

Barclays US LLC

2019 Company-Run Dodd-Frank Act Annual
Stress Test Disclosure

Supervisory Severely Adverse Scenario



June 2019

Table of contents

Section	Description	Page
A	Overview	2
B	Description of the Supervisory Severely Adverse Scenario	3
C	Results under the Supervisory Severely Adverse Scenario	4
D	Types of risks considered in the Supervisory Severely Adverse Scenario	9
E	Description of methodologies used	11
F	Further information	13

A) Overview

- Barclays US LLC (“Barclays”) is an intermediate holding company (“IHC”) established by Barclays PLC in 2016 following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The IHC is a wholly-owned subsidiary of Barclays Bank PLC and part of the Barclays PLC group of companies. The IHC comprises two main businesses: an investment bank, which provides banking services to corporations, governments and institutions; and a consumer bank, which provides credit card, lending, deposit and payment solutions to personal and small business customers. The IHC accounts for a subset of the broader organization’s total operations in the United States (“US”), with a portion of US corporate and investment banking business booked outside the IHC.
- The Dodd-Frank Act and the Board of Governors of the Federal Reserve System (the “FRB”) require certain organizations, including Barclays, to conduct regular stress tests and publicly disclose the results of such stress tests. This document provides a summary of Barclays’ forecasted risks, calculation methodologies and projected results with regards the 2019 annual company-run Dodd-Frank Act stress testing (“DFAST”) exercise.
- The results depict the projected impact of the most severe of the three hypothetical scenarios created by the FRB for 2019 DFAST purposes (the “Supervisory Severely Adverse Scenario”). Results are provided for selected financial measures across a nine-quarter planning horizon, beginning with Barclays’ actual position as of December 31, 2018.
- The results were calculated using forecasting tools and methodologies developed by Barclays and may differ from other stress-testing analyses produced previously by Barclays or by others, due to the specific stress testing methodologies, assumptions and scenarios used.
- The results also use the following assumptions (the “DFAST Capital Actions”) regarding projected capital actions, with the first projection quarter (Q1 2019) reflecting actual capital actions taken and the second through ninth quarters (Q2 2019– Q1 2021) including (a) common stock dividends equal to quarterly average of actuals paid in prior year; (b) payments on other capital instruments equal to stated dividend, interest or principal due in respective quarters; (c) no redemptions or repurchases; and (d) no issuance of common or preferred stock, except for employee compensation or planned mergers and acquisitions.
- This document provides hypothetical estimates from forward-looking exercises of possible outcomes based on an assumed, materially adverse business environment. It should not be viewed as a forecast of actual expected outcomes or otherwise used to make inferences about the actual future performance of Barclays, Barclays Bank PLC or the broader Barclays PLC group of companies.

B) Description of the Supervisory Severely Adverse Scenario

Overview

- The FRB's Supervisory Severely Adverse Scenario is characterized by a severe global recession that is accompanied by a period of heightened stress in commercial real estate markets and corporate debt markets.
- Further, more detailed information about the scenario is provided in the FRB's published instructions.¹

Key Macroeconomic Variables Included

- The US unemployment rate peaks at 10%.
- Real US Gross Domestic Product falls 8% from its pre-recession peak.
- Equity markets decline 50% through the end of 2019, accompanied by a significant rise in volatility.
- The spread of investment-grade corporate bond yields over the 10-year Treasury rate widens to 5.5%.
- Short-term yields fall 2.25%, with the 3-month Treasury rate remaining near 0% throughout the scenario; the 10-year Treasury rate troughs at 0.75%.
- Real estate prices decline, with housing prices falling 26% and commercial prices falling 35%.
- Reflecting flight-to-safety capital flows, the US dollar appreciates against the pound sterling, reaching a trough UK bilateral dollar exchange rate of 1.25.
- Consumer Price Index inflation falls to 1.25% at an annual rate initially in 2019 before rising gradually again later in the scenario.

Global Market Shock Components

- The specific shocks provided by the FRB are used to reflect Global Market Shock ("GMS") trading and large counterparty default losses. As required by the FRB, GMS is applied to Barclays' trading positions as of November 5, 2018.
- This year's scenario features a significant weakening in European economic conditions and spillover effects that lead to broad sell-offs in financial assets.

¹ <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20190213a1.pdf>

C) Results under the Supervisory Severely Adverse Scenario

Capital Ratios: Actual Q4 2018, Projected Q1 2019 to Q1 2021

Regulatory Capital Ratio ^{1,2}	Actual Q4 2018	Projected Stressed Capital Ratios ³		Regulatory Minimum
		Ending	Nine-Quarter Minimum	
Common Equity Tier 1 Capital Ratio	14.5%	10.1%	10.1%	4.5%
Tier 1 Risk-Based Capital Ratio	17.6%	13.4%	13.3%	6.0%
Total Risk-Based Capital Ratio	21.0%	16.4%	16.4%	8.0%
Tier 1 Leverage Ratio	8.9%	6.6%	6.6%	4.0%
Supplementary Leverage Ratio	7.3%	5.6%	5.6%	3.0%

Risk-Weighted Assets: Actual Q4 2018, Projected Q1 2021

Item	Actual Q4 2018	Projected Q1 2021
Risk Weighted Assets ⁴ (\$bn)	87.0	80.3

¹ Projected stressed capital ratios indicate hypothetical estimates under an economic outcome that is significantly more severe than expected actual business conditions. The estimates are not intended to represent or forecast actual or expected business conditions.

² Capital actions as per the FRB's DFAST Capital Action instructions.

³ The US Basel III standardized approach is used to calculate risk weighted assets for credit risk and market risk with respect to the Common Equity Tier 1 Capital Ratio, the Tier 1 Risk-Based Capital Ratio and the Total Risk-Based Capital Ratio.

⁴ The US Basel III standardized approach is used to calculate both actual and projected risk weighted assets.

C) Results under the Supervisory Severely Adverse Scenario (continued)

Projected Losses, Revenues and Net Income before Taxes: Projected Q1 2019 to Q1 2021

Item ¹	\$m	% of Average Assets ²
Pre-Provision Net Revenue (“PPNR”) ³	1,297	0.9%
Other Revenue	-	
<i>less</i>		
Provisions ⁴	4,401	
Realized Losses/(Gains) on Securities (AFS/HTM) ⁵	-	
Trading and Counterparty Losses	852	
Other Losses/(Gains) ⁶	201	
<i>equals</i>		
Net Income/(Losses) Before Taxes	(4,157)	(2.8%)
Memo Items		
Other Comprehensive Income	(3)	
<i>Other Effects on Capital</i>	<i>Actual Q4 2018</i>	<i>Q1 2021</i>
Accumulated Other Comprehensive Income in Capital (“AOCI”)	(44)	(20)

¹ Income statement categories used for the results conform to the FRB’s definitions; classifications of revenue and expense items may differ from Barclays’ financial disclosures.

² Average Assets are the average of total assets across the nine-quarter projection period.

³ PPNR is equal to net interest income plus non-interest income, less non-interest expense, impairment losses for other intangible assets and operational risk losses.

⁴ Provisions are calculated as the sum of forecasted net credit losses and the change in the allowance for loan and lease losses over the nine-quarter period.

⁵ Available for Sale (“AFS”) and Held to Maturity (“HTM”) securities.

⁶ Includes goodwill impairment.

C) Results under the Supervisory Severely Adverse Scenario (continued)

Loan Loss Projections: Projected Q1 2019 to Q1 2021

Loan Type	\$m ¹	Portfolio Loss Rates
First Lien Mortgages, Domestic	-	-
Junior Liens and Home Equity Lines of Credit, Domestic	-	-
Commercial and Industrial	62	36.4%
Commercial Real Estate, Domestic	14	43.2%
Credit Cards	4,179	17.8%
Other Consumer ²	125	22.2%
Other Loans ³	4	0.0%
Total Projected Loan Losses	4,384	12.0%

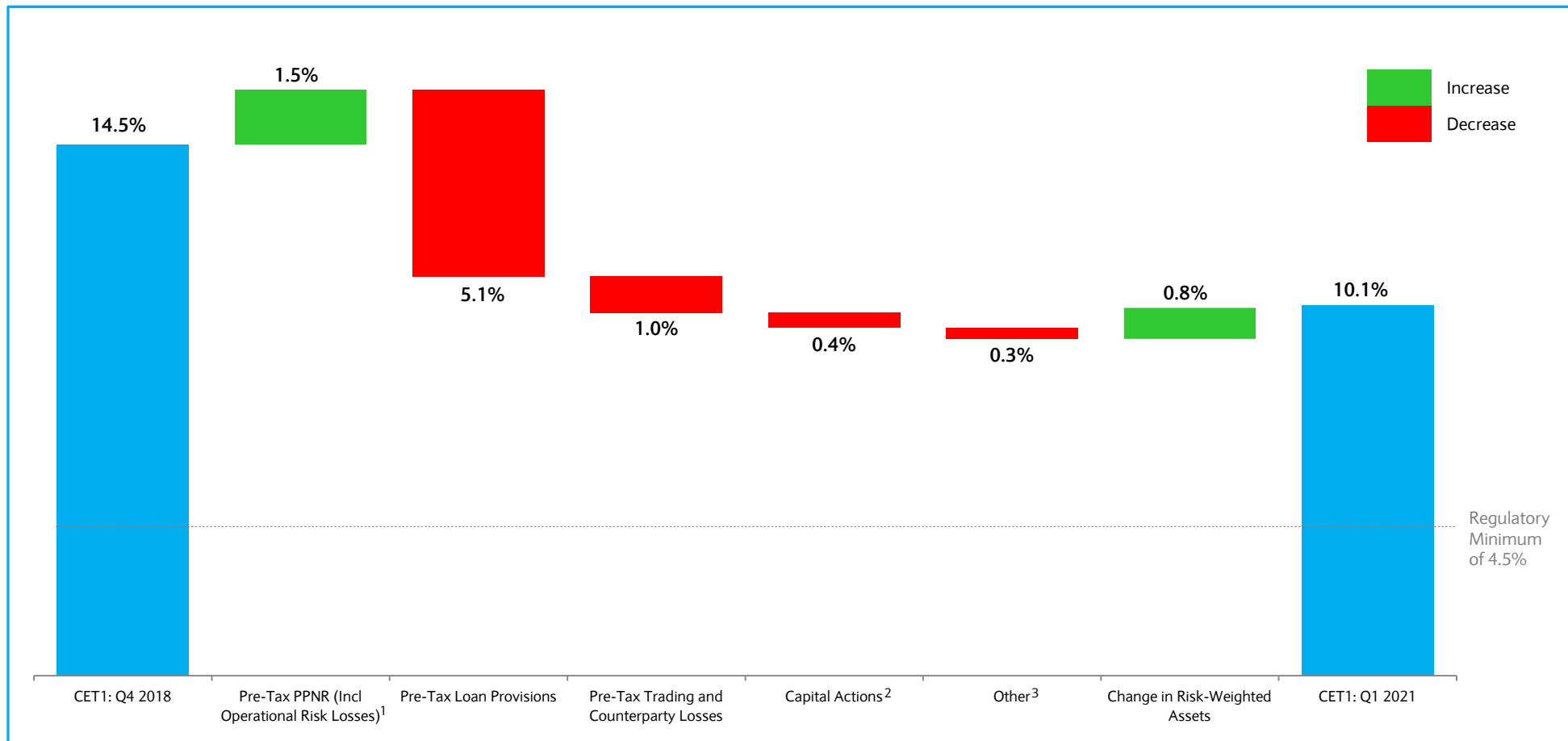
1 Average loan balances are calculated across the nine-quarter projection period. Loans held for sale or measured at fair value are excluded from average loan balances.

2 Other Consumer represents retail installment loans.

3 Other Loans includes loans to depositories and other foreign banks (including intercompany loans to other Barclays entities), loans to purchase and carry securities and municipal tender option bond loans.

C) Results under the Supervisory Severely Adverse Scenario (continued)

Common Equity Tier 1 Capital Ratio: Key Drivers, Q1 2019 to Q1 2021



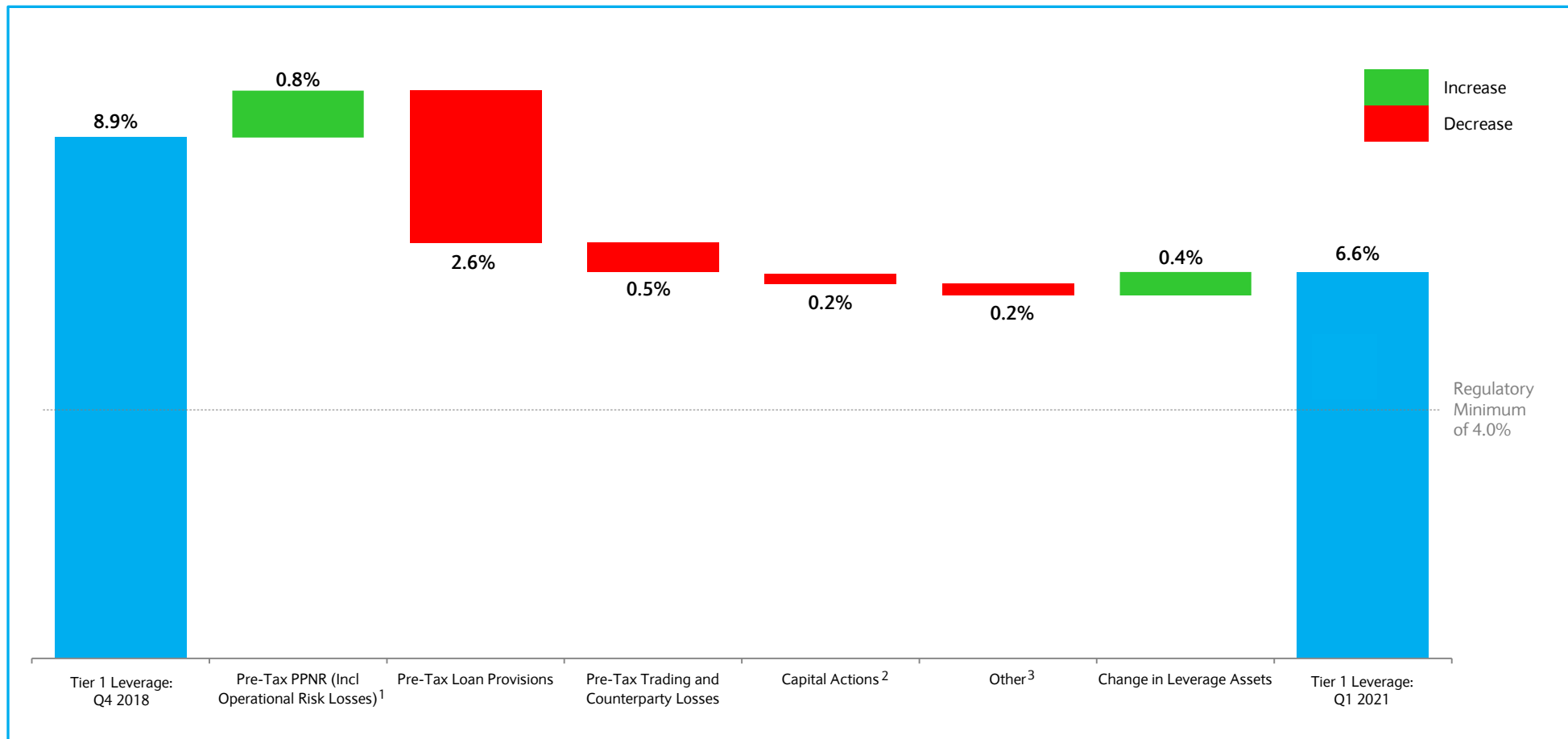
¹ Pre-Tax PPNR includes losses from operational risk events and impairment losses for other intangible assets.

² Capital actions as per the FRB's DFAST Capital Action instructions.

³ Represents impact from tax, goodwill impairment and regulatory capital components including deferred tax asset deductions, goodwill and intangibles deductions and AOCI.

C) Results under the Supervisory Severely Adverse Scenario (continued)

Tier 1 Leverage Ratio: Key Drivers, Q1 2019 to Q1 2021



¹ Pre-Tax PPNR includes losses from operational risk events and impairment losses for other intangible assets.

² Capital actions as per the FRB's DFAST Capital Action instructions.

³ Represents impact from tax, goodwill impairment and regulatory capital components including deferred tax asset deductions, goodwill and intangibles deductions and AOCI.

D) Risks considered in the Supervisory Severely Adverse Scenario

The risks described below are considered most relevant to Barclays, based on their significance to the IHC's risk profile and specific vulnerabilities. Barclays' stress-testing results reflect these risks.

Treasury and Capital Risk

- The risk of having an insufficient level or composition of capital to support normal business activities and meet regulatory capital requirements under normal operating environments or stressed conditions, both actual and as defined for internal planning or regulatory stress-testing purposes.
- The risk of being unable to meet contractual or contingent obligations or of Barclays not having the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- The risk of capital or income volatility arising from a mismatch between the interest rate exposures of Barclays' non-traded assets and liabilities.
- The risk of pre-provision net revenue declining as a consequence of lower deal and transaction volumes, trading activity levels, spreads earned and other sources of revenue streams.
- The risk of loss associated with affiliate relationships, notably Barclays' parent entity and dependencies on the parent entity's creditworthiness.
- The risk of reduced revenue opportunities or increased capital constraints as a result of changes in the regulatory environment, the emergence of geopolitical risks or other changes in the competitive landscape.

Credit Risk

- The risk of loss from the failure of clients, customers or counterparties to fully honor their obligations to the firm, including the payment of principal, interest, collateral or other obligations.
- The risk of higher retail credit losses and associated loan loss provisions from deterioration in the US macroeconomic environment, particularly in employment, consumer debt levels, and residential real estate metrics.

D) Risks considered in the Supervisory Severely Adverse Scenario (continued)

Market Risk

- The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- The risk of unexpected losses on residual trading inventory positions, both from sudden adverse directional systemic moves as well as more sector or name-specific idiosyncratic events, including default.

Operational Risk

- The risk of loss from inadequate or failed processes or systems, human factors or external events including fraud where the root cause is not due to credit or market risks.
- The risk of business disruption from technology outages or system errors and the associated cost to remediate issues given high transaction volumes and reliance on complex technology and data management systems.
- The risk of data breaches, including loss of sensitive data; increased frequency and severity of cyber attacks.

Conduct Risk

- The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of willful or negligent misconduct.
- The risk of detriment to clients from cultural or strategic decisions resulting in legal fines, settlements or increased regulatory scrutiny.

Other Risks

- Barclays further considers and manages a range of other risks that could be significant in capital planning and capital adequacy assessment processes including legal risk, model risk and reputational risk to the organization.

E) Description of methodologies used in forecasting

Overview of Estimation Methodologies

- Barclays uses an interconnected network of models to simulate business performance over nine quarters, under both baseline and stressed market conditions. Outputs from this simulation process include income statement, balance sheet and resource consumption metrics, as well as capital and leverage ratios.
- Where quantitative methods are supplemented with qualitative approaches such as expert judgment or management input, Barclays operates a comprehensive process to ensure appropriate review and challenge at multiple levels of the organization.
- In addition, for models and other estimation methods that use assumptions around the continuation of historical relationships, such assumptions are examined and independently validated to assess their validity for conditions of acute market stress.

Pre-Provision Net Revenue and Balance Sheet Projection Methodologies

- PPNR is equal to net interest income plus non-interest income, less non-interest expense, operational risk losses and impairment losses for other intangible assets.
- The income components of PPNR are derived using methodologies informed by macroeconomic variables and expert judgment. These are estimated at a business or segment level.
- The non-interest expense components of PPNR use estimation methods that reflect the current cost base and incorporate a defined set of management actions which reduce variable costs in stressed scenarios. These are estimated at a legal entity level.
- The operational risk loss components of PPNR include legal losses, non-legal losses (such as credit card fraud) and idiosyncratic events. They use estimation methods informed by macroeconomic variables, historical experience and expert judgment.
- Asset and liabilities are projected for each of Barclays' main businesses using quantitative and qualitative methods, which may include assumptions based on expert judgment.

E) Description of methodologies used in forecasting (continued)

Risk-Weighted Asset Projection Methodologies

- Risk-weighted assets comprise two components for Barclays:
 - The standardized approach, which is used for credit, counterparty credit and specific market risk exposures.
 - Modeled market risk, which is used for general market risk exposures.
- Standardized approach projections are calculated using scaled trade balances, augmented by models that project key inputs such as collateral mix and credit ratings and aligned to the US Basel III standardized approach.
- Projections under the modeled market risk approach are calculated using approaches that link risk-weighted asset components to changes in market variables such as equity or rates volatility.

Retail and Wholesale Credit Loss Provisions

- Retail loss provisions reflect the credit characteristics of Barclays' credit card and installment loan portfolios:
 - The models used for this metric are informed by macroeconomic variables such as unemployment, housing prices, interest rates, customer behavior and credit bureau attributes.
 - Probability of default, exposure at default and loss given default calculations are performed either at a loan or portfolio level.
 - Net credit loss forecasts are used to determine the build or release in the allowance for loan and lease loss over the forecast horizon.
- In consideration of the profile of Barclays' US business, wholesale loss is not considered material.
- Both retail and wholesale loss provisions are calculated using balance sheet forecasts as inputs.

Trading and Counterparty Loss

- Trading and counterparty loss is estimated using internal models which simulate the application of GMS market stress on these portfolios. Such losses are recognized in the first quarter of the projection period.
- Large counterparty default loss is computed by applying GMS to the relevant counterparty exposures and simulating the default of Barclays' largest trading counterparty (as ranked by net stressed current exposure).

Capital

- The estimates of risk-weighted assets, balance sheet, revenue and loss forecasts described above are used by Barclays to project its capital position on a quarterly basis over the nine-quarter planning period.

F) Further information

- This announcement 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.
- 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 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.
- These statements and estimates are based on the current assumptions, beliefs and expectations of Barclays’ management.
- By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Subject to applicable law and regulation, Barclays undertakes no obligations to update publicly or review any forward-looking statements, whether as a result of new information or otherwise.
- The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has published or may publish via the Regulatory News Service of the London Stock Exchange or has filed or may file with the US Securities and Exchange Commission.