

**Barclays Mercantile Business Finance Limited**  
**Directors' report**  
**For the year ended 31 December 2019**

The Directors present their annual report together with the audited financial statements of Barclays Mercantile Business Finance Limited (the 'Company') for the year ended 31 December 2019.

**Profit and dividends**

During the year the Company made a profit after tax of £23.0m (2018: £ 33.6m). No interim dividend was paid during the year (2018: £17.4m). The Directors do not recommend the payment of a final dividend (2018: £Nil).

**Post balance sheet events**

**1. COVID**

The Company is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak the financial effect of which has been estimated basis the 31.12.2020 forecasts as reduction in the balance sheet size by £150Mn and fall in income by £2.8Mn. There has been increase in ECL by £21.76Mn as on June'20. The Company continues to operate within its internal risk and regulatory capital limits which are being actively monitored by management in line with management's expectations.

The key areas of risk being handled by Management on the ground are – Our people, Our Clients, client credit risk and income flow.

The safety of our staff is paramount at all times, to maintain this approach we have moved to a home working model for all BMBF staff, these arrangements will be reviewed in line with Government advice as the COVID19 crisis evolves. Barclays Plc have a comprehensive suite of wellbeing support measures in place that all employees can access at this time, this is being supported locally via regular update calls with all staff.

The financial impact of COVID19 on our clients has caused immediate cash flow challenges for many, BMBF have supported this by providing temporary 'Emergency Payment Freezes' to impacted clients following the application of the Pandemic Lending framework criteria across Barclays. These arrangements are interest bearing at the prevailing rate on each individual agreement with accrued interest collected through the remaining life of the agreement. In light of the same, EPF was granted to 257 clients having net book value of £355Mn at inception which is now £340Mn as on 30th June. This approach reflects the guidance issued by the UK Finance & Leasing Association (FLA) and supports our clients at this time of need.

COVID19 related EPFs have the effect of deferring our capital collection under existing affected agreements and therefore increasing the risk factor in that area of our book, BMBF are managing this by limiting the length of the EPF to 3 months in line with industry guidance and only exceeding this in exceptional circumstances. The economic risk to BMBF is being mitigated by the accrual and collection of the prevailing interest charges for the period of the EPF. The vast majority of our clients are also Barclays banked, so we are working closely with the bank relationship teams to understand and fit in with other additional facilities being provided by the bank, either under the Government support schemes or other Barclays facilities.

**2. Ownership change**

In order to reduce solus capital inefficiencies for BBPLC arising from its holdings in financial sector entities, it is proposed that BBPLC's shareholding (94mn) in BMBF is transferred to BPIL, an existing group holding company which is a direct subsidiary of BPLC.

Specifically, the transaction will give rise to a solus CET1 benefit for BBPLC as it will remove the CET1 capital deduction associated with BBPLC's investment in BMBF.

This transfer has been completed successfully in June'20.

**Barclays Mercantile Business Finance Limited**  
**Directors' report**  
**For the year ended 31 December 2019**

**Directors**

The Directors of the Company, who served during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below:

D C Hawkins – appointed on 21<sup>st</sup> May 2014  
S.G. Bolton – appointed on 1<sup>st</sup> April 2014  
P.K. Vukkalam – appointed on 24<sup>th</sup> May 2016  
Jonathan Brown – appointed on 1<sup>st</sup> March 2019  
Karl Nolson – resigned on 28<sup>th</sup> February 2019  
Angela Ottaway – resigned on 23<sup>rd</sup> September 2019  
Donna Barnes – appointed on 27<sup>th</sup> September 2019

**Going concern**

After reviewing the Company's performance projections, cashflows and relevant stress scenario analysis (including the implication from the COVID-19 outbreak), the available banking facilities and taking into account the support available from Barclays Bank PLC, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

**Statement of directors' responsibilities in respect of the Strategic report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Financial risk management**

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Company are set out below.

Risks are formally reviewed by The Board and appropriate processes put in place to monitor and mitigate them.

**Barclays Mercantile Business Finance Limited**  
**Directors' report**  
**For the year ended 31 December 2019**

**Competition**

The Group operates in a highly competitive environment particularly around price and product availability/quality. This results in not only in downward pressure on our margins, but also in the risk that we will not meet our customers' expectations. In order to mitigate this risk, we undertake routine market research to understand our customers' expectations and whether their needs are being met.

**Foreign exchange risk**

The Company is exposed to foreign exchange risk due to the extent of its foreign currency assets not matched by foreign currency borrowings in the same currency. In order to mitigate this risk the Company has in place forward exchange contracts used to hedge its net foreign currency exposure.

**Interest rate risk**

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and / or reduced income from the Company's interest bearing financial assets and liabilities. The Company mitigates this risk by ensuring that some of its borrowings are fixed rate. The remaining floating rate debt is hedged using interest rate swaps.

**Credit risk**

Credit risk is the risk that counterparties to the Company's financial assets may default. To mitigate this risk, the Company assesses all counterparties, including its customers, for credit risk before contracting with them.

**Liquidity risk**

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company maintains a mixture of long term and short term committed facilities, including financial support from the parent, Barclays PLC, that are designed to ensure the Company has sufficient available funds for operations and planned expansion.

The Company is required to follow the requirements of the Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in note 24 'Financial Risks'.

**Directors third party indemnity provisions**

Qualifying third party indemnity provisions were in force (as defined by section 234 of the Companies Act 2006) during the course of the financial year ended 31 December 2019 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

**Directors' remuneration**

The Directors did not receive any emoluments in respect of their services to the Company in 2019 or 2018. During the year, no Director exercised options under the Barclays PLC share save scheme and long term incentive schemes (2018: nil)

**Pillar 3 disclosures**

In accordance with the rules of the Financial Conduct Authority and/or Prudential Regulation Authority, the Company's parent, Barclays Bank PLC has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. This information is available at <http://group.barclays.com/Investor-Relations/Financial-results-and-publications/Annual-Reports>

**Creditor payment policy**

The principle activity of the company is the provision of financial services. It does not have trade creditors but under the sell down portfolio arrangement, the company owes the rentals received from customers to SMBC leasing bank accounted in the creditors account.

**Barclays Mercantile Business Finance Limited**  
**Directors' report**  
**For the year ended 31 December 2019**

**Independent auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Statement of disclosure of information to auditor**

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**'In response to The Companies (Miscellaneous Reporting) Regulations 2018, further information on stakeholder engagement can be found in the Strategic Report'**

**Section 172(1) statement**

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of Barclays Mercantile Business Finance Limited (the 'Company') for the benefit of its sole member, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company's maintaining a reputation for high standards of business conduct; and
- to act fairly between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our regulator, the Government, and non-government organisations. You can find out more about who are key stakeholders are, how management engaged with them, the key issues raised and actions taken on pages 14 to 15 of the Barclays PLC Annual Report 2019 which is incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions; however, in balancing those different perspectives it won't always be possible to deliver everyone's desired outcome.

**How does the board engage with stakeholders?**

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays group.

The Board considers and discusses information from across the organisation to help it understand the impact of Barclays' operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the board through reports sent in advance of each board meeting, and through in-person presentations.

As a result of these activities, the board has an overview of engagement with stakeholders, and other relevant factors, which enables the directors to comply with their legal duty under section 172 of the Companies Act 2006. The following is an example of how the directors have had regard to the matters set out in sections 172 when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

**Barclays Mercantile Business Finance Limited**  
**Directors' report**  
**For the year ended 31 December 2019**

Please note that should the qualifying company meet 2 out of the 3 thresholds below, additional text needs to be included here on how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others and the effect of that regard including on principal decisions taken by the company.

UK incorporated companies which will meet two of the following:

- turnover of more than £36m;
- balance sheet total of more than £18m;
- more than 250 employees.

FOR AND ON BEHALF OF THE BOARD

DocuSigned by:

*Steve Bolton*

Director

EAG98A17A881458

Date: 16 December 2020

Company number: 898129

Company address: 1 Churchill Place, London, E14 5HP