

**Barclays PLC Q4 2018 Results**

21 February 2019

**Fixed Income Results call Q&A transcript (amended in places to improve readability)****Paul Fenner, Société Générale**

I've got a remaining question, it's around AT1 calls. What I'd like to know is just a reminder of how the mechanics of seeking approval work in the sense of the timeline and whether you need to get something back on a bond-by-bond basis. Just a little bit of colour around that would be helpful.

The second [question] is we're going into a period that could be fairly tumultuous if we get a deal or no-deal, the market could get a bit messy in the near term and it could last for a while. I guess my question is what would the regulator's attitude be to you calling all of the bonds, the ones that are coming up for call in September, without pre-financing or without any immediate intention of re-financing because the market was closed or was just too expensive? Just to get a feeling for how you think they would feel about you losing whatever it is, 150 basis points or so, of total Tier 1?

The third question comes to the point you were trying to make about being holistic in your approach to the economics of these calls. How bad does the market need to be for you to think, actually, it would be sending the wrong signal to be calling these bonds? So, at some stage, there must be a clause that you can draw. Just a little bit of colour around is it a 150 basis points or whatever you can tell us around that would be really helpful. Thank you.

**Tushar Morzaria, Group Finance Director**

Thanks, Paul. Kathryn, why don't you take that one?

**Kathryn McLeland, Group Treasurer**

I'll kick off. Yes, Paul, I think we had somewhat anticipated we'd get these questions. In the remarks I reminded you guys how we think about these call decisions, which I would highlight are probably five or six months or so away, and that we take a very thoughtful approach to these call decisions. We're obviously not making any comment now, but our policy really hasn't changed too much in terms of thinking about the securities on the economics on a case-by-case basis and the impact on our broader liability structure. We also have FX and driven day one capital impacts, and we want to also think about having a prudent capital position, and linked to that also is having some thought around our future capital trajectories.

In terms of commenting about the regulator, I don't think it's appropriate to go into details of conversations with the regulator, but you'll be more than aware that we do need regulatory approval for the call of these securities, and you've seen what we've done historically in terms of calling securities.

Obviously, also you've seen the approval we were given by the PRA for calling the preference shares at the end of last year, which have the day one capital hit. I would just say that I think the regulator would take a thoughtful approach, but it's probably not sensible to get into the details of those discussions.

In terms of the preparedness and potential reaction to a period of heightened market volatility, as you've seen in our numbers today, our balance sheet remains incredibly strong, both in terms of capital metrics, liquidity metrics, the funding requirements, so I think we are in a very good position in terms of potential market volatility. It is probably a little bit premature to potentially anticipate what might happen should there be a dramatic market move in terms of any response by the regulator, but I think you've seen probably all the UK banks are in a pretty good position. From our perspective, we've been very happy to grow our liquidity position to the LCR of 169%, and have a strong liquidity pool, and similarly, with a strong [CET1] capital ratio at 13.2% at the end of the year.

So, that probably covers, I think, most of the questions in terms of what we can say sitting where we are now.

#### **Tushar Morzaria**

Yes, Paul, I think the only point I'll add is, obviously, the Bank of England ran a hard Brexit stress as part of their annual stress testing last year to make sure they are fully informed of how well banks are capitalised, both the Tier 1, total capital, leverage, etc., so they probably already have a good sense, as you can see from their commentary they feel reasonably comfortable with the UK sector, and the same for Barclays.

#### **Paul Fenner**

Yes, thank you. I guess the one thing that'd be helpful to know, the Bank of England, do they agree a glide path? In your regular communications with them, is it a glide path to capital during which you will discuss taking out certain securities, or is it a more bond-by-bond that you need to get an email saying, yes, you can take this one out?

#### **Tushar Morzaria**

Yes, we have what we call a close and continuous dialogue, so it's very much a bilateral discussion. Ultimately, because these are capital instruments, you do need approval specifically for the instrument, but these are some things that Kathryn and team and even myself would be in very regular dialogue throughout the year. If you just wondered whether if you could spend this much capital or you can retire this much capital, the application is ultimately instrument-by-instrument.

#### **Robert Smalley, UBS**

I had a couple of questions, the first one capital. I think you were asked – and just for some clarity – in the earlier call about the charge to Head Office, how it was £300m plus more, and I think the answer was that that will go down once the legacy funding instruments drop out. Would that be this year? Would that be over the course of time? Are all of the legacy instruments housed in Head Office that way? That's my first question.

Secondly, and this might be a little too simplistic, but with the excess capital, stress test result and excess liquidity you have, you still decided to take £150m charge for UK economic uncertainty. How come? I also wanted to ask just in terms of the credit card loan loss provision, that went up a lot. What was that tracking? Thanks.

## Tushar Morzaria

In terms of the P&L in Head Office, you're right that the regulatory funding instruments that we have are allocated to them. One of the most significant ones has actually been retired, which is the US Dollar retail preference shares that we called in the fourth quarter. Just as an accounting matter, if you feel interested in that, that was equity accounted, so it doesn't flow through the revenue or income lines, but it used to flow through what is called the non-controlling interest line, but obviously is not there anymore.

The next most significant one is the reserve capital instrument, which are crisis-era legacy Tier 1 instruments. They're due for a call in June of this year, so obviously we can't let you know whether we'll call them or not, but we will probably behave very economically, so hopefully, there's no trade secrets I've just given out there. Those would be the most significant now.

The other ones that are due for calls come out later on in subsequent years, and are less significant. Of the £90m or so that goes through the income line, two-thirds of that is covered by these RCIs that are due to be called in summer.

The second question on the impairment charge is, unfortunately, a little bit techy, because it's the new accounting standard that we have, IFRS 9. What we have to do with IFRS 9 is take a view of the future economic environment that we may operate in and take lifetime expected losses for assets that are categorised in Stage 2 and beyond across that lifetime.

So, I guess where I'm going with this is we need to have a view on the UK economic outlook, and the way we do that is we have a baseline view, which we source from published consensus economists have published, and then we derive from there two upside scenarios and two downside scenarios and run a weighted average.

The challenge we had at year-end was that in the UK, particularly, because of the complexity of the Brexit negotiations – and you recall the important vote in parliament that was due to take place before Christmas was cancelled by the Prime Minister – so there was a very stale consensus when we looked at it, where economists were trying to look at the future. And so, we took a management view that we felt that the downside risks in the UK weren't being reflected in that economic forecast. It turns out that since the turn of the year, for example, the Bank of England and various publishing economists now have downgraded the outlook for the UK, so the provision was really to capture that. You may recall earlier in 2018 in the US we actually saw publishing economists upgrade the outlook for the United States and that resulted in provision releases, so this is in some ways the reverse of that in the UK.

It is just a forecast. If the economy turns out to be better than forecasted, obviously, we're overprovided; if the economy turns out to be worse than forecasted, we'll be underprovided. So, there'll be an implied versus actual trough, as we go along, and that's just how the new accounting standard will work.

The final question on credit cards, I think it was about the US card impairment? The fourth quarter is always going to be the largest impairment quarter. It will be the same in 2019, 2020, etc., and the reason for that is, in the US, particularly, the spend season is seasonally high in the fourth quarter, due to the Thanksgiving and Christmas periods, so card balances climb up, as does transactional revenues, in fact.

Usually, what happens is balances start to then decline in the first quarter and the second quarter, and you've also got the US tax season, particularly last year, and probably this year, as well; there'll be some personal tax refunds coming through with a reduction in personal tax rates. We found last year it fed their way into pay down of balances, and we would expect something similar this year.

The reason why it might look quite a meaningful jump from the third quarter to the fourth quarter was in the third quarter we had one of those revisions to US economic forecasts which was beneficial, so it was probably a lower impairment charge than you would typically expect were we not doing any revisions.

If you're interested in it, I think you will have seen the highest quarter probably until you get to the fourth quarter again next year, and then it really depends on the function of how much the book has grown and what balances we are left with at the end of the year.

#### **Lee Street, Citi**

Thank you for taking my questions. There are three from me, please. Firstly, on the CIB entity, when do you expect that to actually earn its cost of equity, and how does that lead into your 9% and 10% return on tangible equity targets? It always feels like it's that division that drags on ratings of the overall group.

Secondly, on leverage, your average UK leverage was 4.5% in the quarter, so, obviously, you referred to it as a backstop measure, but if I look at the headroom to your 4% minimum relative to your headroom on a risk weighted asset basis of 11.7% versus 13.2%, the differential isn't that much. So what gives you such confidence that the leverage is just a backstop measure for you?

Finally, anything you'd like to select in terms of risk weighted asset inflation that you can see over the course of 2019 and 2020, please? That would be my three questions. Thank you.

#### **Tushar Morzaria**

Yes, thanks, Lee. Why don't I cover the CIB returns and Kathryn can cover your question on leverage and RWA inflation over 2019. CIB returns have improved, we're 7.1% [ROTE], which is up from the previous year. Of course, it's not where we would like it to be. We would like it to be into double digits, and that's the journey that we're on. It will come from the three prongs that we have in terms of improving returns in the CIB, making sure that we've got the right level of financial capital. You may recall that we did deploy additional leverage into the CIB which was sort of spare leverage, as we would define it, and it's very productive in the CIB, particularly in some of our markets facing financing activities which provide very good returns over risk-based capital, but also a stability of revenues as well, that provides a nice accrual-like feature to what is otherwise a much more cyclical business.

The second component is the investment in technology. As we were restructuring the bank it went through some very substantial restructuring, and it probably went on a bit of an investment diet, and as a consequence of that, certainly, some of our e-capabilities were lacking.

We used to have probably one of the better FX platforms under BARX and probably one of the better electronic equities offerings, and I think over years gone by, some of our dark pool activities, some of our electronic market-facing technology and algorithm etc., haven't really kept up with the best in class. So, that continuous technology investment is beginning to pay dividends. We've seen that in our improved revenues relative to our peers and therefore picking up share there.

The third thing is human capital, to make sure – and we're not talking here just traders, bankers, etc., it's actually the management of the unit. We depleted several layers of management, really, over the last five years. So, in 2017, we hired in very experienced senior risk takers to really manage that business, and there's a new management team in place. 2018 is their first year together, and I think that's shown what value they're adding to the business and I expect that to continue into 2019.

So, it's not where we'd like it to be, but it is successive years of improvement, and our objective function, of course, is to get into double-digits.

The one thing I would say – and this is probably relevant from a credit investor perspective – is for Barclays Group, diversification is very important, and we are in the consumer credit market sphere, which exhibit record low levels of unemployment, and credit stress is incredibly benign, and therefore, the returns for those consumer-facing businesses are probably above trend average.

Likewise, wholesale markets have been a tough journey for many people, and I would characterise them as probably being below long-term trend. Those things will change, and that diversification is something that's important to us, and that shows through in some of the stress testing results.

If you look at the Bank of England stress tests, we have one of the lower drawdowns, and some of that is because, for example, we have a lot of exposure to US dollar revenue pools, so if you stress a hard Brexit with a large sterling devaluation, then the diversification in terms of our geography and products plays to our strengths, but very much a work in progress. I'll pause there and hand over to Kathryn on your questions on capital.

### **Kathryn McLeland**

Yes, starting, Lee, with your questions on leverage, you may have heard Tushar and Jes were asked a few questions about leverage this morning, and they reiterated again that RWA is the binding constraint; leverage is the backstop at the Group and the legal entities. I guess it is interesting that we only have a requirement at the end of December 2018 at the Group level on a UK leverage basis. The UK ring-fenced bank, BUK, does have a UK leverage requirement coming in this year, and you can see the CRR leverage ratios that we've been reporting at the Group and the legal entities for some time, both those requirements don't come in until 2021.

Now, I think the key point, really, as Tushar replied this morning, is we manage the bank to the average leverage ratio. It's a daily average ratio that we've been reporting for the whole of 2018, and we manage it very carefully. When you look at the average ratio that we reported at the end of the year of 4.5% for the Group, we certainly feel that it is a plentiful enough buffer versus the minimum requirement, and we're comfortable with that.

Of course, at this stage still the key point for the stress test remains the spot ratio, which ended 2018 at 5.1%. So, we are looking clearly at leverage across the Group, we feel very comfortable that at BBUK, the non-ringfenced bank, and BBPLC, and also at the Group that it does remain the backstop measure.

Talking now about RWA inflation coming from regulatory change, I think you heard the senior management talk on this morning's call about some of the Basel IV proposals and clearly, for many of these, we do always hope to provide guidance to the market when the numbers settle down and when it is helpful and, for that, one of the key elements is clearly getting some direction from our national regulator where there are areas of discretion.

As you probably know, there is IFRS 16 which does impact in 2019; that really is quite modest for us. It's sort of mid-single digits in terms of capital impact, and the UK banks, at the very end of 2020 have to respond to the definition of default for UK mortgages. Again, we're not really in a position yet to believe that it would be helpful to provide guidance on that, but we feel very confident we have meaningful capital generation which we showed last year.

We also now clearly have fewer headwinds ahead of us, having done conduct and litigation, in particular, last year. So, as we do our capital planning, we've put conservative assumptions and feel very confident that we'll have a strong capital trajectory over the next few years.

## **Corinne Cunningham, Autonomous**

Just a question, perhaps, on AT1 versus equity in terms of where the priority sits. I know you've talked about economics, but I think this morning's call was also hinting at possible share buybacks at some point. How do you balance the two when you're thinking about economics of how much Tier 1 you want and the cost of AT1, etc.? Would it always be in favour of the equity investor, I suppose?

And then something I've been asking other banks, as well, is just on LIBOR succession planning, how that's going, how long that's likely to take and whether you think that's possible to deliver, I think it's by the end of 2021 that that's meant to be all done? Thank you.

## **Tushar Morzaria**

Thanks, Corinne. Let me have a go at both of them and Kathryn and Miray may want to add some comments. In terms of balancing the economics between, if you like, cancelling or repurchasing common equity shares or using capital capacity to call AT1, I think Kathryn mentioned this, we need to look at this in the round, so I wouldn't just take this as just purely which one gives us the best return on capital.

We are very aware of the expectations of AT1 holders and we expect to be a regular issuer in the markets, and so we want to be responsible and try and be transparent as to how we think about it and I wouldn't say we look through one lens or another. Now, having said that, of course, a priority of the board and of management is to start returning cash distributions back to our equity holders and that will be in the form of a progressive dividend supplemented with share repurchases, as practical.

We'll really look to balance both. I'm not sure I would say that one ranks any higher than the other one. Both are very important constituents and we will absolutely look to balance both and try to be very transparent as to how we do that, and I think that's when Kathryn took you through our scripted comments and gave you a number of lenses that we look through just for AT1 and look at it in that holistic view.

In terms of LIBOR succession, I have the... I was going to say privilege, but I'm not sure that's the right word, but I chair the Risk-Free Rate Working Group for the sterling; that's the industry group that's working with the Bank of England and the FCA on replacing sterling LIBOR.

So, as chair of that group, of course, I would say we're incredibly confident and fully committed towards ensuring that we complete the project for sterling by the end date and, actually, being a bit more serious for a second, I think, in sterling, we are quite far advanced.

Obviously, SONIA is a rate that exists, it's real, it does trade and, of course, there are cash instruments that reference SONIA. I think one of the next steps for us, important next steps will be to make a final decision do we need a term rate and, if so, exactly how that is going to be defined and what conventions we use and apply that to use cases, particularly away from the derivatives market and maybe into the loan market particularly for corporates and for the less large companies.

Also, once we've got that behind us, get cracking with the infrastructure; a lot of the cash market use vendor-type platforms like Loan IQ or whatever, and there is going to be a lead time to get that done. And then, move on with actually doing some repapering in transfers. So, it's a very complicated project. We have representation from all stakeholders, buy-side, sell-side, corporates, agencies, regulators etc., working very closely on doing that; confident we'll get it done but it is a lot of work.

## **Corinne Cunningham**

What you were saying, was that all relating to sterling or where you thinking dollar, euro, etc.?

## **Tushar Morzaria**

Yes, there are similar working groups in Dollars, Euros, Swiss [Francs] and Yen and there is a level of international coordination. It is going to be quite complicated because in the UK we've chosen an unsecured risk-free rate; US SOFR which is probably a little bit newer than SONIA is, in the US of course, is more akin to a repo rate, more of a secured rate. There's definitely complexities if you've got multi-currency revolving credit facilities to get them papered over given the mix of risk-free rates that may be used.

So, I think that will be complicated but I think within the single currency world, certainly speaking for sterling, I think we're in a reasonable place and making good progress.

## **Arnold Kakuda, Bloomberg Intelligence**

You have robust liquidity levels, £227bn, 169% LCR, so my question is, what is the optimal level that you think you could break it down to? Is it closer to the 140% level that your peers are at and, in terms of the mix, a peer has talked about maybe trying to optimise the conservative cash and reserves held at the central bank versus securities. So, is there opportunity to improve that mix, as well, to help your profitability?

On the topic of profitability, I think your RoTE targets over the next two years exclude litigation and conduct charges. Beyond that horizon, perhaps, do you think that those things might settle down? I know you had a big settlement in Q1 2018, but do you think that you can provide an RoTE target after this two-year horizon including any possible litigation?

Lastly, on ratings your bail-in eligible senior debt ratings is on the lower end of peers, so would you say the biggest thing to improve that is pretty much on the execution of your improved profitability plan? Thanks.

## **Tushar Morzaria**

Thanks, Arnold. Why don't I quickly cover your second question on litigation and conduct and how it feeds into our return targets and I'll ask Kathryn to talk about optimal liquidity profile and your question on ratings.

With regards to litigation and conduct, I think that's largely behind us now. We've settled RMBS which was probably the single largest case outstanding, the SFO case was dismissed as far as the bank matter goes, and I think PPI is broadly behind us as well; and they were probably the three largest individual items out there.

If you read our legal disclosures, we're very cautious in making sure that we're wholesome in our disclosures. There are several pages of it but there is nothing on that list that I would call out in the scale that we've had in the past. I think, really, our statutory earnings and our earnings including litigation and conduct are going to be very similar from this point on. A good example of that is we only had £60m of litigation and conduct in the fourth quarter, so that is not guidance for how it may look in subsequent quarters, but I do think it's going to be substantially lower than you've seen historically.

I think, beyond that, definitely, everything moves to statutory, but I would think that statutory and our definition of profits excluding litigation and conduct are going to be pretty close to each other. Kathryn, do you want to cover the other areas?

## **Kathryn McLeland**

Yes. Touching on our liquidity position, I guess the absolute amount of liquidity that we're holding and the composition of our liquidity pool and as you heard in my remarks, we've given disclosures around the liquidity pools within the two legal entities, as well. I would say that we've grown the liquidity pool over the last few years, really. We view it as an inexpensive credit strength.

Our deposit book continues to grow, I think, north of £14.5 billion growth over the course of 2018 and the composition of the pool does still remain quite high in cash. So, with Brexit only several weeks away, I think you would expect us to continue to want to be very prudent with a very liquid balance sheet. So, we wouldn't be wanting to guide at this stage to any future LCR ratio. It may move down somewhat, but I wouldn't see it moving materially. We want to remain nice and liquid during this period of heightened uncertainty.

Similarly, we do focus, clearly, on the composition of the liquidity pool in terms of cash and types of securities but we feel that the cash levels are the right levels, and we also clearly look at the central banks that we hold the cash at. We have some leverage benefits for the cash within our UK leverage ratios, so I wouldn't anticipate that the composition would change too much, even if over the next year or two we see the liquidity pool potentially reducing once this period of uncertainty is gone.

Finally, on ratings and concerning your comments, namely that, for us, clearly the Moody's HoldCo rating is probably the key priority for us to get that rating upgraded. We engage very closely with all three rating agencies but, certainly, in terms of the best lever of getting an upgrade, it would be to continue to execute on our strategy and to continue to deliver improved profitability, and I think I made some comments along those lines.

We were pleased that they noticed our improved performance that we've delivered over the last few quarters and if we were to continue to execute the strategy and achieve our targets, we would hope that would translate into a positive ratings move.

## **Aditya Bhagat, BlackRock**

Thanks for taking the question. It's really a follow-up on the IFRS comment on the Brexit-related charges. Given the timeline of Brexit is again going to be around Q1 and if we continue to be in a period of uncertainty close to that date, I just wanted to understand would you have to, again, do a similar reassessment or is this just an annual or semi-annual exercise? And is that reassessment done during the course of the quarter; is it done as of the 31st March cut-off date? Some colour on that would be great. Thank you.

## **Tushar Morzaria**

Thanks, Aditya. Yes, it's something we do each quarter and at the end of the quarter. It has been done three times now. In Q1 of 2018 we did improve the economic forecast for the US, that was really on the back of the US tax reform that came in at the back end of 2017, and then we also upgraded in the third quarter of 2018, as well, again the US economy continued to improve. And in the fourth quarter of 2018, the £150m was our view that the downside risks to the UK weren't being reflected in economists' forecasts.

In Q1 we'll look at where economists are forecasting. Now, I would expect in Q1 that there's no reason why we wouldn't just take the economists' forecasts because it was a very unusual situation at the year end because there was a live, very complicated political situation and not many people were publishing,

so we just felt that forecast was fairly... In Q1, I would expect it to be a live forecast, and we'll take it as is from this point on.

In some ways, it's a quarterly assessment done at the end of each quarter. Just to go back, again, for investors, it may be helpful to know why £150m, and the way we did that is there is a sensitivity table that we've published which shows how sensitive our impairment provisioning is to changes in these economic forecasts.

That £150m in the UK was sized to a reasonable slowdown. It was sized to a slowdown in GDP from a base case of 1.7% down to 0.3% and unemployment moved from a base case of 4.1% to an increase up to 5.7%. These are quite substantial moves and we think we were quite prudent there.

Of course, if it turns out that publishing economists believe the economy is going to operate at those levels, then I guess we've already taken the provision. If it's going to be worse than that, we'll need to top up. But if it isn't as bad as that then we may find ourselves overprovided but that gives you a sense of how much things need to move by.

### **James Hyde, PGIM**

I'm afraid it's about capital ratios again. I'm just thinking of Kathryn's defence or explanations of how you feel the ratio is sufficient or more than sufficient. But the one consideration that I was wondering if you have, at all, is the drawdown in the stress test involves triggering AT1 and I do think that at the time we saw the stress test, some of the reaction that I saw was here they are again having to trigger AT1 in this scenario, and I think it has a bearing on your funding costs.

Now, do you have any thoughts on that, or do you think, quite simply, this time, conduct risk and other elements will mean maybe you won't have to trigger AT1 in this hypothetical scenario?

Secondly, also on capital, it's a minor thing but looking at BBI, very helpful table there, given what [Barclays Bank] Ireland has been through, it doesn't look very heavily capitalised and I'm just wondering, is that the ECB who guides that or is it the Irish regulator? Is there not a domestic SIFI charge, because this is like the biggest balance sheet in Ireland and the leverage ratio is not great. You haven't given risk-weighted assets, so I was just wondering is that really sufficient in terms of capital in Ireland. Thanks.

### **Kathryn McLeland**

As you said, I think, in your question, the fully loaded ratio under the Bank of England stress test was very clearly treated by the Bank of England as a hypothetical measure which they just really did use for transparency purposes. The transitional CET1 ratio is very much how we are regulated and that's what we use for capital planning. So, the fully loaded one really is not what we are using or what our regulator uses.

So, clearly, as you said, we had benefits in terms of improved conduct and litigation, and I highlighted in my remarks that the [CET1] drawdown was even less, at 400 basis points once you take out DOJ. So, we were a pretty comfortable pass above the hurdle rate, and I think our drawdown was also pretty good compared to some of our peers.

So, it is a very key element of our capital management planning and we are certainly focused on this year's stress test when we get the scenarios in March, but we do feel that the bank is in a stronger position and is strongly capital generative with fewer headwinds ahead of us and so feel good about our potential performance in the stress test although, of course, we do take it very seriously.

Perhaps, commenting now on Ireland, as you said, the gross notional balance sheet is quite high, but the actual netted and funded balance sheets are much smaller, but we've given the equity number that we would potentially hold once we've completed the migration of the business into Ireland.

We are in very close discussions with the CBI and I mention that it's also regulated by the ECB under the FSM and we would expect it to be consistent with other subsidiaries within the Group, and obviously you've seen that the UK ring-fenced bank [CET1 ratio] is at 14.2%, and BBPLC, the non-ring-fenced bank, is at 13.5% and the US IHC is at 14.5%.

So, we would expect, when you see the final actual numbers for Ireland, the capital ratio under European requirements will be consistent with other legal entities but very much under European requirements with a European capital stack supporting it.

Obviously, on the funding side I made some comments and remarks that it will also be funded by a diverse mix of internal MREL, external funding, and similarly would expect a conservative profile akin to what you've seen across other entities in the group, as a whole.

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- ii. all European clients of BBPLC who were located within the EEA (excluding the UK ) as at 31 December 2018.

The Illustrative Financial Information represents a modelled view including estimates based on Barclays' current planning assumptions for the business and operating model for BBle, and is presented to show the possible effect of the proposed business transfers as if they had occurred on 31 December 2018. In addition to this, certain of the Illustrative Financial Information has been sourced from the BBle 2017 statutory accounts, management accounts of BBle up to 31 December 2018 and also the general ledger. The Illustrative Financial Information has not been independently verified. While Barclays' plans for an expanded BBle in response to the UK's withdrawal from the EU are well progressed, they remain subject to the outcome of the political negotiation, ongoing regulatory engagement and management discretion, and so are subject to changes which may be significant. Among other variables, the actual amount of In-

Scope Business that may ultimately transfer to and/or continue to trade with BBLe in the future may differ significantly from the assumptions used in producing the Illustrative Financial Information. The Illustrative Financial Information is therefore provided for illustrative purposes only and is not a forecast of present or future financial condition or performance of BBPLC or BBLe. Whilst all reasonable care has been taken in providing the Illustrative Financial Information no responsibility or liability is or will be accepted by Barclays PLC and any of its subsidiaries, affiliates or associated companies or any of their respective officers, employees or agents in relation to the adequacy, accuracy, completeness or reasonableness of the Illustrative Financial Information or for any action taken in reliance upon that information by any party whether customer, client, counterparty, investor or otherwise. Nothing in the Illustrative Financial Information should be taken as (or is) a representation or warranty, express or implied, as to any of the matters presented.

### **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 Barclays Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS 9 impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards including the continuing impact of IFRS 9 implementation, 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 applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions; the effects of any 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 Barclays Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; instability as a result of the exit by the United Kingdom from the European Union and the disruption that may subsequently result in the UK and globally; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Group's control. As a result, the Barclays Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Barclays Group's forward-looking statements. Additional risks and factors which may impact the Barclays Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2018), which are available on the SEC's website at [www.sec.gov](http://www.sec.gov)

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update

publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.