Dear Fellow Shareholders

I am pleased to report that Barclays is in a very different place than it has been since the global financial crisis, and with the significant restructuring done, we can now for the first time in the recent past look forward to enhancing shareholder returns and distributions.

We have made significant progress, particularly in the past few years:

- we resolved a substantial portion of our major legacy matters putting behind us issues that have to date cost us over £17 billion
- we exited the bulk of our non-core and sub-performing assets at a cost of over £12 billion.

We implemented all elements of structural reform requirements:

- created a new ring-fenced UK bank from scratch, ahead of competitors and time, that is operating strongly
- established a service company that is delivering operational and financial efficiencies, creating the capacity to reinvest in the core businesses, as well as being in a position to provide essential services in the event of a failure of the bank
- finalised the arrangements for an intermediate holding company in the US
- set up arrangements in the EU and a transfer process, such that we are one of the most prepared banks for Brexit
- reflected advanced corporate governance in the major subsidiary banks with new governance arrangements including the introduction of separate boards of directors.

We have also developed a strong values-based culture that enables us to serve our customers, to make a significant contribution to society, to reward shareholders and to protect ourselves from the reputational damage associated with poor industry conduct.

Against a backdrop of very substantial increases in regulatory capital requirements, over time we have built up sufficient capital and financial strength enabling us to achieve our target capital ratio of c.13% of risk-weighted assets, prudently surpassing our mandatory distribution restriction hurdle, and we are in a position to endure severe future economic stress and yet be in a position to extend credit to our customers in that event. Some commentators imply because we are at that level but below other more domestic competitors, our capital is inadequate. However, we do not agree. The aim is to have the right amount of capital to balance safety and returns, rather than the maximum amount possible.
While digital technology has radically changed people’s lives and has brought untold benefits, unfortunately, it has also brought cybercrime. Not only are criminals after money, and can and will steal it where and whenever they choose, whether we are awake or asleep. They are harnessing this new digital reality, in which they can reach out across the globe, anonymously, and virtually risk-free. They are smart, highly innovative and persistent. The rewards are enormous and the risks to them low. This issue is a real and present danger, not only to our current way of life, but also to society as a whole.

At Barclays, we have made defending against cybercrime one of our most important and most urgent priorities. Accordingly, we are investing heavily to protect our customers, our system, our bank and society. This is a decision not only worth making, but one where there really is no choice in assuring the long-term future of the company.

Moreover, and finally, our major businesses are now positioned for success and on a path to deliver healthy and sustainable returns for shareholders. The return to profit in the year has also enabled us to increase the return of capital to shareholders, including increasing our dividend to its previous level.

Turning to the year itself, Group statutory profit before tax was £3.5bn, down 1% on the prior year (after absorbing litigation and conduct losses in the year of £2.2bn) yielding a return on tangible equity of 3.6%, up 7.2% on the prior year. Earnings per share showed a better picture at 9.4p, up from a 10.3p loss in 2017. The improved result benefited from a significant reduction in impairment as a result of prudent management of credit risk, as well as the benefit from improved macroeconomic forecasts during the year.

The conduct losses were a major factor in reducing our tangible net asset value per share (TNAV) from 276p to 262p in the year. The significant reduction to today’s level in part reflects the gruelling effect of the global financial crisis. I believe, and we have seen it in the quarterly progression since Q1 2018, that period of decline is now over, and we should over time see TNAV rising, which is an important foundation for the share price and progressive dividends.

Excluding litigation and conduct items, profit before tax was £5.7bn, up 20% on the previous year and yielded a return on tangible equity of 8.5%, just shy of our target levels for 2019 and 2020. Earnings per share was 21.9p, up from a 3.5p loss in the prior year.

These results demonstrate a good level of progress and provide a solid foundation for the future.

On the same basis, our businesses generally showed progress and advanced performance in the year.

Barclays International (which includes our Corporate and Investment Bank and Consumer Cards and Payments) grew its profits before tax 10% to £3.9bn and achieved a return on tangible equity of 8.7%. The Corporate and Investment Bank was the major contributor to profit growth, up 15% on the prior year at £2.7bn, and with an improved return on tangible equity of 7.1%. Consumer Cards and Payments achieved profits before tax of £1.2bn, with a strong return on tangible equity of 17.3%.

Barclays UK continues to be a major contributor to the Group with profits before tax of £2.4bn and with a strong return on tangible equity of 16.7%.

However, as we all know, in banking the journey is never done. The economic environment remains uncertain and issues will emerge, but we feel secure that we will be able to deal with these as they arise. In particular, we are well prepared for Brexit and the transfer of businesses into the EU, as and when this is required.

Shareholders may now be aware that funds managed by Sherborne, controlling approximately 5.5% of your company’s share capital, have proposed that Edward Bramson, of Sherborne, be appointed to your Board. Sherborne’s views and intentions in doing so are not fully clear to us. We continue to meet and correspond with Sherborne and Mr Bramson, and give due consideration to the issues they raise. As such, we do not believe that a board seat is needed for Sherborne to contribute its views. Your Directors believe that good governance requires a cohesive board that can properly represent the interests of all shareholders, and not just a small proportion of them.

The Board remains confident in our strategy, the fruits of which are reflected in our improved operating results. We believe it is important to avoid a further period of significant disruption, from which we have only this year freed ourselves, so that the Board and management can focus on executing the strategy and on our plans to improve performance beyond current levels. As a result, your Board is recommending that shareholders vote against the Sherborne resolution.

**Introducing your Chairman-designate**

I have been lucky enough to enjoy 36 years at Rothschild, working with many wonderful colleagues and clients, and was particularly honoured to lead the firm for a decade or so.

I now look forward to joining another great institution and to working closely with its executive management team, led by Jes Staley, and my fellow non-executive Directors.

I am totally committed to helping Barclays and its people continue to develop and progress.

**Nigel Higgins**  
Chairman-designate

Succeeding John McFarlane, who has done such a sterling job during a period of great change at Barclays, is a huge honour.

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I might also mention our position on energy finance and climate change, as it is now a major consideration for boards. It is a priority for us to contribute to society’s initiatives in limiting the impact of climate change. In doing so, we must recognise that for some time to come, renewable sources alone cannot meet global demand for energy.

Hence, our position has three areas of focus:

- financing the growth of green and renewable energy sources and proactively supporting the development of businesses aiming to solve the world’s environmental challenges
- taking a responsible and sustainable approach to the financing of essential sources of energy today that are more carbon intensive, or those with higher environmental impact, and
- reducing the carbon footprint of our own operations and supply chain.

The world is in transition, and Barclays’ approach reflects this. It requires a balance between advancing tomorrow’s energy technologies and reducing our current exposure to carbon-intensive energy sources such as thermal coal, recognising current reliance on traditional energy sources is necessary until such time as new methods can replace them fully.

We share the desire to accelerate the transition to a green future, and will therefore work constructively with all of our stakeholders to find the right balance. Shareholders can read more about our approach on page 25 of the Strategic Report and in the Environmental, Social and Governance (ESG) Report.

If we pause to reflect on the period since the crisis, it has indeed been a tough few years for the Group. What we have achieved could not have been done without the leadership of our Chief Executive Jes Staley and his senior team. I would therefore like to thank the Board, our management and all our staff for the enormous efforts they have made to make Barclays a better place.

You will be aware I plan to retire from the Group at the upcoming AGM. I’m satisfied that I will leave a company that is capable and prepared for the future, in particular to be able to deliver sustainably stronger returns to shareholders than have been seen for many years.

The Corporate and Investment Bank is an important contributor to the economy, has increased its market position globally and particularly in the US and Europe, positioning itself as a leading player in the world’s deepest capital pools at a time when capital markets are playing an increasingly important role in supporting the growth of our corporate and institutional clients.

Barclays UK is strongly positioned in both Cards and in Retail banking, and our US cards business is now larger than our UK equivalent with attractive prospects for growth.

The Group has also invested appropriately in digitisation to position us to take advantage of the technical revolution, as well as defending ourselves from new Fintech competitors.

This new financial and operational foundation and improved business productivity and performance should serve us well in the coming years and should enable share price recovery from recent discounted levels.

And finally, since this is my last letter to you as Chairman, it has been a great privilege for me to have served this great company and you as shareholders, and I thank you for allowing me to do so. I will of course continue to serve you until I finally step down.

I commend my proposed successor, Nigel Higgins to you. The Board has made an excellent choice and I have every confidence that Nigel will be a superb steward of the Board and the Company.

John McFarlane
Chairman