

## **BARCLAYCARD FUNDING PLC**

### **Strategic Report For the Year Ended 31 December 2019**

The Directors present the strategic report for Barclaycard Funding PLC (the "Company") for the year ended 31 December 2019.

#### **Principal activities and business review**

The Company is a special purpose entity ("SPE") set up by Barclays Bank PLC to issue series of limited recourse medium term notes as part of the securitisation of credit card receivables originated by Barclays Bank UK PLC (prior to 1 April 2018 by Barclays Bank PLC before the Part VII transfer under the Financial Services and Markets Act 2000). As part of the securitisation structure, Barclays Bank UK PLC sells a beneficial interest in a pool of credit card receivables to Gracechurch Receivables Trustee Limited (the "Trust", an SPE incorporated in England and Wales and fellow Barclays group company), which then issues an investor certificate (collateralised by the credit card receivables) to the Company. The Company funds the purchase of the investor certificate through the issuance of medium term notes to Gracechurch Card Programme Funding PLC, which itself funds the purchase of the medium term notes through the issuance of asset backed securities (collateralised by the medium term notes) under the Medium Term Note Programme ("MTNP"). The Company is considered to be a subsidiary of Barclays Bank UK PLC due to the fact that Barclays Bank UK PLC holds the Company's 'A' Ordinary Shares which gives Barclays Bank UK PLC 51% of the voting rights.

In 2019 the Company redeemed a medium term note liability on 15 July 2019 referred to as Series 2014-1 totalling £882.4 million and as a result decreased its interest in the investor certificate asset by the same amount.

Certain series of medium term notes are subject to a "Call Date" whereby the instruments may be redeemed prior to the final maturity dates. £7.06 billion of the Company's medium term notes are covered under Series 2013-3, Series 2014-2, Series 2015-1 and Series 2015-2 final terms of the supplemental base prospectus where an optional call date can be exercised by Gracechurch Card Programme Funding PLC to settle asset backed notes earlier than scheduled maturity date. Gracechurch Receivables Trustee Limited will make an early payment to the Company in return for a reduction of the investor certificate at par. The Company would then simultaneously settle at par the medium term notes issued.

The "Call Date" option commenced on 20 November 2013 for 2013-3, 11 November 2014 for Series 2014-2 and 20 November 2015 for Series 2015-1 and 2015-2, and expires for Series 2013-3 and 2014-2 on 17 June 2024, Series 2015-1 on 17 November 2025 and for Series 2015-2 on 15 November 2022. This option can be exercised on any given interest payment date (15th of each month), which would likely result in the investor certificate and subsequently the medium term notes being redeemed at par prior to the scheduled redemption date.

As at 31 December 2019, the Company held an £7.6 billion interest in investor certificate asset and issued a corresponding amount of medium term note certificates. The investor certificate asset and medium term note liabilities were purchased and issued, respectively, in several Series of offerings. They are expected to be redeemed on the scheduled redemption dates, where the key performance indicators for each Series of notes issued meet criteria set out in the offering documentation. Where these criteria are not met, redemption will take place by their final redemption dates. See note 14 (c), Financial risks, of the accompanying financial statements for detail of the different series of offerings.

The Company is entitled to expense and profit retention reimbursements from Barclays Bank UK PLC as part of its agreed margin. The MTNP stipulates a profit retention requirement of the greater of £1,200 per annum or £600 annually per Series issued. The Company has met this retention requirement for 2018 and 2019.

#### **Business Performance and financial position**

During the year the Company made a profit and total comprehensive income for the year of £3k (2018: £2k). The total net assets during the year were £253k (2018: £250k) and net operating cash outflows were £3k (2018: £71k). The Directors do not recommend the payment of any dividends for the year ended 31 December 2019 (2018: £nil).

## **BARCLAYCARD FUNDING PLC**

### **Strategic Report (continued) For the Year Ended 31 December 2019**

#### **Principal risks and uncertainties**

The Company's activities expose it to a number of risks. The principal risk is that the Company is unable to meet its obligations should the interest and principal received on the Company's investment not be sufficient to pay the medium term note holders interest and principal and the associated expenses of the Company. This could arise if the cash flows generated on the investor certificate from the revolving credit card receivables are not sufficient to settle interest and principal due on the medium term notes.

Information on how the Company's Directors manage these risks and uncertainties is explained in note 14 to the accompanying financial statements.

Whilst the direct and indirect impact of the Coronavirus (COVID-19) outbreak remains uncertain, a number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact on GDP during 2020. Concerns remain as to whether these policy tools will counter anticipated macro-economic risks and a prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries. In addition, an escalation in geopolitical tensions or increased use of protectionist measures may also negatively impact the Company's business.

#### **Key performance indicators (KPI'S)**

The Company does not use complex KPIs in monitoring the business. The interest income generated on the investor certificate, the interest costs of the medium term notes and the related operating expenses are the principal components of the Company's operations, which are quantified in the Statement of Comprehensive Income.

Barclays Bank UK PLC as servicer under the MTNP (and which is represented on the Board of Directors of the Company) monitor a number of key performance indicators such as triggers (including performance of the underlying credit card receivables portfolio; related arrears levels, excess spread, portfolio yield, payment rate and charge off rate), the credit ratings of the notes in issue and the credit worthiness of the counterparties relevant to the Company, which give comfort to Directors on the performance of the underlying receivables and hence the anticipated performance of the Company.

#### **Statement on section 172(1) of the Companies Act 2006**

Section 172(1) of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole but having regard to a range of different matters. The Company is a special purpose vehicle and as such performs a very limited range of activities. As a special purpose vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of its incorporation.

## BARCLAYCARD FUNDING PLC

### Strategic Report (continued) For the Year Ended 31 December 2019

#### Statement on section 172(1) of the Companies Act 2006 (continued)

The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the documents governing the financing and other principal transactions to which the Company is party (together, the "programme documentation") have been formulated with the aim of achieving the Company's purpose and business objectives, safeguarding the assets of the Company and promoting the success of the Company;
- in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;
- the Company has no employees;
- the Company has appointed various third parties to perform certain roles strictly governed by the programme documentation, fee arrangements agreed in advance;
- as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- Barclays Bank UK PLC ("Barclays") holds 75 per cent. of the issued share capital of the Company, representing 51 per cent. of the issued voting share capital and a 49 per cent. entitlement to distributable profits. The remaining issued share capital is all held on a discretionary trust basis for charitable purposes.

An example of how the Directors have had regard to the matters set out in sections 172(1) (a) to (f) of the Companies Act 2006 when discharging their section 172 duties and the effect of that on certain of the decisions taken by them is when the Company's bank accounts were novated from Wells Fargo Bank, N.A. ("Wells Fargo") to Barclays, following Wells Fargo's decision to no longer provide account bank services. As part of this transaction, HSBC Bank plc ("HSBC") was separately appointed as a standby bank account provider to permit the transfer of the Company's bank accounts from Barclays to HSBC if Barclays' credit ratings were downgraded below a certain level. When making this decision, the Directors considered the interests of the Company's stakeholders, in particular ensuring (1) operational resilience and business continuity for the Company's contractual counterparties and security holders in the event of a ratings downgrade affecting Barclays; (2) relevant rating agency criteria were complied with; and (3) servicing costs were managed as efficiently as possible.

This report was approved by the board and signed on its behalf.

DocuSigned by:



R. H. Whitaker

For and on behalf of Intertrust Directors 1 Limited  
Director

Date: 29 June 2020