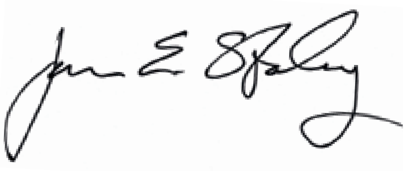
We are delivering on our strategy

James E. Staley
Group Chief Executive

"The fundamental strength of our Group rests on a diversified, though connected, portfolio of interests – and Barclays today is very well diversified by geography, by product segment, and by currency."



2018 represented a very significant period for Barclays.

In the course of the year, having resolved major legacy issues and reduced the drag from low returning businesses, we started to see the true earnings potential of this bank, as the strategy we have implemented began to deliver.

This was evident in the strongly improved performance across the Group compared to 2017.

Excluding litigation and conduct, profit before tax was up 20% – an outcome driven in part by lower impairment as a result of prudent management of credit risk, as well as the benefit from improved macroeconomic forecasts during the year.

Our Group return on tangible equity, was 8.5% for the full year – close to our 2019 financial target of greater than 9%. Achieving our return on tangible equity targets of greater than 9% in 2019 and greater than 10% in 2020 will remain our overriding priority.

BX, our service company, has driven greater efficiency through the business and allowed us to bring costs down to within our guidance range of £13.6-13.9 billion, while creating capacity for investment. We have the ability to flex that investment to support our return on tangible equity targets if the environment requires us to do so.

Excluding litigation and conduct, our earnings per share for the full year were 21.9p.

What these key performance measures demonstrate is that our strategy is working, and momentum is building in Barclays.

As we began the year, we had all but reached the end of the huge restructuring of the business which we commissioned with our strategy in March of 2016:

- we had completed the run-down of our Non-Core Unit, eliminating over £90bn of Risk Weighted Assets – predominantly in our Corporate & Investment Bank – closing operations in a dozen countries, and selling some 20 businesses which were no longer strategically important to Barclays
- we had sold down our interest in Barclays Africa to a level allowing regulatory deconsolidation, which was formally granted in July of 2018
- we had completed our work on structural reform, creating our Intermediate Holding Company in the USA, and standing up our ring-fenced bank in the UK – the successful execution of which in April was the result of an extraordinary effort by colleagues across the bank, and one of the biggest technological shifts ever carried out in financial services; and

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- we had created our Service Company, Barclays Execution Services, or 'BX', as a state-of-the-art operating platform on which to run and build our business going forward.

We were able to resolve major outstanding legacy conduct issues for the bank in 2018:

- reaching a settlement with the US Department of Justice in relation to Residential Mortgage Backed Securities
- having the UK SFO charges against the bank relating to our 2008 capital raisings dismissed; and
- providing further for the completion of PPI redress.

We have also implemented our contingency plan to ensure we can continue to seamlessly service our clients across Europe following a UK withdrawal from the EU.

This transformation – as with any major corporate restructuring – cost a substantial amount of money to effect, and absorbed enormous amounts of colleague time and management focus. But the effort and investment was worth it to remove major drags on the operational effectiveness and profitability of Barclays, and to create the model we laid out in our strategy – a transatlantic consumer and wholesale bank, with global reach – which is now starting to generate attractive and sustainable returns for our shareholders.

The fundamental strength of our Group rests on a diversified, though connected, portfolio of businesses - and Barclays is well diversified by geography, by product and by currency between our consumer and wholesale businesses.

We have a great position in UK retail and business banking, serving 23 million customers and a million small businesses in a market where we have roots going back 328 years. We have an enviable position in fast growing international cards and payments in the UK, US, and Europe. And we are a strong and profitable global player in corporate and investment banking, anchored in the world's deepest and most sophisticated capital markets of London and New York.

Our diversified model is not only designed to be well balanced and produce consistent and attractive returns through the economic cycle, it is also a more robust model for any modern financial services business. A decade after the financial crisis I am very confident that Barclays today would be well prepared to weather major shocks in the future.

Of course one area where performance progress has unfortunately not been reflected is in our share price, which remains disappointingly low. In common with all European banks, we have been hit very hard in this regard by macroeconomic issues which have weighed heavily on investor sentiment.

Notwithstanding that, I have repeatedly said that a management team cannot rest while the share price trades below book value, and it is a priority for us to drive a recovery.

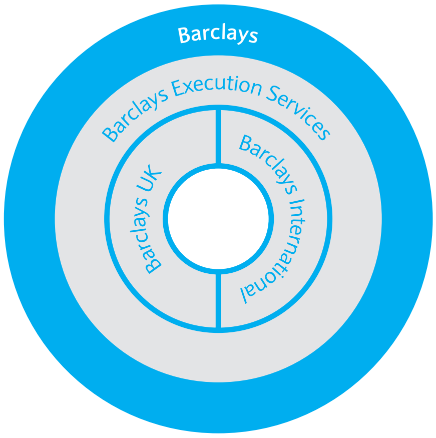
Improved returns to shareholders will certainly help in that endeavour. In 2018, based on our strong capital position, the restoration of the dividend to 6.5p, and the redemption of expensive preference shares dating from the financial crisis, saw us return around £1.8bn of capital. That is progress, but not yet sufficient.

As we generate excess capital going forward we intend to return a greater proportion of those earnings to shareholders by way of dividends and other distributions including buybacks, and I am optimistic for our prospects to do more in 2019 and beyond.

There are three principal reasons for that optimism.

First, the opportunity to further digitise our consumer businesses in the UK, the US, and in Germany is significant. For example, today we have 11 million digitally active customers, with over six million users of our award-winning mobile banking app in the UK, and the quality of engagement with customers on digital platforms such as these is impressive. On average, a Barclays customer visits a branch once every six weeks. Contrast that with the statistics for Barclays Mobile Banking, where customers typically go into the app every single day. Our relationships with these customers are consequently much stronger, and we are better able to help them with their financial needs. Of course as we expand our offering in this area we have a close eye on the security and resilience of systems.

Second, the importance of capital markets as a source of funding for corporates and investment is growing, continuing the shift in recent years away from reliance on bank balance sheets. In the past decade bank lending to corporates has declined by 14% relative to GDP. At the same time there has been a surge in capital market issuance, with global Debt Capital Markets up by 75% in the past decade - and we are a top 4 player in Debt Capital Markets. Since the financial crisis, growth in the bond market in Europe has replaced 90% of the decline in bank lending. These trends will continue and, as the only non-US investment bank operating at scale in both London and New York, we are well placed to participate in the opportunity this represents. Competing in the top tier of global investment banking, enabled by our size and commitment across asset classes, is important to Barclays' future returns – and we demonstrably do compete. For example, in our Markets business in 2018 we saw revenue growth on a US dollar basis.



Third, we are today investing in multiple growth opportunities – principally in technology development – across the Group. The efficiencies driven by BX, our service company, have been instrumental in creating the capacity to do so, while continuing to control our costs. Such meaningful investments in growth opportunities were simply not a viable option during the many years of reshaping this company.

As our strategy continues to work, the principal calls on our future earnings should now be returns to shareholders and investment in growing the business – rather than litigation and conduct charges, restructuring costs, and capital accumulation. That shift is very welcome.

I remain hugely proud of the continuing positive impact which Barclays has in the communities in which we operate around the world. From our major citizenship programmes such as LifeSkills, Connect with Work, and Unreasonable Impact, to the individual, local, social and charitable efforts of colleagues and teams around the world. This work says much about the culture of Barclays today – driven by a deep commitment to help customers, clients, and wider society, to rise and succeed. I am grateful for the effort and commitment Barclays' people exhibit every day.

Finally, I want to pay tribute to the contribution of our retiring Chairman, John McFarlane, to the development of Barclays over these past four years.

John took on the Chairmanship of the Group during a period of tumultuous change for financial services, and for this bank in particular. Barclays, and I personally, have been fortunate to benefit from his wisdom, his challenge, his courage to make tough calls, and his steadfast leadership during that time. It is due in no small part to John that we find ourselves in such a positive position today, with our turnaround complete, and confident in our prospects. On behalf of colleagues across the bank, I would like to thank John for his stewardship, and to wish him and his family well following his retirement in May.

James E. Staley
Group Chief Executive

Delivering for our wider stakeholders is integral to our success

We are responding to global challenges like climate change and global energy demand by evaluating our financing of carbon intensive energy sources, while proactively supporting the development of green financial products and services. We are contributing to inclusive prosperity by enhancing the skills and meaningful employment opportunities of people in our local communities. And we are investing in innovation from our best asset – our colleagues – to test and scale new business opportunities that tackle social and environmental challenges.

We are responding to global challenges, supporting the development of green financial products and services, and contributing to inclusive prosperity.

The Environmental Social Governance (ESG) Report provides additional information on key non-financial topics and forms part of the Barclays PLC Annual Report suite.

See Barclays PLC ESG 2018 available at home.barclays/annualreport