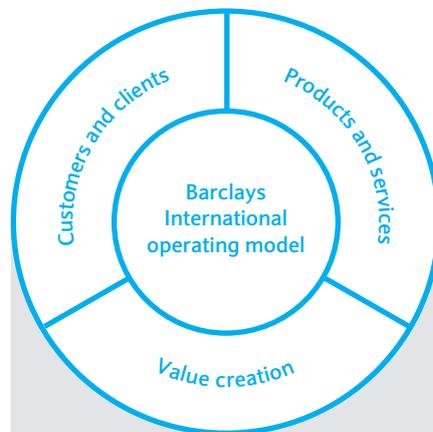


Strengthening our diversified portfolio



Tim Throsby
CEO, Barclays International

In 2018, Barclays International made good progress on executing our strategy and improving returns. Our progress gives us confidence that by continuing to build our businesses through targeted deployment of financial resources and investments in talent and technology, we can accelerate our growth and achieve increased returns.



Customers and clients

- Consumers
- Corporates
- Financial institutions
- Governments
- High and ultra-high net worth individuals and family offices
- Money managers and institutional investors

Products and services

- Corporate banking
- Investment banking
- Non-UK consumer banking, cards and lending
- Payments
- Securities sales, trading and research
- Wealth management

Value creation

- To our customers and clients – we connect providers and users of capital
- To society – we facilitate sustainable economic growth
- To shareholders – we deliver sustainable returns from our diversified portfolio of businesses

Contribution to Barclays

£14.0bn

Income

£3.9bn*

Profit before tax

8.7%*

RoTE

68%*

Cost: income ratio

£210.7bn

Risk weighted assets

* Excluding litigation and conduct.

Overview

Barclays International consists of the Corporate and Investment Bank (CIB) and Consumer, Cards and Payments (CCP). With relentless focus on delivering for customers and clients in our UK and US home markets and around the world, Barclays International's diversified business portfolio provides balance, resilience and exciting growth opportunities. The division has strong global market positions, and continues to invest in people and technology in order to deliver sustainably improved returns.

Strategy

Barclays International has a transatlantic footprint anchored in the world's deepest and most sophisticated capital markets, London and New York.

Barclays International offers clients and customers a range of products and services spanning retail banking and wealth management, credit cards and payments, and corporate and investment banking. The diversified business model provides Barclays shareholders with a mix of revenue streams that benefit from the different stages of the world's economic cycles.

We are making strategic investments to seize the clear growth prospects each business presents. Similarly, we continue to build a great culture where our strong conduct and rigorous controls environment enable us to deliver the right outcomes for all our stakeholders.

Market and operating environment

The markets in 2018 were characterised by US economic outperformance, including further labour market improvements and on-target inflation rates. Against this backdrop, short-term US interest rates increased further, ahead of other core markets, and the US dollar strengthened. While market volatility remained generally low, isolated bouts of volatility resulted in a more uneven equity performance. In the UK, growth softened further amid heightened uncertainty around Brexit developments, reflected in a volatile and depreciating sterling.

Barclays has been working on plans with respect to the UK's departure from the EU in 2019. Our plans are driven by an overriding commitment to preserve seamless ongoing EU market access for Barclays and our customers and clients. A key element of our plans was to seek regulatory authorisations from the Central Bank of Ireland and the European Central Bank to expand the operations of Barclays Bank Ireland PLC (BBIPLC). Barclays has had a banking licence in Ireland for almost 40 years. During 2018, Barclays received the necessary authorisations, scaled up our presence in Ireland, and began the transfer of our European branches from BBPLC to BBIPLC. We remain confident in our ability to serve our customers and clients once the UK's withdrawal is complete.

Our US Intermediate Holding Company (IHC) received positive feedback from the US Federal

Reserve on the IHC's first-ever public stress test submissions, indicating the strength of the IHC's capital position. The IHC, which we established in 2016, is an umbrella holding company for our US subsidiaries, including the US broker-dealer that operates key investment banking businesses and the entity that operates Cards & Payments in the US.

Risks to the operating model

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

The potential impact of longer-term uncertainty is a sustained low rate environment, predominately impacting revenues and driving cautious market activity. This was evident in 2018, and created a challenging operating environment for corporate and investment banking activities in particular.

As we accelerated our growth efforts in 2018, we increased our focus on ensuring that new revenue opportunities do not compromise our prudent approach to risk, or our ability to generate sustainable returns. Coupled with our cost efficiency programmes, this balanced approach is designed to deliver a more attractive bottom line.

We have a conservative risk profile, and continue to work to maintain the quality of our lending book. The quality of our US credit card portfolios has been consistent with the overall industry and key competitors. After an increase in delinquency rates in 2017, rates moderated for both the industry and Barclays in 2018. Loss and arrears rates are still below the long-term average and below pre-recession levels, driven in part by favourable US GDP growth and low unemployment rates. We continue to monitor overall growth in unsecured debt across the industry, particularly relative to wage growth, and during 2018 unsecured debt growth slowed to 4.9%, compared with 6.7% in 2017.

We continue to invest to ensure our infrastructure is resilient to cybercrime, conducting comprehensive penetration testing, supported by the deployment of a number of best-in-class malware detection tools.

Key highlights of the year

Barclays International delivered profit before tax across all four quarters of 2018 – demonstrating the increasing ability of our diversified portfolio of businesses to deliver the sustainable growth our shareholders expect.

We continually evaluate our entire portfolio of businesses for capital, leverage, risk assets and funding across all jurisdictions and legal entities. This helps us to further enhance both our operational discipline and precision in our capital allocation to deliver stronger returns.

Identifying the right talent to execute on our ambitions remains fundamental to our growth strategy. Over the course of the year, we hired

Investing in electronic trading capabilities to increase share in Markets

Upgrading our cross-asset electronic trading platform, BARX, provided significant fuel for our Markets business' standout performance this year. For example, the overhaul of our e-Rates platform is driving a tenfold increase in electronic trading of interest rate swaps by our buy-side clients. Our new Equities platform, featuring industry-leading algo capabilities, is generating significantly higher volumes from our clients and very positive feedback. The clients who generate the highest returns do more business with firms who deliver a consistently strong market-making offering across asset classes, so we are committed to extending our BARX investment in order to meet and exceed those client expectations, and to drive profitable growth in our franchise.

several experienced professionals to bring complementary skills to our leadership team, and made strategic appointments in areas where we see opportunities for growth, including a significant number of internal promotions.

To enable our people to deliver the best outcomes for our customers and clients, we focused our technology investment on commercially impactful enhancements, and this focus remains a hallmark of the division's strategy for the year ahead. Key initiatives ranged from new data science and algorithmic capabilities, to an enhanced digital experience for our customers and clients.

We are already seeing results of investing in our businesses. For example, our Equities franchise delivered a standout performance this year, with revenue growth outpacing competitors. Similarly, we are seeing growth in our newly launched US consumer loans product, which complements our US cards business.

During the year, we continued to contribute to society, from launching a new housing development fund to creating pathways to employment, and from mentoring entrepreneurs to structuring sustainability-linked loans.

Building on our progress is the mission of every colleague in Barclays International. We are confident in our ability to build on the commercial focus we demonstrated in 2018, and to deliver the right outcomes for all our stakeholders.

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Corporate and Investment Bank

The Corporate and Investment Bank comprises principally the Banking, Corporate Banking and Markets businesses which aid money managers, institutions, governments and corporate clients in managing their funding, financing, and risk management needs.

Performance overview

Banking

Banking provides clients with long-term strategic advice on mergers and acquisitions (M&A), corporate finance and financial risk management solutions, as well as equity and debt capital raising services.

In 2018, across the industry, fees were down approximately 4% globally, with some products and regions down double digits. Barclays' global investment banking fee share was 4.2%, consistent with our performance in 2017.

In Europe and the Middle East, we ranked fifth for all Banking products, our highest ever full-year ranking. In the Americas, we ranked sixth, and remain the highest-ranked European investment bank. Our Asia Pacific franchise continues to perform well.

Our performance was bolstered by a standout year in M&A, where we attained our highest global fee share in four years and ranked in the top five in Americas M&A for the third consecutive year. In Debt Underwriting we ranked in the top four in global fee share for the third consecutive year, driven by a continued strong presence in both the leveraged finance and investment grade primary debt markets. Our Equity Underwriting business performed well in a very challenging market environment, winning our highest ever ranking in European rights offerings, and continued to demonstrate momentum in initial public offerings (IPOs), where we book-ran five of the year's 10 largest IPOs from the Americas, Europe and the Middle East.

During 2018, our new Social Impact Banking group structured the first sustainability-linked loans in the US. More than 100 of our Banking colleagues mentored entrepreneurs as part of the third annual Unreasonable Impact programme, the world's first international network of accelerators focused on scaling-up entrepreneurial businesses that will help employ thousands worldwide while solving some of society's most pressing challenges.

Barclays was the recipient of multiple industry awards in 2018, including being named by Euromoney as the UK's Best Investment Bank for the third consecutive year (and sixth time

in the last seven years), and as Western Europe's Best Bank for Financing. In addition, Global Capital ranked Barclays as the Best Corporate Broker in the UK for the third year running, and IFR magazine named Barclays its North America Asset-Backed Securitisation House of the Year.

In the year ahead, we see opportunities to improve further the performance of Banking by investing in talent in key products and sectors, and continuing to build on our historical strength in debt underwriting.

Corporate Banking

Our Corporate Banking business provides GBP and EUR working capital and transaction banking services, including trade and payments, for multinational corporates and institutions, and UK large and medium size corporate clients.

Our new Corporate Banking leadership is focused on enhancing our offering. During the year, we developed a new multi-country digital banking platform, primarily supporting Corporate and Investment Bank clients, which was most recently rolled out in Ireland and Germany. In Q3 2018, Corporate Banking and the UK Government launched a £1bn housing development fund to boost the delivery of new housing in England, and also launched a £300m ENABLE Guarantee cashback scheme with the British Business Bank to boost asset finance lending to SMEs.

Corporate Banking has also driven stronger client relationships through innovative programmes like Connect with Work, which builds bridges between people who face barriers to getting into work and businesses that are recruiting but struggling to find suitable candidates.

Through significant investments in our technology, we are increasing the resiliency and performance of our digital client experience. These investments will continue to be a focus for the year ahead, alongside enhancing our competitive position in the UK, and growing our transaction banking revenues globally, expanding our European cash management platform, and continuing to enhance the commercial effectiveness of our lending book.

Markets

Our Markets business provides a broad range of clients with market insight, execution services, and tailored risk management and financing solutions across equities, credit, rates and foreign exchange (FX) products.

We made good progress in 2018 on our strategy to rebuild our franchise and transform performance over the long term. Supported by our investments in financial resources, technology, and human capital, our business this year increased market share^a across each asset class and delivered five consecutive quarters of outperformance vs. our peers. In a year of challenging market conditions, our Credit and Macro (Rates and FX) businesses – which we report as FICC (Fixed Income, Credit and Commodities) – produced steady performances, driven by revenue diversification in Credit and market share gains in Macro. Revenue growth in our Equities franchise outperformed our competitors, driven by strong performances in derivatives and equity financing. We also made significant progress in building out our electronic platform capabilities across all asset classes, enabling best-in-class execution for clients.

Note

^a All Markets ranks and shares: Coalition, FY18 Preliminary Competitor Analysis based on the Coalition Index and Barclays' internal business structure

Enhancing the precision of our capital allocation

With the goal of ensuring that our resources are being deployed in a manner that will drive improved shareholder returns, we are embedding a rigorous approach to quantitative and analytic capabilities and balancing risk and return within our businesses across Barclays International. We are focused on driving efficiency in funding and optimising the allocation of our capital. In addition, we identify new businesses to grow top line revenue. Early success on this front includes the Asset Finance business, which executed two major mortgage acquisition and securitisation transactions this year, both valued over £4bn.



We continued to help clients navigate market events and volatility, and maintained or improved our position in a number of markets. For example, Barclays was one of three banks chosen to execute the first-ever bond issue and the first-ever asset-backed commercial paper transaction based on the new Secured Overnight Financing Rate (SOFR). Additionally, we are a top three ranked broker by traded notional on the Tokyo Stock Exchange (TSE), with over 100 trillion yen traded for our clients in 2018, equating to more than 10% market share.

The clients who generate the highest returns for market-making businesses consistently allocate the greatest and most profitable share of their activity to full service markets franchises. To better meet the needs of these clients – typically the world’s largest money managers – and therefore to improve returns, in 2019 we plan to pursue targeted growth and diversification opportunities. Our dialogue with clients regarding these initiatives gives us confidence that these investments will drive the right commercial outcomes.

Research

Our Research team’s mission is to affect clients’ decision-making through independent, thought-leading, differentiated insights on equity and debt, as well as on the macro trends shaping the global economy.

To enhance our relevance to clients, particularly after the implementation of MiFID II, we continue to invest in our analysts and the digital capabilities supporting their work, as well as in best-in-class platforms to disseminate their insights. The Research Data Science Platform we are building will become an increasingly important differentiator for us, with state-of-the-art data infrastructure operated by leading data scientists and leveraging alternative data sets in innovative ways. Partnerships with research aggregators and new multimedia capabilities are helping clients interact with us in the channels of their choice, and report enhanced categorisation is bringing our best content to a broader audience.

The insights generated by our analysts drive connectivity with clients across the Investment Bank, with particularly strong client engagement on cross-asset, cross-regional perspectives, and our teams’ industry rankings demonstrate their relevance in helping clients understand the markets in a challenging year.

Consumer, Cards & Payments

Consumer, Cards and Payments includes Cards & Payments and Private Bank & Overseas Services. Cards & Payments provides branded and co-branded consumer credit cards, lending and deposit accounts to our customers in the US and Germany, and payment solutions to our customers and clients in the UK. Private Bank & Overseas Services provides banking, credit and investment services to retail, high net worth and ultra-high net worth clients, family offices, businesses, corporates and fiduciaries internationally.

Performance overview

Cards & Payments

Our Cards & Payments business operates across five business units: US Consumer Bank, Barclaycard Payment Solutions, Barclays Partner Finance, Barclaycard Commercial Payments and Barclaycard Germany.

US Consumer Bank offers co-branded and branded credit cards in the US, along with consumer loans and online retail deposits. Across all credit card products, US Consumer Bank added over two million new accounts in 2018 while growing our consumer retail deposits to over US\$14bn. We are among the top-ten credit card issuers in the market by total outstandings as at the end of 2018. Our strong position in the travel and entertainment industry continued with the launch of a new Frontier Airlines co-brand credit card. Our Uber Visa card and our JetBlue Plus Card appeared in *U.S. News & World Report’s* list of Best Travel Rewards Credit Cards. We also maintained our number three position in the 2018 J.D. Power US Credit Card Satisfaction Study. Driving continued strong growth in our US Consumer Bank – across online consumer banking and our partner cards franchise – is a strategic priority for us in 2019.

Barclaycard Payment Solutions provides merchant acquiring, payments integration and acceptance, and payment gateway products in the UK. In 2018, we processed over £250bn in payments, making us one of the largest payment acceptance providers in Europe. During the year, we successfully migrated over 100,000 clients from across our small business and corporate client base onto our new BankWORKS platform; clients now enjoy better and more resilient service, including new and improved statements and simplified and flexible pricing.

Barclays Partner Finance provides point of sale finance products to consumers in the UK through a network of retailers and car dealerships. In 2018, we grew our existing

partnerships, built relationships with new clients, won a number of industry awards, and retained our position as the market leader in the UK retail market.

Barclaycard Commercial Payments provides commercial cards and virtual payment products in the UK. In 2018, we launched the UK’s first co-branded trade credit card partnership with Travis Perkins Group, and strengthened our presence in the travel industry by signing new partnerships with Amadeus, Paxport and Voxel.

Barclaycard Germany is now over a quarter of a century old and serves over 1.3 million credit card, deposit and loan customers. We are the leading issuer of revolving credit cards in the country by outstanding balances. We also have a growing instalment loans business as well as an online deposit product. In 2018 we launched a new Barclaycard Visa credit card, and expanded our unique Equal Payment Plan (EPP) offering by enabling credit card customers to repay their credit card balance in fixed instalments. Barclaycard Germany continues to drive exceptional customer satisfaction rankings (RNPS), with the business ranking in the top two for both cards and loans.

Barclays is also a leading provider of credit cards and lending in Norway, Sweden and Denmark via our EnterCard joint venture with Swedbank.

Private Bank and Overseas Services

In the Private Bank we focus on bespoke solutions, ranging from standard to sophisticated, for our high net worth, ultra-high net worth and family office clients. Overseas services offers banking, investment and credit products and services to local residents and businesses based in Jersey, Guernsey and the Isle of Man, and serves non-UK based corporates and fiduciaries who have UK banking, credit and investment requirements. International Banking delivers banking, savings, mortgages and investment products to affluent international customers.

Private Bank and Overseas Services delivered a strong performance during 2018. We continued to enhance our client offering with new products and services, which drove an underlying increase in client balances. The business delivered strong revenue growth year on year, and a good return on equity.

We strive to build long-term value creation with our clients. Central to our strategy is continually enhancing our investment, banking and credit propositions. We have been developing differentiated capabilities in discretionary portfolio management, foreign exchange and real estate, and in bringing investment opportunities from our world-class Investment Bank.