

Barclays PLC Q3 2018 Results**Analyst and Investor Conference Call Speech****Jes Staley, Barclays Group Chief Executive Officer****Tushar Morzaria, Barclays Group Finance Director****Slide 2: Jes Staley, Barclays Group Chief Executive Officer**

Good morning everyone, and thank you for joining this 3rd Quarter earnings call.

I am pleased to report another quarter which demonstrates that we are firmly on track to produce improved returns for shareholders as our strategy continues to deliver.

Performance in the third quarter of 2018 was significantly better than we achieved in the same quarter of 2017, for the Group, and in both of our constituent businesses, Barclays UK and Barclays International.

Slide 3: On track to deliver enhanced and sustainable returns for shareholders

Notwithstanding the usual seasonal effects in the numbers, overall the Group produced a Return on Tangible Equity in the third quarter of 10.2%, which means an ROTE for the 9 months to date of 11.1%, excluding litigation and conduct.

As you know, our returns targets – announced this time last year - are to achieve a Group ROTE of greater than 9% in 2019, and greater than 10% in 2020, based on a CET1 ratio of 13%.



We are demonstrating with each passing quarter that Barclays can achieve those returns targets, and on a sustainable basis.

Year-to-date profit before tax, is up 23% at £5.3 billion. This reflects a strong performance across the bank, as well as a benign impairment environment.

Slide 4: Think digital, think Barclays BUK

Barclays UK's year to date PBT was up a touch to just over £2 billion, and the 9 months ROTE is an impressive 18.9%.

The quarterly performance was strong, showing a significant improvement over Q3 2017, with PBT up 18%.

Barclays UK remains a leader in digital banking and we continue to invest to maintain that position, including in the development of our open banking platform, which we launched in September.

We are the first major high street bank offering a true open banking API aggregation solution, within our mobile banking app. Already we've seen encouraging numbers of our customers link their accounts from other banks, and use of the feature is increasing daily.

We have a pipeline of exciting applications to complement our open banking solution, and, from what we're seeing, we expect take up of aggregation for customers to accelerate over time. And that represents an exciting growth opportunity for Barclays.

Slide 5: Barclays International: Improving share in the CIB

Year to date PBT in Barclays International was up 11% versus the same point in 2017, and that translates to a 9 months Return on Tangible Equity of 11.6%.



In the quarter, income in our Markets business was up 19% year on year, and we continue to outperform peers, as we have done now for 4 consecutive quarters. In fact - on a dollar basis - Barclays has demonstrated the best Markets income growth of any bank that has so far reported for the third Quarter. And that is also true for the nine months to date in 2018.

In Banking, we produced a solid performance in DCM, where we remain a top 3 bank globally, and have generated record income in US Dollars for the year to date in 2018. Equity Underwriting however did underperform in the quarter due to weakness in Tech and Biotech.

After a run of strong quarters, Banking fee income was down compared to Q3 2017, impacted mostly by the timing of deal completions. October – consequently - has started off much better.

Our advisory business remains in very good shape, ranked 5th in the US and UK combined year to date. We were pleased to be on some of the biggest M&A transactions recently, including Sky/Comcast, Michael Kors acquisition of Versace and Randgold Resources.

Overall, the Corporate and Investment Bank has produced an ROTE for 9 months of close to 10%, and we're pleased with how the business is competing and progressing.

Slide 6: Barclays International: Driving Consumer, Cards & Payments opportunities

Our Consumer, Cards and Payments business within Barclays International had another strong quarter, producing an ROTE of 19.9%, and the growth potential and trajectory of this business is clearly attractive.

We are a top ten player in US credit card receivables, the number 5 co-brand card issuer in the US, and we have around \$14bn in retail deposits.

We have recently successfully relaunched our Frontier, Hawaiian Airlines, and Upromise co-brand cards, and we were delighted to be named in the number 3 spot in the latest JD Power US Credit Card Satisfaction Survey.

As well as targeting growth from the existing portfolio, we want to build our US consumer offer out from its strong base, and as part of that we are planning to launch next year a digital-only current account. And of course, as we develop that consumer offer in the US, we have a huge edge in being able to leverage the knowledge and technology leadership of Barclays UK, and apply that across the Atlantic.

Our service company, BX, continues to drive improvements in efficiencies and effectiveness.

We have generated positive jaws year to date, and are well on track to meet our cost target for 2019, as well as our goal of a Group cost to income ratio of below 60%.

But, beyond helping us to control the expense line, BX is also creating operating leverage.

This means that we have the capacity to invest in opportunities where we can grow revenues, as well as the capacity to invest in initiatives and changes which lead to further efficiency savings. And it also means we have the capacity to invest in strengthening our core systems and processes. A good example of this is in the payments space.

By way of context, we process more than 6 million corporate payments a day, at a typical total daily value of around £350 billion. Electronic initiation of such payments is preferred by both us and our customers. It is quicker, cheaper, and less error prone than manual processing, and it is also much less susceptible to fraud, so it's safer.

We saw that there was a sizeable proportion of our Corporate Banking client base still making payments requiring a high degree of manual intervention – principally through faxed instructions, which could take up to 4 hours to process.

So we invested in an easy access electronic system for that client base to initiate payments, and then trained them in how to use it.

Corporate fax payments across EMEA and APAC dropped from an average of 4000 a week in Quarter 1 of 2017, to around 250 today, and that number continues to go down.

Migrating to a self-serve digital model moved the processing time to literally seconds, and improved the client experience enormously. For Barclays, this initiative, along with similar others in flight, will generate significant savings for the Corporate Bank in 2019, and frees up huge amounts of colleague time for more value-added activity.

Those savings can then be redeployed both to drive top-line growth – such as in enhancing our digital offering - as well as to improve our legacy architecture in risk and finance, which makes the company more resilient.

Slide 7: Diversified and prudently positioned

Now, given it is a topic of significant public interest, and we are just 5 months away from the UK's departure date, I want to update you this morning on Barclays' preparations for Brexit.

As you know, our plan for being able to continue to serve clients within the EU beyond March 29th next year is to expand our banking licence in Ireland, to build our presence there appropriately, and to transfer all of our branch operations in the EU to Barclays Bank Ireland.

I am pleased to say that the work to effect that plan is well in hand, with the Central Bank of Ireland having approved the business expansion. We therefore expect Barclays Bank Ireland in its new incarnation to be fully operational before the UK's exit in March.

Beyond that particular project, we're also conscious of the need to consider the potential impact of Brexit on the UK economy. In that respect we continue to manage risk prudently, taking a conservative approach to UK credit card balances for example.

Our levered loan exposure from financing activities in the UK has actually dropped by 25% in the last two years. And while we intend to grow our UK mortgage book, we will have a bias in doing so towards lower Loan to Value products.

I should say that we are not seeing yet any concerning signs of stress among our UK consumers or business customers, and we feel very well positioned to cope with that situation should it arise.

And finally, of course, Barclays is an internationally diversified Group, with nearly half our income today generated outside the United Kingdom, so we have an inbuilt hedge against economic challenges arising solely in this country.

Slide 8: Jes Staley, Barclays Group Chief Executive

So we continue to see our strategy delivering - a diversified set of attractive businesses and geographies, underpinned by a common core operating platform in BX, all translating into sustainable performance.

Earnings per share for the first nine months of 2018 stand at 21.6 pence.

We have grown our CET1 ratio to 13.2%. And that has been achieved even after a 60 basis points impact from litigation and conduct charges we took in the first quarter for Mortgage Backed Securities and PPI.

The excess capital now being consistently generated by Barclays will allow us to improve cash returns for shareholders, and this remains a top priority for management.

We have already announced our intention to pay a dividend of 6 and a half pence for 2018.

But in addition, I am also particularly pleased that the Prudential Regulation Authority has granted us permission to call the expensive dollar preferred shares dating back to 2008.

This will drive an annual reduction in financing costs of around £165 million beginning in 2019.

But importantly, the redemption – which equates to a use of some £700m of excess capital – combined with the £1.1bn of dividends for 2018, means we are deploying £1.8bn of capital this year, which demonstrates confidence both in the strength of our capital position today, as well as our capital generation capacity going forward.

So, in summary then, the third quarter of 2018 - another 'clean' quarter for Barclays - shows continued positive progress in the execution of our strategy.

Though the fourth quarter contains headwinds such as the bank levy - and therefore we can expect some moderation - it is gratifying and encouraging that our Group Return on Tangible Equity has tracked above our 2019 and our 2020 targets for the first 9 months of this year.

I am pleased by the consistent ability of all parts of our business to generate good returns, within a prudent approach to risk.

And now that we have removed the drag of Non-Core, and largely resolved major outstanding legacy issues, we will be able to distribute more excess capital to our shareholders over time by way of dividends and stock buybacks.

Restoring the dividend, and the buyback of the preferred shares are a start, and, if we remain on our current course, I am optimistic that we will be able to do even more in 2019.

Now let me hand over to Tushar to take you through today's result.

Slide 9 Tushar Morzaria, Barclays Group Finance Director

Thanks, Jes.

I'll begin with a few words on the nine month results, and then I'll focus on the quarterly results as usual.

Slide 10: Q3 YTD Group highlights

As Jes mentioned our RoTE for the first nine months was 11.1%, excluding conduct & litigation, a good result, with both BUK and BI delivering double digit returns. This does reflect a lower impairment charge than we would expect going forward, and Q4 will also reflect the usual seasonal effects, notably the bank levy.

But I'm encouraged by our progress towards our Group returns targets, and the results demonstrate that we are out of our restructuring phase.

We generated EPS of 21.6p, excluding litigation and conduct.

With the CET1 ratio now at 13.2% we're comfortable with our regulatory capital position, and we've received regulatory approval to redeem the outstanding \$2.6bn retail preference shares, as Jes mentioned, and to call the 8.25% AT1s, both on 15 December.

Looking now at Q3,

Slide 11: Q318 Group highlights

We also reported a double digit RoTE of 10.2% for Q3, excluding litigation and conduct.

As in Q2, there were no material one-off items in the quarter to bring to your attention. There were however a couple of items in Q3 last year, that we've set out in an appendix slide, notably £168m impairment in relation to the asset sale in US cards, and just over £100m in structural reform costs.

In my comments I'll exclude litigation and conduct from the income statement metrics, in line with our financial targets framework, but would note that the charge for this quarter was £105m.

I would also note that the sterling dollar rate is almost flat yoy.

Attributable profit was just over £1bn, generating earnings per share of 6.6p.

Income was down 1% overall, while costs were up 2%, as we continued to invest, despite income seasonality.

We again reported significantly lower impairment, down £455m year on year.

This was partly non-recurrence of the US cards one-off, but the charge also reflects improved economic inputs, affecting both BUK and US cards.

I would expect Q4 impairment to be higher, but in terms of the underlying credit conditions, delinquency measures were reassuring in all key areas.

The effective tax rate for Q3, allowing for litigation and conduct, was 17%, in line with our comments at half year, I would expect the Q4 number to be higher including the effect of the bank levy, which is not a deductible expense, so we are still guiding to a full year rate in the mid-20s.

Looking at the individual businesses now, starting with Barclays UK.

Slide 12: Q318 Barclays UK

BUK reported a RoTE of 22.0% for Q3.

Income was up 2%, with costs up 1%, delivering positive jaws, despite our continued investment in digital transformation.

We continued to grow our mortgage book, focussing on prudent LTVs and have added a further £1.5bn of net balances this quarter.

These were at margins which still earn an attractive RoTE, despite continuing tough competition, but we'll be keeping a close watch on pricing levels and may choose to sacrifice some volume growth to maintain pricing discipline.

On the liability side, customer deposits continued to grow, up £1.5bn in the quarter, even though we passed on less of the August rate rise than we did last time.

The benefit of this was partially offset by margin pressure, but NIM for the quarter was flat on Q2 at 322 bps.

We still expect NIM for the full year to be in the 320's, in line with guidance and down year on year reflecting the inclusion in BUK of the ESHLA loans.

But we may exit the year at, or below, the lower end of the range, given our focus on growing secured lending, and the competitive environment in this space.

Impairment was down significantly, both yoy and on Q2, at £115m. This was largely the result of favourable updates to macro-economic inputs, notably unemployment forecasts.

Absent further economic updates, or a deterioration in credit conditions, I would expect the quarterly charge to move back into the low 200's.

We remain cautious on unsecured, while growing secured lending but credit conditions remain pretty stable across the UK portfolios, with 30 and 90 day arrears for cards broadly flat.

As we've stressed before, we are very focused on the digital evolution in banking.

We've put the usual slide in the appendix on digital engagement among our customers, which continues to hit record levels, for example we now have 4.8m digital-only customers.

It remains a key strategic initiative for BUK to reinvest cost efficiencies in digital transformation, and our Open Banking offerings. One example Jes mentioned is the aggregation facility within the Barclays Mobile Banking app which we started rolling out at the end of the quarter, and so far we're the only major UK high street bank to have done this within the main retail app.

Another example is our investment in digital cheque imaging, designed to improve customer convenience and reduce the costs of cheque processing.

Overall BUK continues to have strong market positions and we are able to maintain our prudent risk appetite, and invest in the future, while delivering attractive returns.

Turning now to Barclays International.

Slide 13: Q318 Barclays International

BI delivered a Q3 RoTE of 9.2%, up from 5.5% last year.

This quarter the dollar sterling rate was roughly flat yoy making comparisons relatively straightforward, but as you know BI has over 50% of its income in dollars, so would benefit from a stronger dollar.

As in the first half of the year, impairment decreased significantly, down £352m, principally in US cards.

PBT increased 34% to £882m.

Looking now in more detail at the BI businesses.

Slide 14: Q318 Barclays International: Corporate & Investment Bank

Total income for CIB was down 2% to £2.2bn, but within that, Markets was again the standout performer.

Markets reported 19% growth in income over last year, as we continued to take share from competitors. We've also shown the dollar reporter comparison as usual. This reflected another quarter of very strong performance in Equities, up 35% on Q3 17, and a solid performance in FICC, which was up 10%.

As in recent quarters, the Equities performance reflected strong execution both in derivatives, and in equity financing which continues to benefit from the additional leverage capacity allocated over the last year or so, with client balances up 11% year on year.

Within FICC, both Macro and Credit produced steady performances in a quarter of mixed market conditions, with lower volatility than in Q1 and Q2, particularly in Macro.

Banking overall was down 13%, within which Banking fees were down 14%, but our fee share ranking remained 6th across our US/UK home market for the year to date, and I feel comfortable about the franchise progression.

Corporate lending was down 29%, but Transaction banking was broadly flat. The reduction in Corporate lending reflected both the reduction in average balances of £7bn, as we reallocated capital from low return lending to higher return areas, and the effect of risk management hedges. The latter accounted for a large proportion of the decline, but are an integral part of our conservative risk management.

We continue to focus on improving returns from corporate clients through:

- improving the returns we make on the commercial lending book;
- adding incremental transaction banking services which are less capital intensive and build more sticky, annuity-like income; and
- reducing exposure, or exiting relationships, where we are not able to improve returns.

This naturally takes time to flow through to returns, but I'm pleased with progress.

Impairment was a release once again, of £3m, after a couple of quarters of net credits.

Costs were up 3%, as we reinvest cost savings in order to drive sustainable double digit returns.

Areas of reinvestment include electronic trading platforms and Euro clearing for corporate clients, and we are also absorbing the costs of preparing for Brexit within the cost print.

RoTE for Q3 was 7.0%, seasonally lower than the first half of the year, as you would expect. But RoTE for the year to date was 9.7% and I'm happy with the progress we are making to improve cost efficiency and reinvest for future growth. We are also improving capital efficiency, with RWAs down over £9bn yoy.

Moving on to CCP.

Slide 15: Q318 Barclays International: Consumer, Cards & Payments

CCP had a strong quarter, reporting an RoTE of 19.9%.

The continuing low level of impairment and underlying growth in US cards are the most significant elements of these results.

Net receivables in US cards grew year on year by 4% underlying, in dollar terms, and the underlying dynamics across the portfolios reinforce our belief in the growth opportunities for the business.

Our US card portfolios performed well, notably American Airlines and JetBlue, which continued to achieve double digit balance growth.

As we mentioned at Q2, we exited one of the US cards partnerships, which reduced the overall size of the book by \$1.5bn.

We do expect to take on new partnerships and exit others over time, as part of our business model. But I would stress that around 70% of the partnership book is now covered by agreements that last through 2022.

Deposits continued to grow, reaching £62.7bn, of which £15.3bn are in the international cards businesses.

Overall CCP income was up 2%, despite a £41m negative from revaluing Visa preference shares.

Costs increased 7%, excluding litigation and conduct, reflecting the investment across CCP in growth initiatives, in US cards of course, but also in our payments businesses where the new merchant acquiring platform is an important development for future growth.

Impairment is down by £313m year on year at £146m. Last year included the one off of £168m, but there was a further reduction of £145m.

The level of the charge reflects improvements in US macro-economic forecasts.

I wouldn't expect the charge to continue at this low level in the absence of further economic improvements, and I would remind you that the charge is sensitive to seasonal increases in balances that we typically experience through the Thanksgiving and Christmas periods.

But we remain comfortable with underlying credit trends. Focussing again on US cards trends which drive these numbers, the slide shows 30 and 90 day delinquencies up modestly on Q2, in line with industry trends.

Turning now to Head Office

Slide 16: Head Office: Negative income expected to reduce over time

The Head Office continues to reflect some idiosyncratic items, but is becoming more predictable, and the drag on Group returns is expected to reduce over time.

The loss before tax for the quarter was £110m, compared to £141m last year and £27m in Q2.

Q2 reflected the Lehman gain of £155m.

We didn't have any items of that magnitude in Q3, but the result reflected the two negative income factors we highlighted in the last couple of quarters: those legacy funding costs which are running at £90m a quarter, and that would reduce by over two-thirds were we to call the £3bn RCI in June next year

Secondly the hedge accounting charge which is tracking to around £200m for the full year, but is expected to be lower next year.

Below the PBT line, the preference share redemption will reduce the non-controlling interest charge from Q1.

Before I finish with capital, I just want to reiterate our cost trajectory.

Slide 17: Continued cost reduction towards 2019 guidance

This slide reminds you of our cost guidance, with a reduction from £14.2bn last year to around £13.9bn this year and a guidance range of £13.6-13.9bn for next year, all excluding litigation & conduct.

As we've stressed in recent quarters, with the implementation of the service company model, we've been implementing cost efficiency programmes across the group to create capacity to re-invest in growth and digitisation.

We remain focused on delivering cost efficiencies, such as standardising front to back processes across the bank, and rightsizing our infrastructure. These cost efficiency programmes mean we are self-funding investments in growth areas, and also in cyber-security and resilience, which we believe will become key attributes in the future. So we have cost investment programmes running in Q4 and through 2019 and beyond.

Moving on to our capital position.

Slide 18: Capital accretion driven by profitability

It was a strong quarter for capital with profits contributing 37 bps towards the CET1 ratio.

This more than offset the regular headwinds – dividend and AT1 coupons of 14bps, plus the pension contributions of 6 bps.

As I've mentioned there was limited litigation and conduct this quarter.

Overall the ratio increased from 13.0% to 13.2% in Q3.

In terms of capital flightpath, we've said many times that we are comfortable with a capital ratio of around 13%.

Slide 19: Successive quarters of CET1 ratio and TNAV progression, since Q118

We have seen profits contributing around 130bps towards the CET1 ratio this year so far, which more than offset the significant legacy litigation & conduct in Q1, and since then we have increased the capital ratio in successive quarters to reach 13.2%.

Both the redemption of the \$2.6bn preference shares, which have an 8.125% coupon, and the \$ AT1 required advance permission from the PRA, and they are negative for the Q4 CET1 ratio and for TNAV, around 33bps and 6p respectively.

We can't guide on the outcome of forthcoming stress tests, but this increases our confidence in improving returns of capital to shareholders, given the capital generation capacity of the group.

Of course we've re-iterated our intention to pay a 2018 dividend of 6.5p, and the board will review the capital returns policy beyond that with the full year results.

Our spot UK leverage ratio ended the quarter at 4.9%, well above our regulatory required level.

Finally a quick word on TNAV. Again we have shown successive quarters of TNAV accretion, after the Q1 headwinds.

In Q3 there was a contribution of 6p from profits, less the interim dividend of 2.5p. We saw some adverse reserve movements, including the fair valuing of the residual stake in Absa, but nevertheless reported TNAV accretion of 1p.

The EPS of 21.6p year to date gives us confidence that going forward we can pay attractive returns to shareholders, while still investing in key growth areas.

Slide 20: Focused on profitability and returning capital to shareholders

So, to re-cap.

Although Group RoTE for Q3, excluding litigation & conduct, was seasonally weaker than Q1 and Q2, we still reported a double digit RoTE of 10.2%, and 11.1% for the year to date.

I mentioned that Q4 is expected to be seasonally weaker, including the effect of the bank levy, and I've also mentioned the likelihood that impairment will rise from the current run rate.



However, results for the quarter and year to date reinforce our confidence in delivering our 2019 and 2020 RoTE targets of greater than 9% and 10% respectively, based on a CET1 ratio of around 13% and excluding litigation and conduct.

We saw accretion in both TNAV and the capital ratio in Q3, and have announced the forthcoming redemption of the outstanding \$ retail preference share and a \$ AT1.

This reinforces our confidence in our capacity to deliver attractive returns of capital to shareholders over time.

Thank you. Now we're happy to answer your questions, and I would ask you to limit yourself to two each, so we can get round as many of you as we can.

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- i. all regulated activity of all existing European branches and client base of Barclays Bank PLC ("BBPLC") as at 31 December 2017; and
- ii. all European clients of BBPLC who were located within the EEA (excluding the UK) as at 31 December 2017.

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 2017. 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 2017 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 regulatory approval, Court approval 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 of 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 relevant slide should be taken as (or is) a representation or warranty, express or implied, as to any of the matters presented.

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