2014

Net trading income decreased 49% to £3,331m, primarily reflecting a £2,541m decrease in trading income, as lower volatility and subdued trading activity combined with tighter spreads reduced income across a number of businesses. Disposals and running down of certain Non-Core businesses and the £935m fair value reduction on the ESHLA portfolio (see Note 18 for further details) also contributed to the lower income. This was partially offset by a £254m favourable variance in own credit gains/losses.

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 16 Available for sale financial assets and Note 14 Financial assets designated at fair value.

	2015 £m	2014 £m	2013 £m
Net gain from disposal of available for sale investments	**374**	620	145
Dividend income	**8**	9	14
Net gain from financial instruments designated at fair value	**238**	233	203
Other investment income	**518**	466	318
Net investment income	**1,138**	1,328	680

2015

Net investment income decreased by £190m to £1,138m. This was largely driven by lower gains and fewer disposals of available for sale investments due to unfavourable market conditions. During the year, a gain of £496m (2014: £461m) was recognised in other investment income due to the final and full legal settlement in respect of US Lehman acquisition assets.

2014

Net investment income increased by £648m to £1,328m. This was largely driven by an increase in disposals of available for sale investments due to favourable market conditions and increases in other investment income as a result of greater certainty regarding the recoverability of certain assets not yet received from the 2008 US Lehman acquisition (2014: £461m gain; 2013: £259m gain).

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 or available for sale financial investments (debt or equity) will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

§ becoming aware of significant financial difficulty of the issuer or obligor

§ a breach of contract, such as a default or delinquency in interest or principal payments

§ the Group, for economic or legal reasons relating to the borrower s financial difficulty, grants a concession that it would not otherwise consider

§ it becomes probable that the borrower will enter bankruptcy or other financial reorganisation

§ the disappearance of an active market for that financial asset because of financial difficulties

§ observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

7 Credit impairment charges and other provisions continued

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 homogenous 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 £1,808m (2014: £1,844m, 2013: £2,161m) and amounts to 86% (2014: 84%, 2013: 71%) 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 £289m (2014: £360m, 2013: £901m) and amounts to 14% (2014: 16%, 2013: 29%) 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.

	2015	2014	2013
	£m	£m	£m
New and increased impairment allowances	**3,056**	3,230	3,929
Releases	**(547)**	(809)	(683)
Recoveries	**(400)**	(221)	(201)
Impairment charges on loans and advances	**2,109**	2,200	3,045
Provision (releases)/charges for undrawn contractually committed facilities and guarantees provided	**(12)**	4	17
Loan impairment	**2,097**	2,204	3,062
Available for sale investment	**17**	(31)	1
Reverse repurchase agreements		(5)	8
Credit impairment charges and other provisions	**2,114**	2,168	3,071

2015

Loan impairment fell 5% to £2,097m, reflecting lower impairment in PCB and Non-Core, partially offset by higher charges in the Investment Bank and Barclaycard.

2014

Loan impairment fell 28% to £2,204m, reflecting lower impairment in Non-Core, PCB, and Africa Banking partially offset by higher charges in Barclaycard.

8 Operating expenses

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 services.

Deferred cash bonus awards and deferred share bonus awards are made to employees to incentivise performance over the vesting period. To receive payment under an award, employees must provide service over the vesting period, typically three years from the grant date. The period over which the expense for deferred cash and share bonus awards is recognised is based upon the common understanding between the employee and the Group and the terms and conditions of the award. 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 as this is the period over which the employees understand that they must provide service in order to receive awards. The table on page 91 details the relevant award dates, payment dates and the period in which the income statement charge arises for bonuses. No expense has been recognised in 2015 for the deferred bonuses that will be granted in March 2016, as they are dependent upon future performance rather than performance during 2015.

The accounting policies for share based payments, and pensions and other post retirement benefits are included in Note 34 and Note 35 respectively.

	2015	2014	2013
	£m	£m	£m
Infrastructure costs			
Property and equipment	**1,353**	1,570	1,610
Depreciation of property, plant and equipment	**554**	585	647
Operating lease rentals	**500**	594	645
Amortisation of intangible assets	**617**	522	480
Impairment of property, equipment and intangible assets	**153**	172	149
Gain on property disposals	**3**		
Total infrastructure costs	**3,180**	3,443	3,531
Administration and general costs			
Consultancy, legal and professional fees	**1,191**	1,104	1,253
Subscriptions, publications, stationery and communications	**760**	842	869
Marketing, advertising and sponsorship	**536**	558	583
Travel and accommodation	**218**	213	307
UK bank levy	**476**	462	504
Goodwill impairment	**102**		79
Other administration and general expenses	**245**	442	518
Total administration and general costs	**3,528**	3,621	4,113
Recurring staff cost	**10,389**	11,005	12,155
Gains on retirement benefits	**(429)**		
Staff costs	**9,960**	11,005	12,155
Provision for UK customer redress	**2,772**	1,110	2,000
Provision for ongoing investigations and litigation including Foreign Exchange	**1,237**	1,250	173
Operating expenses	**20,677**	20,429	21,972

For information on staff costs, refer to pages 57 to 58 of the Remuneration Report.

2015

Operating expenses have increased by 1% to £20,677m (2014: £20,429m) attributable to an increase in provisions for UK customer redress including PPI and an increase in impairment of goodwill partially offset by a decrease in staff costs (includes a gain on Retirement benefits, refer to Note 35 of £429m) and infrastructure costs reflecting savings from strategic cost programmes.

2014

Operating expenses have reduced by 7% to £20,429m, primarily driven by savings from strategic cost programmes, including a 5% reduction in headcount and currency movements, lower provisions for UK customer redress including PPI, reduced IT and infrastructure spend and non-occurrence of various provisions raised last year. This was partially offset by the charge of £1,250m (2013: £173m) for ongoing investigations and litigation relating to Foreign Exchange.

The impact of strategic cost programmes have driven savings across infrastructure and administration costs. Staff costs have decreased by 9% to £11,005m, reflecting a 5% net reduction in headcount and reductions in incentive awards granted.

9 Profit/(loss) on disposal of subsidiaries, associates and joint ventures

During the year, the loss on disposal of subsidiaries, associates and joint ventures was £637m (2014: loss of £471m, 2013: gain of £6m), principally relating to the sale of Spanish, Portuguese and Italian businesses. Please refer to Note

44 Non-current assets held for sale and associated liabilities.

Notes to the financial statements

Performance/return

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 period 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 period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

	2015	2014	2013
	£m	£m	£m
Current tax charge			
Current year	**1,901**	1,421	1,997
Adjustment for prior years	**(183)**	(19)	156
	1,718	1,402	2,153
Deferred tax charge/(credit)			
Current year	**(346)**	75	(68)
Adjustment for prior years	**78**	(66)	(514)
	(268)	9	(582)
Tax charge	**1,450**	1,411	1,571

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 credit of £21m (2014: £42m charge) principally relating to share based payments.

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.

	2015	**2015**	2014	2014	2013	2013
	£m	**%**	£m	%	£m	%
Profit before tax from continuing operations	**2,073**		2,256		2,868	
Tax charge based on the standard UK corporation tax rate of 20.25% (2014: 21.50%, 2013: 23.25%)	**420**	**20.25**	485	21.50	667	23.25
Non-creditable taxes including withholding taxes	**309**	**14.9**	329	14.6	559	19.5
Non-deductible provisions for UK customer redress	**283**	**13.6**				
Non-UK profits at statutory tax rates different from the UK statutory tax rate	**274**	**13.2**	253	11.2	328	11.4
Non-deductible provisions for ongoing investigations and litigation including Foreign Exchange	**261**	**12.6**	387	17.2		
Non-deductible expenses including UK bank levy	**207**	**10.0**	285	12.6	296	10.3
Impact of change in tax rates	**158**	**7.6**	9	0.4	(159)	(5.5)
Tax adjustments in respect of share based payments	**30**	**1.4**	21	0.9	(13)	(0.5)
Non-deductible impairments and losses on disposal	**26**	**1.3**	234	10.4		
Non-taxable gains and income	**(241)**	**(11.6)**	(282)	(12.5)	(234)	(8.2)
Adjustments in respect of prior years	**(105)**	**(5.1)**	(85)	(3.8)	(358)	(12.5)
Changes in recognition and measurement of deferred tax assets	**(77)**	**(3.7)**	(183)	(8.1)	409	14.3
Other items	**(52)**	**(2.5)**	40	1.8	137	4.8
Non-UK losses at statutory tax rates different from the UK statutory tax rate	**(43)**	**(2.1)**	(82)	(3.6)	(61)	(2.1)
Tax charge	**1,450**	**69.9**	1,411	62.5	1,571	54.8

The effective tax rate of 69.9% (2014: 62.5%) increased from the previous year. This is mainly due to provisions for UK customer redress, that were non-deductible in 2015 as a result of changes introduced by the UK summer Budget, and the impact of changes to tax rates. The changes to tax rates in the period that had an adverse impact on the 2015 tax charge were the reduction of the local New York tax rate and the increase of the UK tax rate, specifically through the introduction of the new corporation tax surcharge that applies to banks. These tax rate changes resulted in the carrying value of US deferred tax assets being reduced and are further explained later in Note 10.

The effective tax rate of 69.9% on statutory profit before tax is significantly higher than the effective tax rate on adjusted profit before tax. For further details on the adjusted effective tax rate, please refer to page 187 of the financial review.

10 Tax continued

Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

	2015	2014
	£m	£m
Assets	334	219
Liabilities	(1,021)	(1,042)
As at 1 January	(687)	(823)
Income statement	(1,718)	(1,402)
Other comprehensive income	6	(26)
Corporate income tax paid	1,670	1,552
Other movements	241	12
	(488)	(687)
Assets	415	334
Liabilities	(903)	(1,021)
As at 31 December	(488)	(687)

Deferred tax assets and liabilities

The deferred tax amounts on the balance sheet were as follows:

		2015	2014
		£m	£m
Barclays Group US Inc (BGUS)	US tax group	1,903	1,588
Barclays Bank PLC (US Branch)	US tax group	1,569	1,591
Barclays PLC	UK tax group	411	461
Other		612	490
Deferred tax asset		4,495	4,130
Deferred tax liability		(122)	(262)
Net deferred tax		4,373	3,868

US deferred tax assets in BGUS and the US Branch

The deferred tax asset in BGUS of £1,903m (2014: £1,588m) includes £449m (2014: £348m) relating to tax losses and the deferred tax asset in the US Branch of £1,569m (2014: £1,591m) includes £244m (2014: £479m) relating to tax losses. Under US tax rules losses can be carried forward and offset against profits for a period of 20 years. The losses first arose in 2011 in BGUS and 2008 in the US Branch and therefore any unused amounts may begin to expire in 2031 and 2028 respectively. The remaining US deferred tax assets relate primarily to temporary differences for which there is no time limit on recovery.

The valuation of the Group s US deferred tax assets was adjusted downwards in 2015 as a result of both the reduction in the local New York rate of tax, which affected the deferred tax asset in both BGUS and the US Branch, and the introduction of the new UK corporation tax surcharge, which affected the deferred tax asset in the US Branch. The US Branch deferred tax asset is stated net of a measurement for UK tax because Barclays Bank PLC is subject to UK tax on the profits of its non-UK branches.

The deferred tax asset for the BGUS tax loss is projected to be fully utilised in 2017 and the deferred tax asset for the US Branch loss to be fully utilised in 2018.

UK tax group deferred tax asset

The deferred tax asset in the UK tax group of £411m (2014: £461m) relates entirely to temporary differences (2014: £245m related to tax losses). Based on profit forecasts, it is probable that there will be sufficient future taxable profits available against which the temporary differences will be utilised.

Other deferred tax assets

The deferred tax asset of £612m (2014: £490m) in other entities within the Group includes £209m (2014: £243m) 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 laws which indicate that it is probable that the losses and temporary differences will be utilised.

Of the deferred tax asset of £612m (2014: £490m), an amount of £106m (2014: £140m) 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.

Notes to the financial statements

Performance/return

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.

	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
Assets	**1,542**	**18**	**5**	**321**	**176**	**233**	**1,315**
Liabilities	**(555)**	**(35)**	**(464)**				
At 1 January 2015	**987**	**(17)**	**(459)**	**321**	**176**	**233**	**1,315**
Income statement	**779**	**(13)**	**1**	**(119)**	**(14)**	**21**	**(540)**
Other comprehensive income		**(14)**	**221**	**(261)**			**122**
Other movements	**48**	**2**	**3**	**10**	**(5)**	**7**	**5**
	1,814	**(42)**	**(234)**	**(49)**	**157**	**261**	**902**
Assets	**2,008**	**28**	**5**	**95**	**157**	**261**	**902**
Liabilities	**(194)**	**(70)**	**(239)**	**(144)**			
At 31 December 2015	**1,814**	**(42)**	**(234)**	**(49)**	**157**	**261**	**902**
Assets	1,525	53	5	490	376	360	1,235
Liabilities	(761)	(61)	(87)	(9)			
At 1 January 2014	764	(8)	(82)	481	376	360	1,235
Income statement	172	84	(1)	(54)	70	(87)	4
Other comprehensive income		(104)	(380)	(63)			
	51	11	4	(43)	(270)	(40)	76

Other movements							
	987	(17)	(459)	321	176	233	1,315
Assets	1,542	18	5	321	176	233	1,315
Liabilities	(555)	(35)	(464)				
At 31 December 2014	987	(17)	(459)	321	176	233	1,315

Other movements include deferred tax amounts relating to acquisitions, disposals and exchange gains and losses.

The amount of deferred tax liability expected to be settled after more than 12 months is £675m (2014: £1,123m). The amount of deferred tax assets expected to be recovered after more than 12 months is £4,838m (2014: £4,845m). 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

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £51m (2014: £2,332m), gross tax losses of £13,456m (2014: £9,764m) which includes capital losses of £3,838m (2014: £3,522m), and unused tax credits of £452m (2014: £405m). Of these tax losses, £389m (2014: £341m) expire within five years, £13m (2014: £18m) expire within six to ten years, £124m (2014: £812m) expire within 11 to 20 years and £12,930m (2014: £8,593m) 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.

Deferred tax is not recognised in respect of the value of the 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. It is not practicable to determine the amount of income tax that would be payable were such temporary differences to reverse.

Critical accounting estimates and judgements

The Group is subject to corporate income taxes in numerous jurisdictions and the calculation of the Group s tax charge and worldwide provisions for corporate income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open tax returns with various tax authorities with whom there is active dialogue. Liabilities relating to these open and judgemental matters are based on estimates of whether additional taxes will be due after taking into account external advice, where appropriate. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. There is no individual position currently subject to challenge by a tax authority that if resolved in an adverse manner would materially impact the Group s financial position.

Deferred tax assets have been recognised based on business profit forecasts. Further detail on the recognition of deferred tax assets is provided in the deferred tax assets and liabilities section of this tax note.

11 Earnings per share

	2015	2014	2013
	£m	£m	£m
(Loss)/profit attributable to equity holders of parent from continuing operations	**(394)**	(174)	540
Tax credit on profit after tax attributable to other equity holders	**70**	54	
Dilutive impact of convertible options			1
(Loss)/profit attributable to equity holders of parent from continuing operations including dilutive impact of convertible options	**(324)**	(120)	541

	2015	2014	2013
	million	million	million
Basic weighted average number of shares in issue	**16,687**	16,329	14,308
Number of potential ordinary shares	**367**	296	360
Diluted weighted average number of shares	**17,054**	16,625	14,668

	Basic earnings per share			Diluted earnings per share[a]		
	2015	2014	2013	2015	2014	2013
	p	p	p	p	p	p
(Loss)/earnings per ordinary share from continuing operations	**(1.9)**	(0.7)	3.8	**(1.9)**	(0.7)	3.7

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the basic weighted average number of shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held in respect of Barclays PLC, totalling 367m (2014: 296m) shares. In addition, the profit attributable to equity holders of the parent is adjusted for the dilutive impact of the potential conversion of outstanding options held in respect of Barclays Africa Group Limited. The increase in the number of potential ordinary shares is due to the average share price of £2.52 (2014: £2.39) being greater than the average strike price of £2.11 (2014: £2.15). During the year, the total number of share options granted under employee share schemes was 553m (2014: 666m). The schemes have strike prices ranging from £1.30 to £4.35.

Of the total number of employee share options and share awards at 31 December 2015, 23m (2014: 24m) were anti-dilutive.

The 358m increase in the basic weighted average number of shares since 31 December 2014 to 16,687m is due to shares issued under employee share schemes and the Scrip Dividend Programme.

12 Dividends on ordinary shares

The Directors have approved a final dividend in respect of 2015 of 3.5p per ordinary share of 25p each which will be paid on 5 April 2016 to shareholders on the Share Register on 11 March 2016. As at 31 December 2015, there were 16,805m ordinary shares in issue. The financial statements for the year ended 31 December 2015 does not reflect this dividend, which will be accounted for in shareholders equity as an appropriation of retained profits in the year ending 31 December 2016. The 2015 financial statements include the 2015 interim dividends of £503m (2014: £493m) and final dividend declared in relation to 2014 of £578m (2014: £564m).

Note

a Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would increase loss per share.

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 101 to 102.

13 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).

	Trading portfolio assets		Trading portfolio liabilities	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Debt securities and other eligible bills	**45,576**	65,997	**(24,985)**	(28,739)
Equity securities	**29,055**	44,576	**(8,982)**	(16,022)
Traded loans	**2,474**	2,693		
Commodities	**243**	1,451		(363)
Trading portfolio assets/(liabilities)	**77,348**	114,717	**(33,967)**	(45,124)

14 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 in 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 (Note 15 Derivative financial instruments).

The details on how the fair value amounts are arrived for financial assets designated at fair value are described in Fair value of assets and liabilities (Note 18).

	2015	2014
	£m	£m
Loans and advances	17,913	20,198
Debt securities	1,383	4,448
Equity securities	6,197	6,306
Reverse repurchase agreements[a]	49,513	5,236
Customers assets held under investment contracts	1,449	1,643
Other financial assets	375	469
Financial assets designated at fair value	**76,830**	38,300

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:

	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk	17,913	20,198	69	(112)	(629)	(828)
Value mitigated by related credit derivatives	417	359	26		42	18

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

15 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, net fee and commission 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. 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 stand-alone contract, would have met the definition of a derivative. These are separated from the host and accounted for in the same way as a derivative.

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.

Total derivatives

	2015			2014		
	Notional contract amount £m	**Fair value Assets £m**	**Fair value Liabilities £m**	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £m
Total derivative assets/(liabilities) held for trading	**29,437,102**	**326,772**	**(323,788)**	32,624,342	438,270	(438,623)
Total derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	268,448	1,639	(697)

Derivative assets/(liabilities)	**29,753,707**	**327,709**	**(324,252)**	32,892,790	439,909	(439,320)

The fair value of gross derivative assets decreased by 26% to £328bn, driven by decrease in interest rate derivatives of £79bn due to net trade reduction and an increase in the major interest rate forward curves and a decrease in foreign exchange derivatives of £19bn, materially reflecting trade maturities. Information on further netting of derivative financial instruments is included within Note 19 Offsetting financial assets and financial liabilities.

Trading derivatives are managed within the Group s market risk management policies, which are outlined on pages 101 and 102.

The Group s exposure to credit risk arising from derivative contracts are outlined in the Credit Risk section on page 130.

15 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

Derivatives held for trading

	2015			2014		
	Notional contract amount	Fair value Assets	Fair value Liabilities	Notional contract amount	Fair value Assets	Fair value Liabilities
	£m	£m	£m	£m	£m	£m
Foreign exchange derivatives						
Forward foreign exchange	**1,277,863**	**17,613**	**(19,433)**	1,684,832	31,883	(34,611)
Currency swaps	**1,006,640**	**30,703**	**(32,449)**	1,109,795	32,209	(33,919)
OTC options bought and sold	**924,832**	**6,436**	**(6,771)**	895,226	10,267	(10,665)
OTC derivatives	**3,209,335**	**54,752**	**(58,653)**	3,689,853	74,359	(79,195)
Foreign exchange derivatives cleared by central counterparty	**9,308**	**33**	**(44)**	11,382	56	(70)
Exchange traded futures and options bought and sold	**6,071**	**13**	**(12)**	57,623	18	(16)
Foreign exchange derivatives	**3,224,714**	**54,798**	**(58,709)**	3,758,858	74,433	(79,281)
Interest rate derivatives						
Interest rate swaps	**4,600,472**	**159,040**	**(148,475)**	5,779,015	209,962	(200,096)
Forward rate agreements	**371,510**	**440**	**(390)**	467,812	794	(722)
OTC options bought and sold	**2,634,527**	**48,995**	**(49,001)**	3,083,200	67,039	(67,575)
OTC derivatives	**7,606,509**	**208,475**	**(197,866)**	9,330,027	277,795	(268,393)
Interest rate derivatives cleared by central counterparty	**11,407,745**	**21,871**	**(22,603)**	15,030,090	30,166	(31,152)
Exchange traded futures and options bought and sold	**5,470,872**	**281**	**(263)**	2,210,602	382	(336)
Interest rate derivatives	**24,485,126**	**230,627**	**(220,732)**	26,570,719	308,343	(299,881)
Credit derivatives						
OTC swaps	**671,389**	**14,087**	**(12,693)**	896,386	18,864	(17,825)
Credit derivatives cleared by central counterparty	**277,257**	**4,094**	**(3,931)**	287,577	4,643	(4,542)
Credit derivatives	**948,646**	**18,181**	**(16,624)**	1,183,963	23,507	(22,367)
Equity and stock index derivatives						
OTC options bought and sold	**53,645**	**5,507**	**(7,746)**	67,151	6,461	(9,517)

Equity swaps and forwards	**98,264**	**1,794**	**(3,855)**	102,663	1,823	(3,532)
OTC derivatives	**151,909**	**7,301**	**(11,601)**	169,814	8,284	(13,049)
Exchange traded futures and options bought and sold	**429,592**	**6,498**	**(6,851)**	490,960	6,560	(6,542)
Equity and stock index derivatives	**581,501**	**13,799**	**(18,452)**	660,774	14,844	(19,591)
Commodity derivatives						
OTC options bought and sold	**21,959**	**1,402**	**(1,408)**	38,196	1,592	(1,227)
Commodity swaps and forwards	**29,161**	**3,645**	**(3,397)**	61,639	7,985	(8,175)
OTC derivatives	**51,120**	**5,047**	**(4,805)**	99,835	9,577	(9,402)
Exchange traded futures and options bought and sold	**145,995**	**4,320**	**(4,466)**	350,193	7,566	(8,101)
Commodity derivatives	**197,115**	**9,367**	**(9,271)**	450,028	17,143	(17,503)
Derivative assets/(liabilities) held for trading	**29,437,102**	**326,772**	**(323,788)**	32,624,342	438,270	(438,623)
Total OTC derivatives held for trading	**11,690,262**	**289,662**	**(285,618)**	14,185,915	388,879	(387,864)
Total derivatives cleared by central counterparty held for trading	**11,694,310**	**25,998**	**(26,578)**	15,329,049	34,865	(35,764)
Total exchange traded derivatives held for trading	**6,052,530**	**11,112**	**(11,592)**	3,109,378	14,526	(14,995)
Derivative assets/(liabilities) held for trading	**29,437,102**	**326,772**	**(323,788)**	32,624,342	438,270	(438,623)

15 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	2015			2014		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Derivatives designated as cash flow hedges						
Currency swaps	**1,357**	**133**				
Interest rate swaps	**14,198**	**162**	**(115)**	19,218	223	(60)
Forward foreign exchange	**759**	**5**		930	17	
Interest rate derivatives cleared by central counterparty	**147,072**			82,550		
Derivatives designated as cash flow hedges	**163,386**	**300**	**(115)**	102,698	240	(60)
Derivatives designated as fair value hedges						
Interest rate swaps	**13,798**	**637**	**(264)**	27,345	1,379	(590)
Forward foreign exchange	**2,527**		**(32)**			
Interest rate derivatives cleared by central counterparty	**134,939**			135,553		
Derivatives designated as fair value hedges	**151,264**	**637**	**(296)**	162,898	1,379	(590)
Derivatives designated as hedges of net investments						

Forward foreign exchange	**1,955**		**(53)**	2,852	20	(47)
Derivatives designated as hedges of net investments	**1,955**		**(53)**	2,852	20	(47)
Derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	268,448	1,639	(697)
Total OTC derivatives held for risk management	**34,594**	**937**	**(464)**	50,345	1,639	(697)
Total derivatives cleared by central counterparty held for risk management	**282,011**			218,103		
Derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	268,448	1,639	(697)

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
2015							
Forecast receivable cash flows	**4,952**	**555**	**816**	**875**	**813**	**633**	**1,260**
Forecast payable cash flows	**872**	**769**	**35**	**31**	**22**	**11**	**4**
2014							
Forecast receivable cash flows	4,277	308	491	695	729	651	1,403
Forecast payable cash flows	972	178	770	10	7	4	3

Amounts recognised in net interest income

	2015 £m	2014 £m
Gains/(losses) on the hedged items attributable to the hedged risk	**552**	2,610
(Losses)/gains on the hedging instruments	**(485)**	(2,797)
Fair value ineffectiveness	**67**	(187)
	16	41

Cash flow hedging ineffectiveness	
Net investment hedging ineffectiveness	**(2)**

Gains and losses transferred from the cash flow hedging reserve to the income statement included a £36m gain (2014: £52m gain) transferred to interest income; a £267m gain (2014: £778m gain) to interest expense; a £4m loss (2014: £15m loss) to net trading income; a £17m gain (2014: nil) to administration and general expenses; and a £69m loss (2014: £78m loss) to taxation.

16 Available for sale financial assets

Accounting for available for sale financial assets

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 Note 3 Net interest income or Note 6 Net investment income. On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

	2015	2014
	£m	£m
Debt securities and other eligible bills	**89,278**	85,539
Equity securities	**989**	527
Available for sale investments	**90,267**	86,066

17 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). 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 (see Note 15 Derivative financial instruments).

The details on how the fair value amounts are arrived for financial liabilities designated at fair value are described in Fair value of assets and liabilities (Note 18).

	2015		2014	
	Fair value £m	**Contractual amount due on maturity £m**	Fair value £m	Contractual amount due on maturity £m
Debt securities	**33,177**	**36,097**	42,395	44,910
Deposits	**6,029**	**6,324**	7,206	7,301
Liabilities to customers under investment contracts	**1,633**		1,823	
Repurchase agreements[a]	**50,838**	**50,873**	5,423	5,433
Other financial liabilities	**68**	**68**	125	125
Financial liabilities designated at fair value	**91,745**	**93,362**	56,972	57,769

The cumulative own credit loss recognised is £226m (2014: £716m).

Note

a During 2015, new repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

18 Fair value of assets and liabilities

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 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 parameters 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 spreads on Barclays issued bonds or credit default swaps (CDS). Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

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 244.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs (Level 3 assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

Valuation

IFRS 13 *Fair Value Measurement* requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. 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.

18 Fair value of assets and liabilities 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 balance sheet classification:

Assets and liabilities held at fair value

	Valuation technique using			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£m	£m	£m	£m
As at 31 December 2015				
Trading portfolio assets	**36,676**	**35,725**	**4,947**	**77,348**
Financial assets designated at fair value[a]	**6,163**	**52,909**	**17,758**	**76,830**
Derivative financial assets	**6,342**	**315,949**	**5,418**	**327,709**
Available for sale investments	**42,552**	**46,693**	**1,022**	**90,267**
Other[b]	**26**	**8**	**7,470**	**7,504**
Total assets	**91,759**	**451,284**	**36,615**	**579,658**
Trading portfolio liabilities	**(23,978)**	**(9,989)**		**(33,967)**
Financial liabilities designated at fair value[a]	**(240)**	**(90,203)**	**(1,302)**	**(91,745)**
Derivative financial liabilities	**(5,450)**	**(314,033)**	**(4,769)**	**(324,252)**
Other[b]	**(1,024)**	**(802)**	**(4,171)**	**(5,997)**
Total liabilities	**(30,692)**	**(415,027)**	**(10,242)**	**(455,961)**
As at 31 December 2014				
Trading portfolio assets	48,962	59,428	6,327	114,717
Financial assets designated at fair value	9,934	8,461	19,905	38,300
Derivative financial assets	9,863	425,301	4,745	439,909
Available for sale investments	44,234	40,519	1,313	86,066
Other[b]	33	198	15,550	15,781
Total assets	113,026	533,907	47,840	694,773

Trading portfolio liabilities	(26,840)	(17,935)	(349)	(45,124)
Financial liabilities designated at fair value	(15)	(55,141)	(1,816)	(56,972)
Derivative financial liabilities	(10,313)	(424,687)	(4,320)	(439,320)
Other[b]			(13,115)	(13,115)
Total liabilities	(37,168)	(497,763)	(19,600)	(554,531)

Notes

a During 2015, new reverse repurchase agreements and other similar secured lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.

b Other includes assets and liabilities held for sale of £7,364m (2014: £15,574m) and £5,997m (2014: £13,115m) respectively, which are measured at fair value on a non-recurring basis. Refer to Note 44 for more information on non-current assets and liabilities held for sale. Other also includes investment property of £140m (2014: £207m).

18 Fair value of assets and liabilities 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		
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	£m	£m	£m	£m	£m	£m
As at 31 December 2015						
Interest rate derivatives		228,751	2,675		(218,864)	(2,247)
Foreign exchange derivatives	2	54,839	95	(4)	(58,594)	(196)
Credit derivatives[a]		16,279	1,902		(16,405)	(219)
Equity derivatives	3,830	9,279	690	(2,870)	(14,037)	(1,545)
Commodity derivatives	2,510	6,801	56	(2,576)	(6,133)	(562)
Government and government sponsored debt	55,150	52,967	419	(15,036)	(5,474)	(1)
Corporate debt	352	11,598	2,895	(234)	(4,558)	(15)
Certificates of deposit, commercial paper and other money market instruments	82	503		(5)	(6,955)	(382)
Reverse repurchase and repurchase agreements[b]		49,513			(50,838)	
Non-asset backed loans		1,931	16,828			
Asset backed securities		12,009	770		(384)	(37)
Commercial real estate loans			551			

Issued debt					**(29,695)**	**(546)**
Equity cash products	**29,704**	**4,038**	**171**	**(8,943)**	**(221)**	
Funds and fund linked products		**1,649**	**378**		**(1,601)**	**(148)**
Physical commodities	**87**	**156**				
Other[c]	**42**	**971**	**9,185**	**(1,024)**	**(1,268)**	**(4,344)**
Total	**91,759**	**451,284**	**36,615**	**(30,692)**	**(415,027)**	**(10,242)**
As at 31 December 2014						
Interest rate derivatives		308,706	1,239	(5)	(299,181)	(1,344)
Foreign exchange derivatives	4	74,358	108	(3)	(79,188)	(138)
Credit derivatives[a]		21,541	1,966		(21,958)	(409)
Equity derivatives	3,847	9,750	1,247	(3,719)	(13,780)	(2,092)
Commodity derivatives	6,012	10,946	185	(6,586)	(10,580)	(337)
Government and government sponsored debt	62,577	48,296	1,014	(11,563)	(14,002)	(346)
Corporate debt	151	22,036	3,061		(3,572)	(13)
Certificates of deposit, commercial paper and other money market instruments	78	921		(4)	(6,276)	(665)
Reverse repurchase and repurchase agreements		5,236			(5,423)	
Non-asset backed loans	1	2,462	17,744			
Asset backed securities	30	16,211	1,631		(67)	
Commercial real estate loans			1,180			
Issued debt				(10)	(40,592)	(749)
Equity cash products	40,252	7,823	171	(15,276)	(699)	
Funds and fund linked products		2,644	631		(2,060)	(210)
Physical commodities	4	1,447			(363)	
Other[c]	70	1,530	17,663	(2)	(22)	(13,297)
Total	113,026	533,907	47,840	(37,168)	(497,763)	(19,600)

Assets and liabilities reclassified between Level 1 and Level 2

There were transfers of £537m assets and £801m liabilities (2014: nil) of equity and foreign exchange derivatives from Level 1 to Level 2 to reflect the market observability of these product types.

Notes

a Credit derivatives includes derivative exposure to monoline insurers.
b During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio s risk and performance.
c

Other includes non-current assets and liabilities held for sale, private equity investments, asset backed loans and investment property.

18 Fair value of assets and liabilities continued

Level 3 movement analysis

The following table summarises the movements in the Level 3 balance during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from Level 3 during the year. Transfers have been reflected as if they had taken place at the beginning of the year.

Analysis of movements in Level 3 assets and liabilities

						Total gains and losses in the period recognised in the income statement		Tot gai or loss recognis in OC
	As at 1 January 2015 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Trading income £m	Other income £m	£
Government and government sponsored debt	685	27	(119)		(109)	(6)		
Corporate debt	3,026	62	(64)		(20)	(47)		
Asset backed securities	1,610	1,365	(1,565)		(711)	58		
Non-asset backed loans	273	520	(251)		(3)	(42)		
Funds and fund linked products	589		(174)		(56)	(27)		
Other	144	23	(19)		(9)	(14)		
Trading portfolio assets	**6,327**	**1,997**	**(2,192)**		**(908)**	**(78)**		
Commercial real estate loans	1,179	3,540	(3,878)		(342)	49	1	
Non-asset backed loans[c]	17,471	192	(114)		(756)	(531)	(6)	
Asset backed loans	393	1,098	(1,260)		2	8		
Private equity investments	701	94	(200)		(3)	8	38	

Other	**161**	**66**	**(31)**		**(3)**	**(11)**	**5**	
Financial assets designated at fair value	**19,905**	**4,990**	**(5,483)**		**(1,102)**	**(477)**	**38**	
Asset backed securities	**1**							
Government and government sponsored debt	**327**	**14**	**(36)**					
Other	**985**	**65**	**(91)**		**(1,026)**		**549**	**4**
Available for sale investments	**1,313**	**79**	**(127)**		**(1,026)**		**549**	**4**
Other[a]	**207**	**27**	**(89)**				**(5)**	
Trading portfolio liabilities	**(349)**							
Certificates of deposit, commercial paper and other money market instruments	**(666)**			**(216)**	**261**		**17**	
Issued debt	**(748)**			**(16)**	**245**	**(4)**	**(8)**	
Other	**(402)**				**(19)**	**(18)**	**75**	
Financial liabilities designated at fair value	**(1,816)**			**(232)**	**487**	**(22)**	**84**	
Interest rate derivatives	**(105)**	**1**	**218**		**(247)**	**203**		
Credit derivatives	**1,557**	**273**	**(12)**		**(6)**	**(123)**		
Equity derivatives	**(845)**	**111**	**(2)**	**(290)**	**103**	**34**		
Commodity derivatives	**(152)**				**(66)**	**(6)**		
Foreign exchange derivatives	**(30)**	**14**	**(1)**	**(7)**	**9**	**(14)**		
Net derivative financial instruments[b]	**425**	**399**	**203**	**(297)**	**(207)**	**94**		
Total	**26,012**	**7,492**	**(7,688)**	**(529)**	**(2,756)**	**(483)**	**666**	**4**

Notes

a Other includes investment property of £140m (2014: £207m). Non-current assets held for sale of £7,330m (2014: £15,574m) and liabilities in a disposal group classified as held for sale of £4,171m (2014: £13,115m) are not included as these are measured at fair value on a non-recurring basis.

b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,418m (2014: £4,745m) and derivative financial liabilities are £4,769m (2014: £4,320m).

c

A partially offsetting market gain of £172m (2014: £2,921m loss) has been recognised on the Level 2 derivative instruments that hedge the ESHLA loan portfolio interest rate risk.

18 Fair value of assets and liabilities continued

Analysis of movements in Level 3 assets and liabilities

	As at 1 January 2014	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI	Transfe	
						Trading income	Other income		In	(
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Government and government sponsored debt	161	96	(198)		(46)	5			676	
Corporate debt	3,039	177	(332)		(370)	484			39	
Asset backed securities	2,111	1,037	(1,552)		(141)	178			8	
Non-asset backed loans	176	250	(30)		(49)	2			13	
Funds and fund linked products	494		(92)			(17)			204	
Other	440	8	(369)		54	22				
Trading portfolio assets	6,421	1,568	(2,573)		(552)	674			940	(