Helping people achieve their ambitions – in the right way

Barclays Bank PLC
Annual Report 2014

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC. There are no differences in the strategy of Barclays PLC or Barclays Bank PLC. The term 'Barclays PLC Group' or the 'Group' means Barclays PLC together with its subsidiaries and the term 'Barclays Bank PLC Group' or 'The Group' means Barclays Bank PLC together with its subsidiaries. 'Barclays' and 'Group' are terms which are used to refer to either of the proceeding Groups when the subject matter is identical. The term 'Parent Company' or 'Parent' refers to Barclays PLC and the term 'Bank' or 'Company' refers to Barclays Bank PLC.

Notes

The term Barclays or Group refers to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2014 to the corresponding twelve months of 2013 and balance sheet analysis as at 31 December 2014 with comparatives relating to 31 December 2013. The abbreviations '£m' and '£bn' represent millions and thousands of millions of Pounds Sterling respectively; and the abbreviations '$m' and '$bn' represent millions and thousands of millions of US Dollars respectively.

The comparatives have been restated to reflect the implementation of the Group structure changes and the reallocation of elements of the Head Office results under the revised business structure. These restatements were detailed in our announcement on 10 July 2014, accessible at barclays.com/barclays-investor-relations/results-and-reports. Balance sheet comparative figures have also been restated to adopt the offsetting amendments to IAS 32, *Financial Instruments: Presentation*.

References throughout this report to 'provision for ongoing investigations and litigation relating to Foreign Exchange' means a provision of £1,250m held as at 31 December 2014 for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange.

Adjusted profit before tax, adjusted attributable profit and adjusted performance metrics have been presented to provide a more consistent basis for comparing business performance between periods. Adjusting items are considered to be significant but not representative of the underlying business performance. Items excluded from the adjusted measures are: the impact of own credit; goodwill impairment; provisions for Payment Protection Insurance and claims management costs (PPI) and interest rate hedging redress; gain on US Lehman acquisition assets; provision for ongoing investigations and litigation relating to Foreign Exchange; loss on announced sale of the Spanish business; and Education, Social Housing, and Local Authority (ESHLA) loan valuation revision. As management reviews adjusting items at a Group level, results by business are presented excluding these items. The reconciliation of adjusted to statutory performance is done at a Group level only.

Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the Results glossary that can be accessed at barclays.com/results.

Forward-looking statements

This document 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, with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results 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 sometimes 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. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the Transform Programme and Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of the Group; the potential for one or more countries exiting the Eurozone; the impact of EU and US sanctions on Russia; the implementation of the Transform Programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. Additional risks and factors are identified in our filings with the SEC including our Annual Report on Form 20-F for the fiscal year ended 31 December 2013, which are available on the SEC's website at sec.gov and in our Annual Report for the fiscal year ended 31 December 2014, which is available on the Barclays Investor Relations website at barclays.com/investorrelations.

Any forward-looking statements made herein speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc (the LSE) or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Barclays' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. 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 LSE and/or has filed or may file with the SEC, including the 2014 20-F.

What is this report?

The 2014 Annual Report includes a Strategic Report that summarises the key elements of the full report. The Strategic Report is in line with the regulations and best practice as advised by the Financial Reporting Council, and the Department of Business, Innovation & Skills. The design changes this year with increased infographics are intended to facilitate more effective communication with all our stakeholders, and to provide more concise and relevant narrative reports. These objectives are entirely in line with our aim to become more clear and transparent on our journey to be the 'Go-To' bank. We will continue to engage with stakeholders to identify ways in which we can further advance this agenda.

The strategic report

An overview of our 2014 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

We fulfil our purpose and achieve our goal
By upholding clear values and leading by example
Purpose, goal and values Pages 02-03

With a focus on our stakeholders
Building the 'Go-To' bank Page 04

In this operating environment
Market and risk Page 05

Our approach to value creation is consistent
Through our broad service offer
Business model Pages 06-07

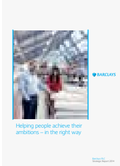
How do I read the Strategic Report?

The focus of this Strategic Report is on making information highly accessible. The list of contents below maps the structure and flow of the report.

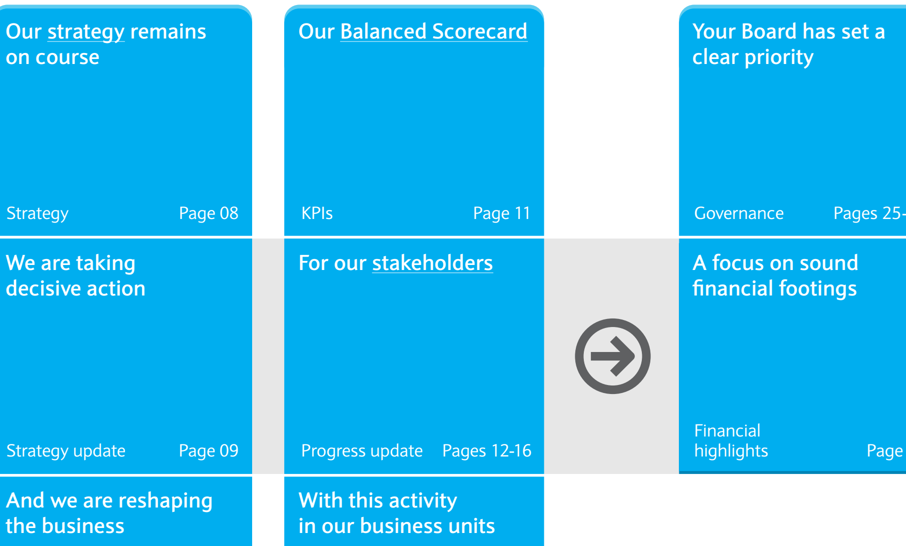
Where can I find out more?

You can learn about Barclays' strategy, our businesses and performance, approach to governance and risk online, where latest and archived annual and strategic reports are available to view or download.

⊕ *barclays.com/annualreport*



We will fulfil our purpose and achieve our goal ▸



Our strategy remains on course — Strategy — Page 08

We are taking decisive action — Strategy update — Page 09

And we are reshaping the business — Strategy update — Page 10

Our Balanced Scorecard — KPIs — Page 11

For our stakeholders — Progress update — Pages 12-16

With this activity in our business units — Progress update — Pages 17-24

Your Board has set a clear priority — Governance — Pages 25-26

A focus on sound financial footings — Financial highlights — Page 27

The Strategic Report | Governance | Risk review | Financial review | Financial statements | Shareholder information

The detailed report

These parts of the Annual Report disclose detailed information on Barclays and its 2014 performance. Contents meet, and where insightful, go beyond minimal regulatory reporting standards.

Corporate governance

Our corporate governance report details the governance processes of Barclays, the reports from each Board committee and presents how the Board support the delivery of our strategy

Corporate Governance Framework	26
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Financial review

Our financial review details the performance of Barclays, including key performance indicators, and our businesses' contribution to the overall performance of the Group

Key performance indicators	137
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Risk report

Our risk report gives insight into the level of risk across Barclays' businesses and portfolios, the material risks and uncertainties faced and the key areas of management focus

Risk review contents	33
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Financial statements

Our financial statements gives detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure and transparency on the financial performance of the business

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We will fulfil our purpose and achieve our goal

Individuals, corporations, countries and society need access to essential banking services

Our purpose
is to help people achieve their ambitions in the right way

Our goal
is to become the 'Go-To' bank for our clients, customers, colleagues and our stakeholders

Achieving this will enable us to build a lower-risk, better performing bank

Chairman's statement

The Barclays of today is a very different bank to the one that I joined in 2012.

From substantially improving our capital and leverage position to changing how we measure and reward performance through the Balanced Scorecard, we have made significant progress towards our goal of becoming the partner of choice for all our stakeholders. Indeed, we have accelerated the speed of this journey over the past 12 months. Our Purpose and Values are becoming embedded in the fabric of Barclays, fundamentally changing how we do business for the better. You can read more about our values-driven culture in the following pages.

In May of 2014 your Board endorsed a strategy update which created a reshaped Barclays, one that is better balanced, more focused, and positioned to succeed over the long term and deliver for shareholders. While there is much still to do, I am encouraged by the progress that we have made so far in executing those plans.

This report provides detail on the performance of our four core businesses: Personal & Corporate Banking, Barclaycard, Africa, and the Investment Bank. You will see that these operations are delivering positive results which are encouraging for shareholders.

Importantly, we have made significant advances in resolving legacy issues in the course of 2014 through working more closely and constructively than ever with our regulators across the world. The Board and I consider the conduct and practices that led to these issues are entirely inconsistent with the values to which we hold ourselves today. Our proactive efforts in resolving these issues will continue throughout 2015 and stand testament to our commitment to do business in the right way, putting issues that have been so damaging to our reputation behind us and supporting greater resilience, transparency, and sustainability for the long-term.

The banking sector will continue to face serious challenges associated with global uncertainty which is not only economic but also increasingly political and regulatory, in particular in several of the key geographies in which Barclays operates. Specifically, there will be significant change in the UK as we work to implement the ring-fencing requirements of the Financial Services (Banking Reform) Act 2013, as well as in the US to implement the provisions of the Dodd-Frank Act and other measures to complete the banking reform agenda; all of which are intended to eradicate the prospect of *'too big to fail'*. Despite the difficulties that they entail I have every confidence in Barclays' ability to deliver against these challenges.

Barclays is 325 years old this year, 2015. By any standard of corporate longevity this is a remarkable achievement. The relentless focus of your Board and the Executive team has been, and will continue to be, on ensuring that the bank is primed for success for many more generations to come. We will continue to build on the solid foundations we have put in place to deliver on our commitments to customers, clients, colleagues, shareholders and broader society. Every year a new chapter is written into the history of this great institution and it has been a huge privilege to serve in the role of Chairman during what, I am sure, will be considered in the future to have been an important, positively transformational, period in Barclays' history.

I wish this great bank, its shareholders, and John McFarlane, my successor as Chairman, every success for the future.

Sir David Walker
Chairman

By upholding clear values and leading by example

Respect signifies valuing those we work with – our colleagues and other stakeholders.

Integrity demands that we act honestly, ethically and fairly.

Service means ensuring our customers and clients are always uppermost in our minds.

Excellence calls on us to use all our energy, skills and resources to deliver great service and outstanding sustainable results.

Stewardship is about being determined to leave things better than we found them.

Chief Executive's strategic review

Today's Barclays is a stronger business with better prospects than at any time since the financial crisis.

The execution of our Transform Strategy, which I set out in February 2013 and updated in May 2014, has created a focused international bank, delivering on the right priorities for all of our stakeholders, and positioned for growth.

Group adjusted profit before tax has increased by 12% in 2014. Personal & Corporate Banking and Barclaycard continue to thrive and grow, Africa has done well despite currency headwinds, and we are starting to see the impact of the changes in strategy in our Investment Bank.

While there is still work to do, we have made sustained and consistent progress against our Transform 2016 targets during the year, providing strong evidence that our strategy is working.

In our Core business, which represents the future of Barclays, adjusted Return on Equity is at nearly 11% excluding Costs To Achieve Transform, tracking well towards the 12% plus we are targeting for 2016. Barclays Non-Core run down is ahead of target, with Risk Weighted Assets reducing by nearly £35bn in the year, and now standing at just over £75bn.

I have repeatedly said that cost is, and will continue to be, a strategic battleground for our industry, and working cost effectively is essential to our future success. To this end, we have taken out nearly £1.8bn of spend from our business in 2014. This remarkable achievement, with further reductions to come in 2015, will enable Barclays to boost returns and drive sustainable competitive advantages across the Group.

I am pleased that we have made substantial progress in strengthening our capital position in the past year. Our fully loaded Common Equity Tier 1 ratio has improved to 10.5%, taking into account the effect of the disposal of our Spanish business completed on 2 January 2015, as well as absorbing the impact of a further provision in the fourth quarter for ongoing investigations and litigation relating to Foreign Exchange, and compares to 9.1% a year ago. Equally important, our Leverage Ratio increased to 3.7%. This means we are now very well positioned to achieve the Transform 2016 targets of greater than 11% and 4% respectively. In terms of dividends, we have declared a cash dividend of 6.5p for 2014, despite the unwelcome impact of substantial conduct provisions. We have a growing confidence in the capital position of the Group and continue to target a 40%-50% dividend payout ratio over time.

We are also performing well against the targets in our Balanced Scorecard.

Barclays measures performance today not just on the basis of what we deliver but now also on how we deliver. You can read more about the Balanced Scorecard and our progress on pages 11 to 16 of this Strategic Report. While we still have work to do against those targets, I have no doubt that this approach will support strong and sustainable performance for shareholders, aligned with our Purpose and Values.

We remain focused on addressing outstanding conduct issues, including those relating to Foreign Exchange trading. I regard the behaviour at the centre of these investigations as wholly incompatible with our values, and I share the frustration of colleagues and shareholders that matters like these continue to cast a shadow over our business. But resolving these issues is an important part of our plan for Barclays and although it may be difficult, I expect that we will make significant progress in this area in 2015.

This will be a year of continued delivery for our customers, clients, and shareholders as we look to accelerate execution of our plans. Our work is not complete, but we are on the right track, making steady progress against our strategic targets, and with every colleague committed to driving performance – as they are – we can have strong confidence in our ability to deliver.

Thank you for your continued support.

Antony Jenkins
Group Chief Executive

With a focus on our stakeholders

We will achieve our goal of becoming the 'Go-To' bank

◂ By upholding clear values and leading by example

Building the 'Go-To' bank

Our outcome statements help us focus on what becoming 'Go-To' means for each of our stakeholders.

Customer and client
We are the bank of choice for our customers and clients.

Colleagues
Our colleagues are fully engaged. We create a diverse and inclusive environment where they can fulfil their potential.

Citizenship
We have a positive impact on the communities in which we operate.

Conduct
Our products and services are designed and distributed to meet our clients' needs. We act with integrity in everything we do.

Company
We create sustainable returns above the cost of equity.
We understand and effectively manage risk and continuously improve control.

Stakeholders

Barclays strives to create value for all of our stakeholders, balanced across both the short and the long-term. By taking this more holistic and considered approach we believe that our activities can stimulate mutually supportive outcomes across our stakeholders, including a focus on sustainable long-term return on equity.

In order to measure progress and hold ourselves to account, we have designated five stakeholder groups and assigned targets and metrics of particular relevance to each of them in the 5Cs of our Balanced Scorecard:

- Customers and Clients **who purchase our products and services**
- Colleagues **who deliver and support the delivery of our products and services**
- Communities (via Citizenship) **within which we operate**
- Regulators (via Conduct) **who grant us our licence to operate in their jurisdictions**
- Investors (via Company) **who commit capital to us, which underpins our products and services**

Taken together, our Balanced Scorecard targets define what we need to achieve over the next few years for Barclays to become the 'Go-To' bank. These targets are supported by strategic initiatives and priorities, which cascade naturally into all business unit and function scorecards.

Individual performance objectives are aligned to the 5Cs and linked to our overall targets, thus showing colleagues how their own efforts contribute towards the achievement of our organisational goal and how they serve our stakeholders over the longer term.

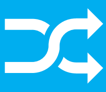
Further information on our stakeholders, and how we measure performance for each of the stakeholder needs can be found on pages 11 to 16

In this operating environment

We continue to be proactive in adapting to the external environment

Our approach to value creation is consistent ▸

Economic environment
Global economic growth is expected to be subdued for a prolonged period. This makes income growth more challenging for banks.



Regulatory change
Regulatory focus has shifted, affecting the sustainability and profitability of products, businesses and the structural formation of banks. The impact of regulatory change is a permanent shift.

Trust and conduct
We continue to work to put our legacy issues behind us. The cost of legacy conduct issues has negative repercussions but the changes we are making in response to them will have a positive effect in the long-term.

Technology and rising expectations
Technological improvements enhance the experience of customers and clients and can reduce costs. The investment required can be expensive in the short-term but will generate long-term rewards.

A proactive approach

We continually take action to achieve our goal and deliver value to our shareholders

For more information, please see page 09

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Operating environment and approach to risk

Barclays is a global financial services provider operating in 50 countries, with home markets in the UK, US and South Africa, governed by global and local regulatory standards.

Our environment continues to change. Central banks have launched unprecedented monetary policies such as Quantitative Easing and near-zero interest rates to stimulate growth. Further regulatory change, such as structural reform in the UK and US will require banks to segregate activities in order to create a safer banking environment and increase focus on capital, liquidity and funding. Conduct issues have hurt Barclays – and the banking industry – causing loss of trust amongst stakeholders.

Rebuilding trust is vital, enabling us to meet and exceed the growing needs of customers and clients. The power of technology has raised customer and client expectations, but also reduced the cost-to-serve through automation, process improvement and innovation while making customer experiences faster, more personalised and lower risk.

Without active risk management to address these external factors, our long-term goals could be adversely impacted. See page 09 to see how the strategy adapted in 2014.

The Barclays risk management framework, organised by our Principal Risks, sets out the activities, tools, techniques and arrangements we can employ to better identify, monitor and manage actual and potential risks facing the Bank. Risk appetite is set and verified at an appropriate level and procedures established to protect Barclays and prevent detriment to its customers, colleagues and communities. Barclays also manages human rights risk via our environmental and social risk procedures and guidance and reputational risk framework, and integrates human rights issues into business decision-making.

Our Principal Risks

Credit Risk: Financial loss should customers not fulfil contractual obligations to the Group.

Market Risk: Earnings or capital impact due to volatility of trading book positions or inability to hedge the banking book balance sheet.

Funding Risk: Failure to maintain capital ratios and liquidity obligations leading to inability to support normal business activity and meet liquidity regulatory requirements.

Operational Risk: Losses or costs resulting from human factors, inadequate internal processes and systems or external events.

Conduct Risk: Detriment caused to our customers, clients, counterparties, or the Bank and its employees through inappropriate judgement in execution of business activities.

Reputation Risk: Damage to Barclays brand arising from any association, action or inaction perceived by stakeholders as inappropriate or unethical. From the 1st January 2015, Reputation Risk will be combined with Conduct Risk.

For further information on how we assess and monitor risks, please see the Risk review on page 33

Our approach to value creation is consistent

Delivering our obligations to shareholders whilst meeting society's needs in a responsible manner

◂ In this operating environment

Our approach delivers broader economic benefits and a more valuable service to our stakeholders in the unique way we do business

- Superior service for customers and clients globally
- Challenging, meaningful and fulfilling careers for our people in a values-driven organisation
- Long-term sustainable returns for our investors, based on diversification of income streams and risk
- Employment and economic growth in the economies in which we operate
- Engagement with governments and society to address social issues and needs

We help create, grow and protect wealth so that individuals, corporations, countries and wider society can achieve their ambitions in the right way

by providing essential banking services that customers need across sectors, regions and around the world

that generates income from supplying these services in various ways, such as net interest margin, fees and commissions

and provides sustainable returns over the long-term for our shareholders, while helping our wider stakeholders to realise their ambitions

Our business model

As a focused international bank, Barclays offers an integrated set of products and services across retail banking, wealth management, corporate banking and investment banking. We serve individuals, small and large businesses, corporations, institutions and governments.

Barclays seeks to satisfy the needs of our customers and clients by offering a well-rounded value proposition – a wide range of products and services – and thereby deliver a smoother income stream and sustainable returns. However, we do not seek to offer all things to all people.

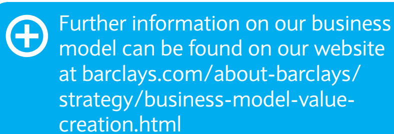
Barclays' competitive advantage arises from the scale and diversity of our businesses and the quality, character and relationships of our people.

For example, our Africa Banking and Personal & Corporate Banking (PCB) businesses are integrated regionally, focusing on delivering targeted solutions to individuals and businesses. We also undertake activities in selected other markets across the world in order to support the needs of customers and clients abroad.

In contrast, Barclaycard, the corporate division of PCB and the Investment Bank operate global models, using their international presence and capabilities to provide comprehensive cross-border solutions.

We also increasingly operate a shared service model for Central Functions to support our four core business clusters. Improving how we pool our resources has enabled us to take advantage of synergies through the sharing of ideas and collaboration from cross-functional working groups.

Our international reach and scale mean we have the responsibility – indeed the obligation – following our designation as a globally systemically important financial institution, to work together with our regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term. We are actively engaging with a number of banking supervisors internationally to develop a new industry model and to ensure that our business is sustainable and flexible – ready to move into the future.


Further information on our business model can be found on our website at barclays.com/about-barclays/strategy/business-model-value-creation.html

Through our broad service offer

We maximise opportunities for value creation across our products and services

Our strategy remains on course ▸

As we continue to transform Barclays, we believe we can become the bank of choice for all of our customers and clients

<table>
<tr><th></th><th>Individual</th><th>Small and Medium Size Businesses</th><th>Corporates</th><th>Financial Institutions and Banks</th><th>Sovereigns and Institutions</th></tr>
<tr><td rowspan="5">A safe place to save, invest, and manage cash</td><td colspan="5">Current accounts and overdrafts</td></tr>
<tr><td colspan="5">Savings, deposit and investment products</td></tr>
<tr><td colspan="5">Mobile and digital payments</td></tr>
<tr><td colspan="2">Stockbroking and trading services</td><td colspan="3">Access to global financial markets</td></tr>
<tr><td></td><td colspan="4">Cash management, payment systems, and international trade services</td></tr>
<tr><td rowspan="4">Funds for purchases and growth</td><td>Residential mortgages, consumer loans and credit cards</td><td colspan="2">Commercial mortgages and business loans</td><td></td><td></td></tr>
<tr><td></td><td colspan="3">Asset and lease finance, trade and supplier finance and working capital solutions</td><td></td></tr>
<tr><td></td><td></td><td colspan="3">Global capital markets</td></tr>
<tr><td></td><td></td><td colspan="2">Large corporate lending and bank credit lines</td><td></td></tr>
<tr><td rowspan="3">Management of business and financial risks</td><td colspan="5">Foreign exchange rate hedging</td></tr>
<tr><td colspan="3">Fixed rate loans</td><td></td><td></td></tr>
<tr><td></td><td></td><td colspan="3">Inflation and interest rate hedging</td></tr>
<tr><td rowspan="2">Financial and business support</td><td rowspan="2">Wealth advisory and private banking services</td><td colspan="4">Relationship managers and support</td></tr>
<tr><td>Business seminars and start-up accelerator space</td><td colspan="3">Global investment research, advice on mergers and acquisitions and industry corporate specialists</td></tr>
</table>

The sum of the parts
Our business model enables us to provide continuing and relevant support to our customers and clients, whatever their stage of life. For example, for individuals, our structure can offer a safe place to store savings, help a first-time buyer take their first steps onto the property ladder, helping people from a variety of backgrounds to grow and manage their wealth, or provide cross-border advice for the affluent, for example helping family members abroad. For businesses it means being ready to help entrepreneurs launch a business, fund its growth, expand internationally, protect against currency risk, and issue bonds and listed equity shares.

We seek to add value to our clients through our end-to-end network. For example an individual retail customer in the UK is able to access current and savings account balances along with Barclaycard data all via the same mobile banking app, Pingit, our peer-to-peer payments service, is seamlessly integrated within our retail banking offering. Similarly, businesses big and small, and local authorities are able to make and receive Pingit payments to provide their customers more convenient ways to pay for goods and services. All these examples evidence the joined up approach to the way Barclays does banking for the benefit of our customers.

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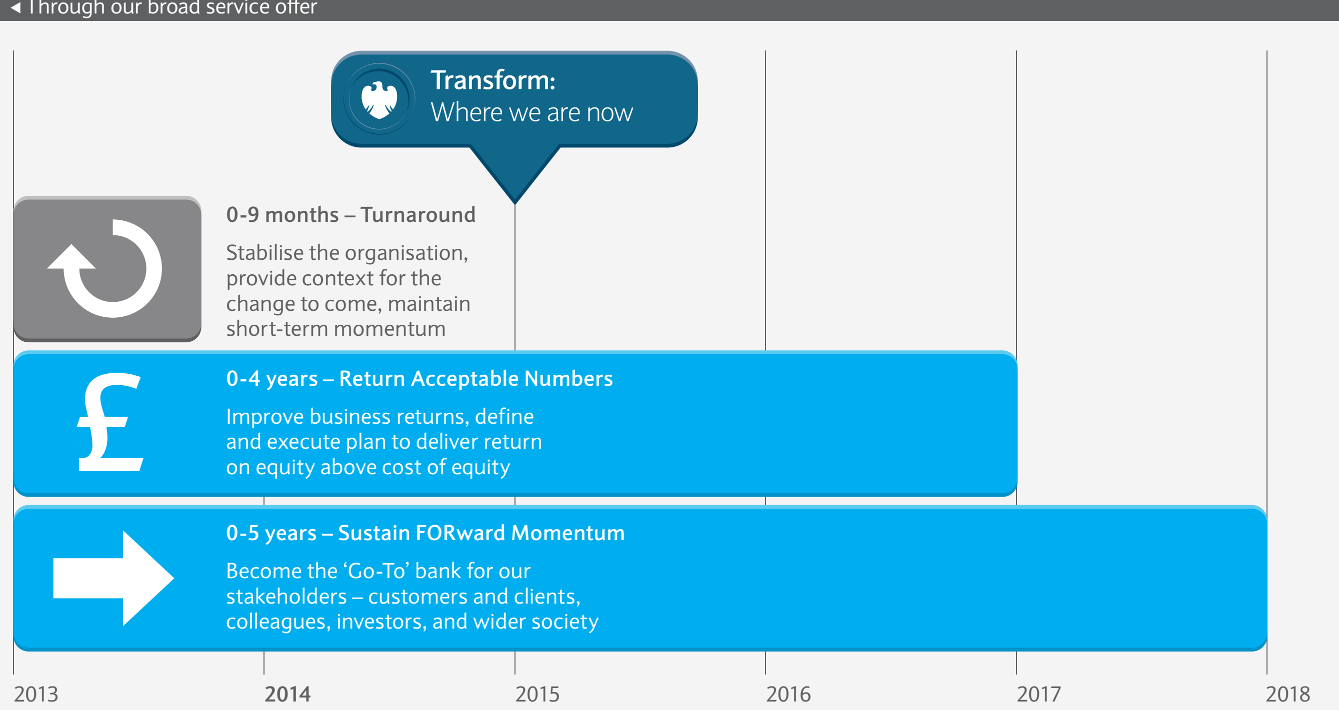
Our strategy remains on course

To build a stronger, fitter, better bank



Strategy

Our Transform programme was launched in 2013 to deliver our strategy of reshaping Barclays to generate sustainable returns and to meet the needs of all our stakeholders.

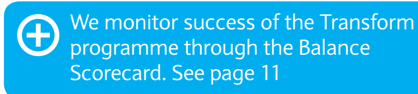
- We have completed the 'Turnaround' phase that stabilised the business and maintained short-term momentum
- We have put in place structured plans to de-risk, de-leverage and make Barclays more sustainable for the long-term as part of the 'Return Acceptable Numbers' phase. We are halfway through this journey, and already demonstrating strength in the fundamentals of capital build and leverage
- The final part of the plan, running alongside the other two components, is FORward Momentum. On our journey to become 'Go-To' we must continue to adapt Barclays for the future, ensuring that we do not return to short-term bias as we carry through our plans

We note that successful implementation of the Transform plan does carry significant execution risks; not least because progress is subject to unforeseen external developments and may therefore not be uniform or linear.

Where we are now
2014 was a year of material change for Barclays. We still faced a challenging operating environment, but with greater clarity and on a stronger financial footing. As we continue to execute our Transform plan to make Barclays the 'Go-To' bank for all our stakeholders, we have optimised and adjusted our strategy and the shape of our business. These steps are necessary to deliver the Transform objective of a sustainable return on equity above the cost of equity in a changed regulatory and economic environment.

Barclays has taken decisive action in order to reduce risk, strengthen our balance sheet and increase the efficiency of our Core franchise operations. We will seek to deliver significantly improved and sustainable returns by focusing on areas of competitive advantage and exiting businesses where appropriate returns are no longer achievable.

Underpinning these actions is a continuing focus on cost. In a prolonged low-growth macroeconomic environment, cost will be the strategic battleground for banks. We remain committed to a material reduction in cost over time, enabled in part by technology, regardless of the income environment.


We monitor success of the Transform programme through the Balance Scorecard. See page 11

Taking decisive action

Proactive steps to adapt our strategy

Reshaping the business ▸

Three strategic shifts

The combined effect of the external factors discussed on page 05 has led to decisive action in three areas announced on 8 May 2014:

Identify core activities: Building further on our strengths by concentrating resources on our Core activities. In our sector-leading retail and corporate businesses we will invest in technology and process enhancements to transform how we interact with customers and the experience we can deliver to them.

In our Investment Bank, focusing on US and UK, we are shifting from a business dependent on balance sheet commitment to one more driven by clients' origination needs, bringing greater balance to Barclays.

Invest for growth: A focus on Core parts of the Group where we see major opportunities – Barclaycard and Africa. We are committed to leading innovation in consumer payments; technology should enable us to achieve growth by reaching more customers. Having added 8.6m customers in the last 3 years at Barclaycard, we continue to have an appetite for selective expansion and portfolio acquisition where we can generate efficiencies and economies of scale.

Free up resources: Assets and activities no longer of strategic importance, given structural shifts in the operating environment or their sub-scale nature, have been brought together within Barclays Non-Core, to be managed separately for capital efficient, yet rapid exit.

Aligned to Transform targets
With these actions in mind we have set 2016 Transform targets to demonstrate our commitment and our journey towards our ultimate goal of becoming the 'Go-To' bank by 2018. While Group figures continue to include the impact of Non-Core, both Core and Non-Core have individual targets.

Our return on equity goal remains the same – to achieve a return on equity above our cost of equity. We will also maintain our focus on capital, leverage and dividend performance. Our 2016 capital target is a fully loaded CET1 ratio above 11%, as we move towards end-state capital requirements.

We continue to target a dividend payout ratio of 40% to 50% over time.

In our Core business, we aim to achieve a sustainable adjusted ROE above 12% by 2016, underpinned by an adjusted cost base of less than £14.5bn, down from £16.2bn at end 2013.

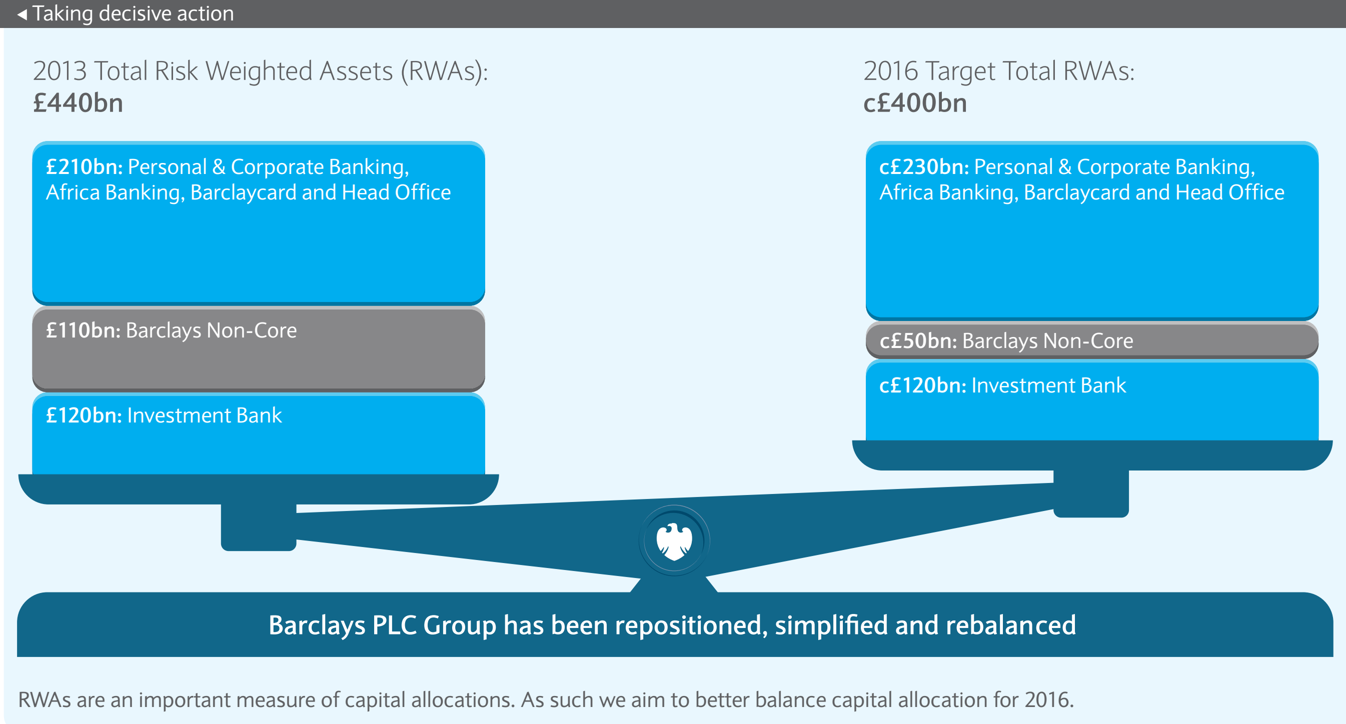
In Non-Core, our focus is on reducing the drag on the Core business. We are targeting a drag on ROE from Non-Core of less than 3% in 2016.

For an update on how we performed against our 2016 targets see page 27

Reshaping the business

With a focus on running down Non-Core operations to provide investment for the Core growth businesses

◂ Taking decisive action



RWAs are an important measure of capital allocations. As such we aim to better balance capital allocation for 2016.

Business shape

Barclays will seek to improve returns significantly through repositioning, simplifying and rebalancing. We intend to be a focused international bank with four Core businesses, operating only in areas where we have capability, scale and competitive advantage

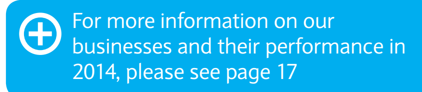
- Personal & Corporate Banking: a combination of our leading UK retail, corporate and wealth businesses, taking advantage of infrastructure cost synergies
- Barclaycard: a high returning business with strong and diversified international growth potential
- Africa Banking: a longer term regional growth business with clear competitive advantages
- Investment Bank: an origination-led and returns-focused business, delivering Banking, Equities, Credit and certain Macro products to our clients in a more capital efficient way

Barclays has also created Barclays Non-Core. This unit groups together those assets that are not strategically attractive to us in the emerging operating environment either because of structural shifts in the external environment or because they remain too small with limited opportunities for growth within our Group. Barclays will look to exit or run down these assets over time in a considered and responsible way that is respectful to those affected.

In the future, as a result of these changes, Barclays will be leaner, stronger and much better balanced with an objective of delivering lower volatility, higher returns, and growth. This model, moving rapidly towards a better balance of activities and maintaining diversification, will help us to achieve our Transform targets within the emerging regulatory environment.

The Core Personal & Corporate Banking, Barclaycard and Africa Banking businesses accounted for 45% of 2013 RWAs, with the Core Investment Bank expected to represent no more than 30% of the Group total by 2016, compared with just over 50% pre-Strategy Update. Capital will be reallocated towards our growth businesses, particularly Barclaycard and Africa, and we will continue to reduce our cost base, with a core 2016 cost target of less than £14.5bn.

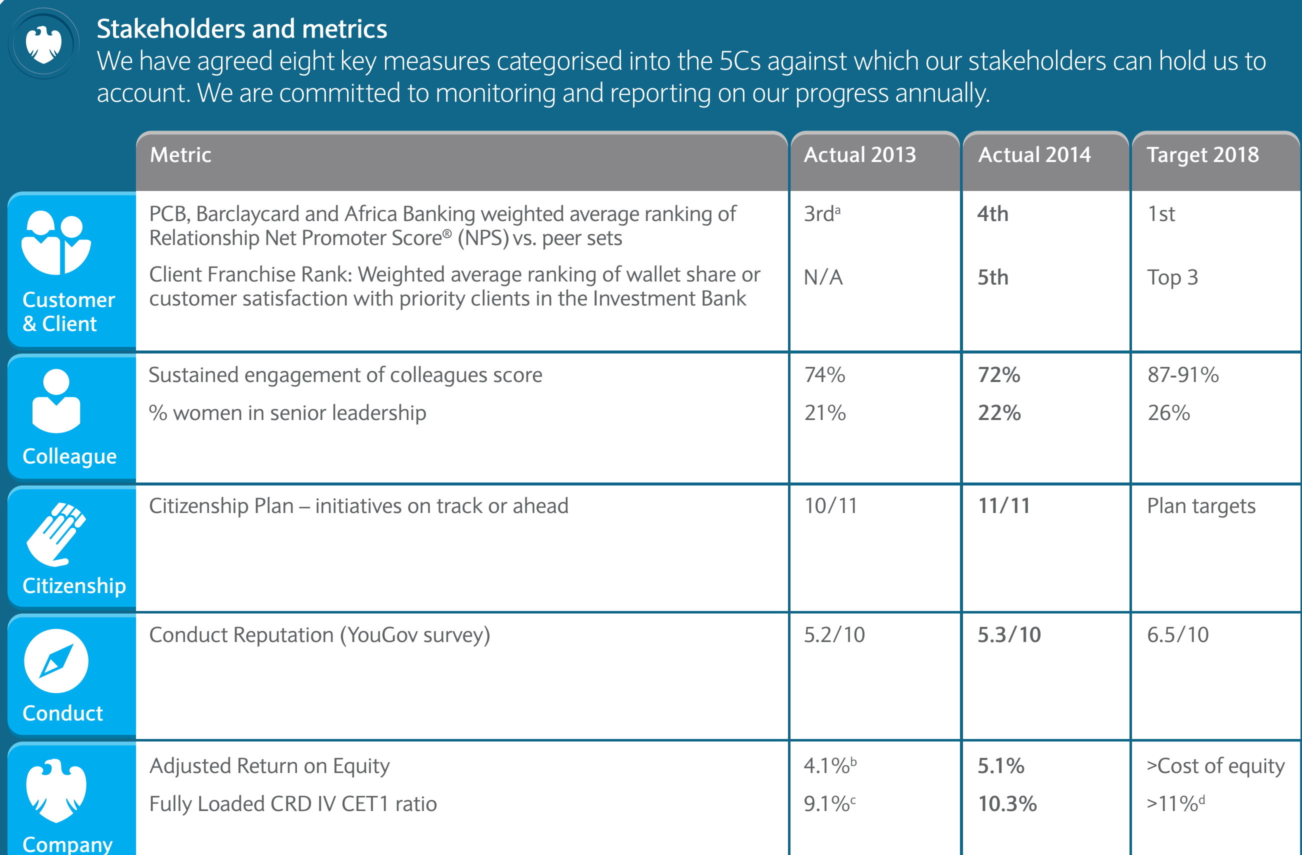
Overall, the rebalanced Group should deliver less volatile, and higher profitability over time, with a more equal split across our diversified portfolio of mature versus growth markets, investment banking versus retail and corporate banking, and within the Investment Bank, trading income versus advisory fees.


For more information on our businesses and their performance in 2014, please see page 17

Our Balanced Scorecard

Measures progress and performance against our goal

For our Customers and Clients ▸



Stakeholders and metrics

We have agreed eight key measures categorised into the 5Cs against which our stakeholders can hold us to account. We are committed to monitoring and reporting on our progress annually.

	Metric	Actual 2013	Actual 2014	Target 2018
Customer & Client	PCB, Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score® (NPS) vs. peer sets	3rd[a]	4th	1st
	Client Franchise Rank: Weighted average ranking of wallet share or customer satisfaction with priority clients in the Investment Bank	N/A	5th	Top 3
Colleague	Sustained engagement of colleagues score	74%	72%	87-91%
	% women in senior leadership	21%	22%	26%
Citizenship	Citizenship Plan – initiatives on track or ahead	10/11	11/11	Plan targets
Conduct	Conduct Reputation (YouGov survey)	5.2/10	5.3/10	6.5/10
Company	Adjusted Return on Equity	4.1%[b]	5.1%	>Cost of equity
	Fully Loaded CRD IV CET1 ratio	9.1%[c]	10.3%	>11%[d]

Notes
a Revised due to creation of PCB as part of the May 2014 Strategy Update. Corporate clients now contribute to the NPS metric, and no longer contribute to the Client Franchise Rank.
b Revised from 4.5%, post the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition being treated as an adjusting item.
c Revised from 9.3%, post full implementation for CRD IV reporting in 2014.
d Revised from >10.5% following the Strategy Update.

Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.
Under the Companies Act 2006, we are also required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 132,300 (65,200 male, 67,100 female), 732 were senior managers (596 male, 136 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior managing directors and directors on the boards of undertakings of the Group, but exclude individuals who sit as directors on the board of the Company.

Introduction

In 2014 the Balanced Scorecard was used throughout the organisation and now forms part of the framework by which all staff are assessed. Individual performance objectives were aligned with the 5Cs.

This year we have seen steady progress across the Scorecard towards our 2018 targets especially in our Fully Loaded CRD IV CET1 ratio metric where recent European Banking Authority and Bank of England stress tests highlighted Barclays' capital strength and resilience to stress scenarios. There was however deterioration in the Colleague Sustained Engagement and due to a restatement, a change in the Customer & Client Relationship NPS metric. Work will be done through 2015 and beyond to improve these. The move in both metrics is predominately due to changes Barclays has undergone through 2014 with the Strategy Update effecting structural change within the organisation, and a change to a broader channel offering to our retail customers with new technology. We will endeavour to improve both scores with further colleague engagement, and greater help within our retail network to adopt new technology as evidenced by our Digital Eagles programme.

There is still work to do and we remain focused on our 2018 targets. The following pages provide a review of each of the 5Cs.

Please see page 04 to see the stakeholders for whom we have designed the Balanced Scorecard

For our Customers and Clients

We aim to be the bank of choice

◂ Our Balanced Scorecard

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018
PCB, Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score® vs. peer sets	3rd[a]	4th	1st
Client Franchise Rank: Weighted average ranking of wallet share or customer satisfaction with priority clients in the Investment Bank	N/A	5th	Top 3

a Revised due to the creation of PCB as part of the May 2014 Strategy Update. Corporate clients now contribute to the NPS metric, and no longer contribute to the Client Franchise Rank

- Relationship NPS ranking provides a simple customer advocacy measure and indicates growth potential across our franchise
- A ranking widely used in banking and other industries, it facilitates comprehensive benchmarking, simplifies target setting and identifies best practice, bringing the customer's voice to the heart of Barclays. It is income-weighted using divisional customer satisfaction
- For the investment banking industry, NPS is not as widely measured. Therefore, a 'Client Franchise Rank' is calculated as measuring use of our products and services by target clients. Improving our rank with these clients is a key indicator of effectiveness in meeting their needs, supporting delivery of improved returns for Barclays
- Client Franchise Rank is a revenue-weighted ranking of our global client share across the Investment Bank

Relationship NPS
We are working hard to strengthen our brand and in 2014 we made it a priority to listen to our customers to gain a better understanding of what they want. We have focused on developing, testing and investing in technology such as video banking, cheque imaging, smart call and finger scanning to improve our customers' and clients' experience and to be responsive to their needs as these change. These new technologies developed in 2014 are now in place in branches across the UK, and help to make our most important interactions with customers and clients simple – putting power in their hands to transact when, where and how they want to.

We continue to simplify our products and services and improve what we offer to match customer needs with the right service model.

The deterioration of Relationship NPS performance at Group level in 2014 has been driven by scores awarded by UK retail customers. During 2014 legacy issues have continued to weigh heavily on the reputations of banking brands, Barclays among them. This year has also seen substantial investment in programmes designed to improve customer experience across our customer franchise in the long term. While these programmes can be disruptive to customer perception in the short-term, we are confident that this investment, together with a more positive outlook for our brand, will support our progress towards the perception of Barclays as the leading bank by 2018.

Through 2015, we need to ensure we deliver our investment programmes, with a focus on the UK retail customer environment in order to improve our largest customer footprint ranking. As we put in place an improved, efficient new banking experience in our branches, we will closely monitor customer reaction so that on-the-ground staff can help customers adapt to changes.

Client Franchise Rank
The metric is calculated on a new basis from 2014, with corporate clients that were surveyed as part of the 2013 metric now captured in the NPS score, reflecting organisational changes as a result of the Strategy Update. Although not directly comparable with the prior year score of 4th, our ranking of 5th for 2014 provides a strong platform from which to build as we aspire to our long-term goal of being 'top 3' with our target clients.

We will seek to achieve this goal by focusing on the following key areas:

- Innovating through technology: For example in 2014 we launched the Barclays Live iPad app for institutional clients – the app has now been downloaded by over 4,000 clients and has received very positive feedback
- Realigning our structure: As part of the Strategic Review in 2014 we brought Equities and Credit teams together under the same management to provide a more integrated approach. Closer alignment across Banking and Markets teams will also provide a more complete service to clients encompassing primary issuance and secondary trading
- Improving client management information and targeting: We have invested technology and resources in our management information and analytics that enable us to provide more finely targeted solutions for our clients
- Investing in people and conduct: The quality of our people and the way they do business is fundamental to building and maintaining strong relationships with our clients. In 2014 over 6,800 employees in client-facing roles took part in our new Conduct College, helping to develop our employee value proposition

Within three days of a fire destroying the Barclays branch at Jomo Kenyatta International Airport in Nairobi, the local team had set up a temporary branch – in a tent. A shining example of putting customers first.

We provide further detail on our products and services, as well as our services to customers and clients, such as Digital Eagles, at Barclays.co.uk/digitaleagles

For our Colleagues

We create an environment where they can fulfil their potential

For Citizenship ▸

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018
Sustained Engagement of colleagues score	74%	72%	87-91%
% women in senior leadership	21%	22%	26%

- Barclays believes strong levels of sustainable engagement improve the colleague experience and enable superior business performance
- To continuously improve sustainable engagement, we aim to provide a working environment supporting productivity and performance, and promoting individual physical and emotional well-being
- Sustainable engagement is measured through the global Employee Opinion Survey conducted in October 2014
- The percentage of women in senior leadership supports a key part of Barclays' diversity strategy, fostering different perspectives which lead to greater innovation
- We work with our regulators, governments, partners and peers to benefit collectively from the skills advantage that diversity provides
- The metric is defined as the number of female directors and MDs as a percentage of the total director and MD population

Sustained Engagement

Our colleagues are fundamental to our business. We are committed to investing in them and ensuring they are fully motivated and energised to deliver strong performance. To monitor our progress on sustainable engagement, a Group-wide approach to measuring employee feedback was defined in 2014, establishing a consistent baseline for tracking future progress. As part of this, in a first for Barclays, a global Employee Opinion Survey (EOS) was deployed across the Group in 2014, with over 90,000 colleagues participating.

Sustained Engagement at Barclays is currently 72%, representing a 2% decrease compared to 2013. This was disappointing, but the reduction in engagement was not as severe as we might have expected in a year of such challenges and change. We are working with senior leaders across the organisation to aim for improvement in 2015.

Collecting feedback from our colleagues enables us to understand what factors drive engagement, and helps shape our future people strategy. We remain firmly committed to creating the right environment for our colleagues to thrive as we progress on our journey to 'Go-To'. In 2015, we will use the insight gained from the EOS to focus on three key areas (highlighted by our colleagues) to support and increase the Sustained Engagement of everyone at Barclays:

- Ensuring colleagues have access to the right tools and resources to fulfil their roles and deliver outstanding customer service
- Continuing to support our people's personal growth and career aspirations, ensuring access to the right technical and professional development
- Providing clear strategic direction and leadership in creating the right environment for colleagues to do their best work

Women in senior leadership

Over the last year, we have maintained progress towards our gender representation goal within the Balanced Scorecard, seeing the proportion of women in senior roles increase from 21% to 22%. Although overall headcount across the Group has fallen in 2014, the increase we have seen in each of the last two consecutive years in senior female representation is testament to the range of initiatives focused equally on providing development opportunities for our talented women and establishing an inclusive culture where all talent can thrive.

8,500 senior leaders globally have undertaken our Unconscious Bias Training programme, promoting greater awareness of the importance of inclusive leadership and of reducing unintended bias in all aspects of talent management and assessment. We have also continued to sponsor our Women's Initiatives Network (WIN) promoting a positive workplace environment for all colleagues.

More broadly, our innovative 'Women in Leadership Index' lists publicly traded US companies with gender-diverse leadership (defined as companies with a female CEO or at least 25% female members on their board). In an industry first, Exchange Traded Notes track the return of the index so investors can support the move towards gender equality.

We continue to build a pipeline of next-generation leaders, highlighting female talent. For example our Barclays Women in Technology Group encourages able women to take up IT careers in banking and finance. At Executive level, our 'Women on Boards' programme is developing board-readiness among selected senior women so they can take on non-executive director roles on the boards of publicly-listed companies.

To reach our 2018 goal of 26% women in senior leadership roles we must ensure strong forward momentum. Continuing emphasis on an inclusive workplace culture must go hand-in-hand with further development opportunities nurturing aspiration and enabling our diverse talent to fulfil their potential within our industry and beyond.

The 'This is me' campaign, launched in May 2014, has given colleagues the freedom to talk about mental health and their personal story and created access to resources, support, advice and information.

More information can be found at http://www.barclays.co.uk/Accessibility

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For Citizenship

We have a positive impact on the communities in which we operate

◂ For our Colleagues

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2015
Citizenship Plan – initiatives on track or ahead	10/11	11/11	Plan targets
The way we do business			
'Barclays Way' Code (Full Time Employees attested)	85%	98%	97%
Citizenship Reputation Tracker (YouGov survey)	4.9/10	5.1/10	6.5/10 (2018 Target)
Global carbon emissions (tonnes CO_2, reduction against a 2012 baseline)	-9.4%[b]	-21.7%	-10%
Percent of suppliers paid on time (45 days, by invoice value)	83%	85%	85%
Contributing to growth (cumulative)[a]			
New and renewed lending to households	£67.4bn	£107.7bn	£150bn
New and renewed lending to SMEs	£24.5bn	£38.5bn	£50bn
Assist in raising financing for businesses & governments	£1,670bn	£2,487bn	£2,000bn
Number of participants at SME support events	95,000	159,700	120,000
Number of apprenticeships at Barclays in the UK	1,233[b]	1,734	2,000

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2015
Supporting our communities (cumulative)[a]			
Investment in community	£136.5m	£198.9m	£250m
Number of 10-35 year olds supported in building skills	2.43m	4.19m	5m

- Citizenship is an essential part of becoming the 'Go-To' bank for all stakeholders. This means we consider the impact of our day-to-day decisions on society and create positive long-term outcomes for our customers and clients, shareholders, employees and communities. It is one of the ways in which we live and strengthen our Purpose and Values
- The Barclays Citizenship Plan comprises global commitments organised around three areas where we believe we can have the most impact: The way we do business; Contributing to growth; and Supporting our communities
- The Balanced Scorecard tracks performance against eleven metrics based on our 2015 Plan commitments
- We are developing our Citizenship strategy for 2016 onwards and continue to work with stakeholders to inform our approach
- Further information is available in the Citizenship Data Supplement 2014

Notes
a Cumulative performance to date: 2012-2014.
b Adjusted from 2013: Carbon was 5.2%, Apprenticeships 1,153. Please see page 10 of Citizenship Data Supplement 2014.

The way we do business

We launched the Barclays Way code of conduct in 2013, which replaced a number of existing codes with one unifying document. The code was updated in 2014 and we met our target with 98% (2013: 85%) of our colleagues attesting to the Barclays Way.

The Citizenship Reputation Tracker is based on two surveys conducted for Barclays during 2014, among an audience of global stakeholders (from politics, the media, business, NGOs and other sectors). The average score was 5.1/10 (2013: 4.9/10), with increases across the underlying components.

We exceeded our 2015 target to reduce global carbon emissions by 10% against a 2012 baseline. Our 21.7% reduction was achieved through: the implementation of programmes and policies that improved our operational energy efficiency and streamlined our business travel; and through a significant reduction in our property portfolio.

We aim to ensure there is no delay in paying our suppliers and understand the importance of cash flow. In 2014, we achieved 85% on-time payment by value.

Contributing to growth

In line with our Citizenship Plan commitments we are on track to deliver £150bn of new and renewed lending to households and £50bn to SMEs by the end of 2015. As at the end of 2014, we have delivered £107.7bn for households and £38.5bn for SMEs on a cumulative basis.

In order to help small businesses gain confidence we have provided more than 159,700 people with business advice and support through seminars, tools, clinics and workshops to date, exceeding our target of 120,000 attendees by end 2015, driven by an increase in African programmes.

We exceeded our target to help raise £2,000bn of financing for businesses and governments by the end of 2015, raising a total of £2,487bn by the end of 2014.

Banks play a pivotal role in enabling the flow of capital towards environmentally or socially beneficial activity. In 2014, we helped direct £5.9bn (2013: £4bn) of financing in the clean energy and clean technology sectors globally. Green Bonds continued to grow as a way of financing environmental projects: we signed the Green Bond Principles; launched a Green Bond Index in partnership with MSCI Inc; and committed to investing a minimum of £1bn in Green Bonds by November 2015 to form part of our liquid asset buffer.

We are on track to meet our goal of 2,000 apprentices by the end of 2015, with a cumulative total of 1,734 (2013: 1,233) apprentices at Barclays in the UK. We also support wider employability initiatives, particularly our LifeSkills programme, which supports young people in preparing for work.

Supporting our communities

As part of our 5 Million Young Futures ambition we are working with leading charity and NGO partners to help five million disadvantaged young people develop the skills they need to fulfil their potential and to invest £250m in the community by the end of 2015. As at the end of 2014, we have invested a total of nearly £200m and more than four million young people have benefited from our programmes.

We provide further detail on our programmes and a range of case studies on our website at barclays.com/citizenship. In addition, we also provide further disclosures aligned to the Global Reporting Initiative G4 guidelines, in the Citizenship Data Supplement 2014

For Conduct

We aim to act with integrity in everything we do

For our Company ▸

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018
Conduct Reputation (YouGov survey)	5.2/10	5.3/10	6.5/10

Focusing on conduct helps us ensure we provide suitable products and services for customers and clients.

- Doing the right thing, in the right way, is central to sustainable long-term business returns, building our reputation, enhancing trust in the financial system more widely and avoiding future redress activity
- The Conduct measure is developed through a Conduct reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers
- The 2014 Conduct score, taken from two surveys, each of 2,000 respondents, comprises questions relating to transparency, employee welfare, quality and customer value as well as trust

During 2014 the Group continued to incur the significant costs of conduct matters and additional charges of £1,513m were recognised for customer redress including £1,270m for the cost of PPI remediation. Barclays also continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Investigation in respect of various conduct issues related to Foreign Exchange remain ongoing and related class actions have been filed in US courts. As at 31 December 2014 a provision of £1,250m has been recognised for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. Resolution of these matters remains a necessary and important part of delivering the Group's strategy.

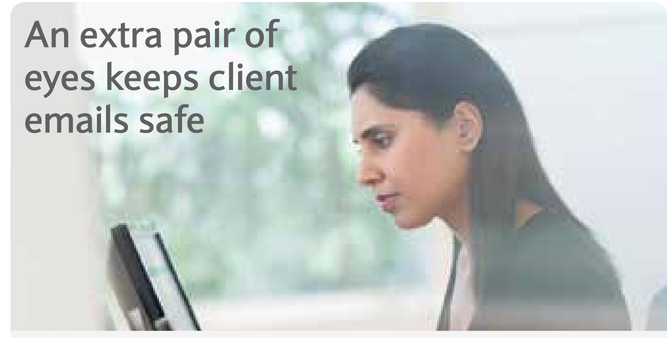
In response, our Conduct Programme continues to develop and design tools to help us improve our focus on customer outcomes and putting customers and market integrity at the heart of our business:

- Governance: Enhanced governance arrangements, training and communications on conduct risk including Board-level oversight (the Board Conduct, Operational and Reputation Risk Committee was created in 2013), demonstrate our expectation that business models, product design and customer servicing aim for good customer outcomes and protection of market integrity
- Strategy-setting and decision-making: Barclays is embedding conduct risk in our strategy-setting and decision-making processes

We have reviewed and improved how conduct risk is assessed and reported throughout our global business. Our senior leaders are committed to putting customers at the heart of the decisions they make and aiming to consistently deliver on the 10 conduct risk outcomes:

- Our culture places customer interests at the heart of our strategy, planning, decision making and judgements
- Our strategy is to develop long term banking relationships with our customers by providing products and services that meet their needs and do not cause detriment
- We do not disadvantage or exploit customers, customer segments, or markets. We do not distort market competition
- We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly
- Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers
- We provide banking products and services that meet our customers' expectations and perform as represented. Our representations are accurate and comprehensible so our customers understand the products and services they are purchasing
- We address any customer detriment and dissatisfaction in a timely and fair manner
- We safeguard the privacy of personal data
- We do not conduct or facilitate market abuse
- We do not conduct or facilitate crime

Barclays' mean score on the 'Conduct Index' was stable at 5.3 (2013: 5.2), with minor improvement in all components of the Index. Progress towards the 2018 target of 6.5 is slower than desired as the impact of legacy issues act as a drag on the benefit of actions to improve management of conduct. We anticipate further challenges from legacy matters in 2015 however Barclays is clear about its responsibilities to all its stakeholders and is committed to resolving these matters in line with our Purpose and Values.



Protecting our clients' money and financial information, we can't be 'too careful'. We have even introduced an automated email checker to identify the potential risk of even a single misplaced click.

For further information on how we monitor and manage Conduct and reputation risk, and how the Board reviews it, please see page 59

For our Company

We seek to effectively manage risk and create sustainable returns

◂ For Conduct

Balanced Scorecard metric (Barclays PLC Group)	Actual 2013	Actual 2014	Target 2018
Return on Equity (Adjusted)	4.1%[a]	5.1%	>Cost of equity
Fully loaded CRD IV CET1 ratio	9.1%[b]	10.3%	>11%[c]

a Revised from 4.5%, post the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition being treated as an adjusting item.
b Revised from 9.3%, post full implementation for CRD IV reporting in 2014.
c Revised from 10.5% following the May 2014 Strategy Update.

Adjusted Return on Equity (RoE)

- Adjusted Return on Equity demonstrates the organisation's ability to generate long-term sustainable returns for shareholders
- Adjusted RoE is calculated as adjusted profit for the year attributable to ordinary equity holders of the parent divided by average shareholders' equity for the year excluding non-controlling and other equity interests. Shareholders' equity is made up of share capital, retained earnings and other reserves

Fully Loaded CRD IV CET1 ratio

- Fully loaded CRD IV CET1 (Common Equity Tier 1) ratio demonstrates the capital strength and resilience of Barclays. By ensuring we are well capitalised relative to minimum capital requirements of regulatory authorities, we create a safer bank for customers and clients, and all stakeholders through challenging economic conditions
- The ratio expresses Barclays' capital as a percentage of risk weighted assets as defined by the PRA, in the context of CRD IV (an EU Directive prescribing capital adequacy and liquidity requirements), and is part of the regulatory framework governing how banks and depository institutions are supervised
- Achievement of the targets set out for the other four Cs (Customer & Client, Colleague, Citizenship and Conduct) will contribute to the successful delivery of the Company targets

The focus of the Company metrics is to deliver long-term acceptable returns to shareholders in a sustainable way, maintaining adequate levels of capital to enable the bank to operate safely through challenging economic conditions.

Our principal commitment remains unchanged – to deliver an RoE above the cost of equity on a sustainable basis, consistent with the 2018 target.

The Group's capital commitment is a fully loaded CET1 ratio above 11% in 2016, as we move towards the end-state capital requirements.

Adjusted RoE

Adjusted RoE excludes items that are significant but not representative of the underlying business performance. For a list of these items, please see page 32.

In 2014, adjusted RoE for the Group increased to 5.1% (2013: 4.1%) as adjusted profit before tax increased by 12% to £5,502m driven by improvements in PCB, Barclaycard and Non-Core. These were partially offset by a reduction in the Investment Bank and adverse currency movements impacting Africa Banking reported results.

RoE for the Core business decreased to 9.2% (2013: 11.3%). The returns of the Group and Core business were below the cost of equity, however, Barclays managed to reduce the RoE drag on the Group's returns in the Non-Core business to 4.1% (2013: 7.2%), largely due to a £35bn reduction in RWAs.

The Group estimates its Cost of Equity for 2015 at 10.5%.

Fully Loaded CET1 ratio

Barclays' capital management objective is to maximise shareholder value by prudently optimising the level, mix and distribution to businesses of its capital resources whilst maintaining sufficient capital resources to: ensure we are well capitalised relative to minimum capital requirements of regulatory authorities; to meet the Group's risk appetite; and to support the Group's credit rating.

In 2014 the Group's CET1 ratio increased by 120bps to 10.3%, demonstrating strong progress towards meeting our target and continuing to exceed regulatory requirements. This improvement was achieved despite further provision for conduct issues. The main improvement in 2014 was a reduction in Non-Core RWAs of £35bn.

We are making strong progress towards our 2018 CET1 capital target. We will continue underlying capital generation and reduction of RWAs within Non-Core, whilst looking to allocate capital to RoE enhancing growth opportunities in our Core business.

We developed an automated system to test new apps across hundreds of handsets that ensures our mobile innovations are in our customers' hands quickly and reliably.

For further detail on our financial performance, and the income statement and balance sheet, please see the Financial review on page 136

The activity in our business units

Reflects our progress in becoming 'Go-To'

Personal & Corporate Banking ▸

Types of customer and client are highlighted in blue.

From 8 May 2014, we changed our business structure to make it simpler, more focused, more balanced and much stronger. This means that each of our businesses has different opportunities and different focuses, all adding to the overall Group strategy.

The following pages provide an insight into what each of the new businesses does, the products they provide and markets they serve, and how they look to add value to Barclays' business model through their contributions to the Balanced Scorecard.

How each of our businesses are becoming 'Go-To' will differ. For instance, the majority of our colleagues in Personal and Corporate Banking work in our distribution network whereas Africa Banking provides fundamental banking infrastructure to a developing continent. Hence the contribution of each of our businesses' Balanced Scorecard will differ to the overall Balanced Scorecard for the Group, as seen on page 11. Therefore the metrics on the following pages demonstrate how each of our businesses contribute in their own individual way. Africa Banking replicates the Balanced Scorecard of the South African listed entity, Barclays Africa Group Limited.

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Personal & Corporate Banking

'We are succeeding by putting our customers and clients at the centre of everything we do and by continuing to do this we will become the 'Go-To' financial partner.'

Ashok Vaswani
Chief Executive,
Personal & Corporate Banking

How Personal & Corporate Banking contributes to our Balanced Scorecard

Customer and client
- Total complaints to the bank continue to decrease year-on-year. We publish complaint figures twice as frequently as the FCA requires, to be more open with our customers
- Corporate Client satisfaction rating ranked 1st[a]
- Innovation in digital: Over 3.7m downloads of Barclays Mobile Banking app and 2.2m Pingit users with over £1bn payments sent

Colleague
- Over 40,000 employees globally and 20% female senior leaders

Citizenship
- Helping customers and communities become digitally savvy through the Digital Eagles programme, with over 23k Digital Eagles appointed
- Supporting Diversity and Inclusion – ensuring everyone has access to our products and services

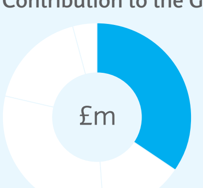
Conduct
- Conduct Risk Framework is being embedded throughout PCB with focus on delivering positive customer and client outcomes
- Conduct risk training launched, aimed to enhance understanding within the business

Company

Contribution to the Group	2014	2013	2012
Income (£m)	**8,828**	8,723	8,579
Adjusted profit before tax (£m)	**2,885**	2,233	2,455
Adjusted ROE (%)	**11.9**	9.7	11.1
Loan loss rate (bps)	**21**	28	30
Loans and advances to customers (£bn)	**217**	212.2	203.8
Customer deposits (£bn)	**299.2**	295.9	256.4

Note
a Charterhouse customer satisfaction survey

Contribution to the Group's total income



£8,828m

Total income increased 1% on prior year driven by balance growth and improved savings margins in Personal Banking and Mortgages.

Personal & Corporate Banking is a powerhouse, with the potential to challenge the traditional UK banking landscape. It is well positioned and combines high quality, leading businesses across Personal, Mortgages, Corporate and Wealth.

What we do

Personal & Corporate Banking (PCB) provides banking services which fulfill the fundamental banking needs of individuals and businesses: storing, receiving and paying monies in a safe, reliable and regulated manner.

PCB is subdivided into four main units, bringing together our Personal, Mortgages, Corporate and Wealth businesses:

- Personal Banking: provision of simple banking products to 16m customers, with a focus on transforming customer interactions through automating routine transactions and humanising important moments
- Mortgages: a single highly automated industrial strength engine to provide mortgage services to over 1.5m individuals
- Corporate Banking: an end-to-end proposition and service continuum that supports nearly one million UK customers and global clients, from start-ups, through FTSE 100 companies, to partnering with the largest global corporations
- Wealth: a wealth and investment management business for 36k high net worth and ultra high net worth clients

We are able to join up seamlessly Personal, Mortgages, Corporate and Wealth services to continue helping our customers and clients achieve their ambitions. The structure of PCB gives us the unique ability to create connections for our customers; to connect sellers with buyers and to encourage clients and customers to transact and do more business with each other.

We are continuing to transform customer and client interactions, enabling automated experiences for routine transactions, and offering a choice of channel (physical, telephony, or digital). We are already at the forefront of digital change, transforming the nature of banking globally through innovations such as Barclays Mobile Banking, Pingit, Voice Biometrics and Video Anywhere.

The digital revolution has transformed the lives and businesses of our customers and clients, and whilst the programmes may create changes, we are closely monitoring the experience and delivering change through on-the-ground staffing to help customers and clients receive an improved, efficient new banking experience. We are working hard to ensure that no-one is left behind:

- There has been huge effort in helping people become more comfortable with the internet through the Digital Eagles programme – allaying security fears and demonstrating functionality such as how to use an iPad, how to search for a web page and how to Skype with family and friends
- Our attention to innovation means we can ensure everyone has access to our products and services through capabilities such as talking ATMs and SignVideo
- We have supported over 1.1m young people with our LifeSkills programme, a free, curriculum-based programme designed to prepare young people for work
- PCB also supports society and the wider economy; in 2014 we advanced £13.8bn of lending to small businesses, £20.3bn of lending to households, and focused on a number of initiatives to contribute to the communities we operate in as part of our Citizenship agenda

Barclaycard

Market environment and risks

The external market and environment in which PCB operates is constantly changing with emerging regulation, ongoing economic uncertainty, an evolving competitive landscape, and increasing customer expectations. The changing economic climate could impact interest rates or property prices, therefore closely review our credit risk indicators and appetite. Given our advances in technological solutions, we actively test the resilience of our infrastructure. We continue to monitor and manage our risks to ensure any of these changes are mitigated and within our risk appetite, and focus closely on adapting and evolving with the market, for example:

- Embracing technological innovation to enable our existing customers to do more with us
- Reshaping the way we interact with our customers so that we increase customer satisfaction and deepen customer engagement

2014 performance review

Profit before tax increased 29% to £2,885m driving a 2.2% increase in return on average equity to 11.9%. Personal and Mortgages income grew £119m to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income. Corporate income was broadly in line at £3,592m (2013: £3,620m) as balance growth in lending and deposits was offset by margin compression. Wealth income was also broadly in line at £1,077m (2013: £1,063m) as growth in UK business and higher savings margins were offset by the effects of a substantial reorganisation to reduce the number of target markets whilst simplifying operations.

Impairment improved 22% to £482m and loan loss rate reduced 7bps to 21bps due to the improving economic environment in the UK, particularly impacting Corporate which benefited from one-off releases and lower defaults from large UK Corporate clients.

Continued reduction in operating expenses down 7% to £5,475m due to savings realised from the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels and technology improvements to increase automation. PCB has made significant progress not only in identifying growth opportunities, but also in achieving operational efficiency. There is a strong and continuing internal focus on realising synergies, rationalising and automating systems and processes to reduce cost and improve controls.

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth, also increasing RWAs 2% to £120.2bn. Customer deposits increased to £299.2bn (2013: £295.9bn).

Our future priorities for Personal & Corporate Banking

We seek to:

- Facilitate and create connections between our PCB customers and clients
- Automate manual processes to ensure a better control environment and reduce cost
- Develop instant and transparent customer journeys to improve customer experience and satisfaction
- Extend our existing capabilities, technology and knowledge across our business
- Continue to innovate for our customers and clients, with a focus on new technology and transforming customer interactions

'Barclaycard is a top 10 consumer payments provider globally. In a business where winning is dependent on scale, innovation, analytics and risk management, we have strength across the board.'

Valerie Soranno Keating
Chief Executive, Barclaycard

How Barclaycard contributes to our Balanced Scorecard

Customer and client
- 3.6m new customers gained
- £257bn payments volume in 2014
- Continued to drive payments innovation, introducing wearable payment forms in the UK and supporting the launch of Apple Pay in the US

Colleague
- 94% high performers retained
- Recognised as a leader in Diversity and Inclusion with 34% of senior leaders female

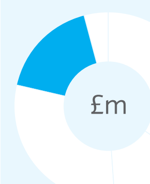
Citizenship
- £18.5bn new and renewed lending to households
- Launched Penny for London, an innovative way of charitable giving, powered by Barclaycard in partnership with the Mayor's Fund for London
- Supporting '5 Million Young Futures' through Yes2Chess and Apps for Good

Conduct
- Year on year complaints volume reduced by c.20% in 2014 in the context of an increasing customer base

Company

Contribution to the Group	2014	2013	2012
Income (£m)	**4,356**	4,103	3,816
Adjusted profit before tax (£m)	**1,339**	1,183	1,161
Adjusted ROE (%)	**16.0**	15.5	18.0
Loan loss rate (bps)	**308**	332	328
Loans and advances to customers (£bn)	**36.6**	31.5	28.8
Customer deposits (£bn)	**7.3**	5.1	2.7

Contribution to the Group's total income



£4,356m

Total income increased 6% on prior year driven by asset growth across all geographies.

The Strategic Report
Governance
Risk review
Financial review
Financial statements
Shareholder information

Barclaycard is a leading consumer payments business offering a broad array of products and services to consumers and merchants.

What we do

Barclaycard provides solutions enabling consumers to buy and pay in the way they want, businesses to sell and accept payments in the way they want, and connects the two in a way which adds value to both. Operating across multiple geographies and distribution channels, we are one of the few consumer payments businesses that is able to serve both buyers and sellers. Our diversified business model allows us to deliver consistent returns across the economic cycle.

As consumers and businesses adopt more secure digital and online solutions, we continue to innovate – an area where Barclaycard delivers upon its heritage of being a leader. Examples include:

- Our collaboration with Transport for London (TfL) which, in September 2014, enabled TfL to accept any contactless card or device for payment across the whole of London's transport network
- The launch of our wearable bPay band, an 'open market' payment product that can be linked to any UK credit or debit card and used at over 300,000 contactless payment terminals across the UK
- Barclaycard Anywhere – an app linked to a mobile card-acceptance terminal using smartphone technology to enable SMEs and larger Corporates with distributed workforces to take card payments remotely

In addition we have focused on delivering value to our cardholders by offering sector-leading products to our global customer and client base, including:

- Barclaycard Arrival, our award-winning US travel rewards product, with over 250k active customers and more than $825m in loans only 21 months after launching
- Leading the 'best-buy' tables for balance transfers in the UK for the whole of 2014, giving consumers the best offer in the market daily

By providing simple solutions that offer clear value, work reliably and create emotional engagement we can become the 'Go-To' bank for consumer payments.

Market environment and risks

Barclaycard operates in multiple geographies and is therefore exposed to the benefits and risks of each. Changes in the environment of these various markets can cause headwinds as a result of fluctuations in interest and foreign currency rates, or because of competitor activity in our different product and geographical offerings. These headwinds could increase impairment on our books or result in reduced income and impact our credit and market risk appetite. We ensure we maintain our risk appetite at an appropriate level across each of the risk categories while reflecting the current environment. For example we continue to lend responsibly and only to those for whom credit is suitable.

While our future growth plans may pose some execution risk, as we expand and deliver our strategy, our diversified business model limits the potential impact from the risks described above and can open up new lines of opportunity.

2014 performance review

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 30m (2013: 26m) and asset growth across all geographies. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43%. The business focus on risk management is reflected in stable 30 day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%).

Total income increased 6% to £4,356m reflecting growth in the UK consumer and merchant, Germany and US businesses, partially offset by depreciation of average USD against GBP.

- Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, partially offset by lower funding costs
- Net fee and commission income increased 2% to £1,286m due to growth in payment volumes

Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance.

Total operating expenses increased 1% to £1,874m driven by costs to achieve Transform, partially offset by depreciation of average USD against GBP, and savings from insourcing of services, consolidating of sites and digitalisation.

Loans and advances grew 16% to £36.6bn reflecting growth across all geographies. RWAs increased 12% to £39.9bn as a result. Customer deposits increased 43% to £7.3bn, reflecting the deposit funding strategy in the US.

Our future priorities for Barclaycard

Barclaycard's strategic intent is to go on delivering strong growth and contribute to Barclays becoming the 'Go-To' bank. We seek to achieve this through:

- Selective expansion where we can generate efficiencies and economies of scale
- Investing to accelerate momentum in market sectors and geographies where we already have acknowledged strength
- Creating sustainable relationships and using our skills to support our communities
- Ensuring our products and services lead the industry in transparency
- Continuing to be pioneers in the payments industry, offering consumers and retailers innovative ways to buy and sell

Africa Banking

'Africa Banking is uniquely placed to promote economic development as we bring expertise and clients to Africa, and provide African customers with access to global markets'

Maria Ramos
Chief Executive, Africa Banking

How Africa Banking contributes to our Balanced Scorecard

Customer and client
- RBB & WIMI: Relationship NPS® 4th (Target 1st in 2018)
- CIB: Compound annual growth rate in client franchise contribution: 13% (Target 11% in 2018)

Colleague
- Sustained engagement of colleagues' score: 73% (Target 84% in 2018)
- Women in senior leadership: 29.6% (Target 35% in 2018)
- Senior black management (EE) in S. Africa: 32.2% (Target 60% in 2018)

Citizenship
- 42,876 SMEs supported with seminars, tools and training
- 824 apprenticeships/learnerships
- £10m Community investment spend and over 14k colleagues mobilised to volunteer their time and expertise

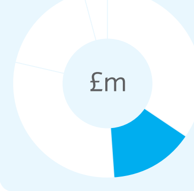
Conduct
- Conduct reputation (YouGov survey): 7.4/10[a] (Target 7.7/10 in 2018)

Company

Contribution to the Group	2014	2013	2012
Income (£m)	**3,664**	4,039	4,314
Profit before tax (£m)	**984**	1,049	1,019
Adjusted ROE (%)	**9.3**	8.1	7.2
Loan loss rate (bps)	**93**	128	158
Loans and advances to customers (£bn)	**35.2**	34.9	41.2
Customer deposits (£bn)	**35**	34.6	39.7

Note
a Botswana, Ghana, Kenya, South Africa and Zambia.

Contribution to the Group's total income



£3,664m

Total income net of insurance claims decreased 9% on prior year. On a constant currency basis, it increased 7%.

Africa Banking is a diversified, full-service financial services provider.

What we do

We offer an integrated set of products and services across retail and business banking, corporate and investment banking, wealth management and insurance to almost 12 million customers in Africa. With our long-standing presence in 12 African markets and integration with Barclays Group globally, we offer deep local knowledge and presence, combined with the expertise and support of a global bank. By helping our customers and clients achieve their ambitions we play a key role in empowering and developing Africa.

Africa is the second fastest growing continent with clear potential for strong long-term economic growth. Our competitive advantage lies in our ability to combine global product knowledge with regional expertise and an extensive, well-established local presence. We translate this advantage into tangible benefits for customers and clients, and aim to become their bank of choice in Africa. In implementing this strategy, we are focused on turning around our retail and business banking operations, growing our corporate franchise across the continent, expanding our wealth, investment management and insurance offerings across Africa, as well as investing in and developing our talent. This will enable us to become 'top 3' by revenue in our five largest African markets – South Africa, Kenya, Ghana, Botswana and Zambia.

Market environment and risks

South Africa's economic growth contracted due to prolonged mining strikes, the engineering sector strike and persistent electricity shortages. African markets outside South Africa remained resilient but growth slowed in some markets because of country-specific shocks, tighter monetary policy and weaker commodity prices.

This changing environment presents us with both opportunities and risks. Intensified regulatory and government intervention, while leading to increased compliance costs and complexity of doing business, supports a sound operating environment. Other risks stem from macro-economic headwinds; in South Africa, high levels of consumer indebtedness have resulted in banks' tightened lending standards and economic growth is expected to remain sluggish. We have taken steps to manage our risk profile, monitoring execution risks carefully and closely tracking progress against our strategic initiatives. While South Africa remains the largest part of our business, operations in our other African geographies add diversity and the opportunity of higher growth to our portfolio. We are already seeing the benefits in our 2014 results.

Investment Bank

◂ Africa Banking

2014 performance review

During 2014, we made good progress against the financial commitments we set out to the markets for 2016. In our African operations we have inceased our share of revenues from outside South Africa to 22.5% – within our targeted range – and are top 3 by revenue in 2 of our 5 largest markets. Our ROE increased to 9.3% and is on course to exceed 10%. Our increased cost to income ratio reflects the investments we made into the businesses.

We have simplified our product range and processes, continue to add value through additional services, improving the customer experience and introducing many digital innovations, from the Homeowners app in South Africa, allowing applicants to track progress of mortgage applications, to the launch of Barclays Mobile Banking in markets outside of South Africa.

We have also successfully implemented systems and infrastructure for corporate and business clients, such as Front Arena – an electronic trading platform – in eleven countries; BARX – our foreign exchange platform in nine countries; and Barclays.net – a streamlined and full-feature online banking channel is now operational in South Africa, Kenya and Uganda, which are all key geographical markets for our African business. We continue to expand our insurance business across the continent.

On a reported basis, total income net of insurance claims decreased 9% to £3,664m and profit before tax decreased 6% to £984m. Based on average rates, the ZAR depreciated against GBP by 18% in 2014. The deterioration was a significant contributor to the movement in the reported results of Africa Banking.

The discussion of business performance in the paragraph below is based on results on a constant currency basis unless otherwise stated. Profit before tax increased 13% to £984m, reflecting good growth in Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB). CIB experienced strong income growth, driven by the corporate banking business outside of South Africa, and improved investment banking trading performance across Africa. Continued progress was made on the RBB South Africa turnaround strategy, with increased net fee and commission income growth in the second half of the year, and Wealth, Investment Management and Insurance delivered strong growth outside of South Africa due to expansion initiatives.

Loans and advances to customers grew 5% driven by strong CIB growth. Customer deposits grew 5% driven by RBB growth. RWAs increased 1% as growth in loans and advances was partially offset by ZAR depreciation against GBP.

Our future priorities

For Barclays Africa Group Limited, we are targeting an RoE of 18-20% and bringing our cost-to-income ratio down to the low 50s. For Africa Banking we aim to become top 3 by revenue in our five biggest markets and increasing the revenue share from outside South Africa to 20-25%. To achieve these targets, growth outside South Africa will be a priority for us and we will continue to focus on four areas:

- Turnaround our RBB franchise
- Grow our Corporate business across the continent
- Expand Wealth, Investment Management and Insurance into Africa
- Develop and invest in diversity and talent

'From our unique position with dual home markets and truly global reach, we are transforming the Investment Bank so that we can continue to help our target clients achieve their ambitions.'

Thomas King
Chief Executive,
Investment Bank

How Investment Banking contributes to our Balanced Scorecard

Customer and client
- Voted best Investment Bank in the UK by Euromoney
- Ranked # 2 tied overall Fixed Income Market Share for third consecutive year by Greenwich Associates
- Advised on four of the top 10 global M&A deals in 2014, including the two largest

Colleague
- 400 full-time graduates and 590 interns hired in 2014
- 14% female senior leaders
- 22 Diversity Networks in place with over 8,800 members

Citizenship
- Launched three socially responsible products in 2014: Barclays Women in Leadership Index and ETNs; Barclays Return on Disability ETNs and Barclays/MSCI Green Bond Benchmark Indices
- £5.9bn of clean-technology financing in 2014, including £2.3bn of Green Bond financing

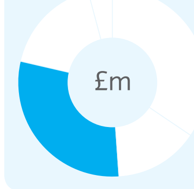
Conduct
- Conduct Risk Committee launched and embedded with sub-committees focusing on Conflicts, Suitability, Submissions and Colleagues
- 6,800 colleagues completed Conduct College training in 2014 representing over 99% of all front office employees

Company

Contribution to the Group	2014	2013[a]	2012
Income (£m)	**7,588**	8,596	9,104
Profit before tax (£m)	**1,377**	2,020	2,554
ROE (%)	**2.7**	8.2	9.6
Cost: income ratio (%)	**82**	77	71
Loans and advances to customers (£bn)	**106.3**	104.5	93.2
Total assets (£bn)	**455.7**	438.0	398.5

Note
a 2013 adjusted income and PBT have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability.

Contribution to the Group's total income



£7,588m

Total income decreased 12% on prior year driven by difficult market-making conditions and continued low levels of activity.

The Investment Bank is a leading provider of advice, financing and risk management solutions to companies, governments and institutions worldwide.

What we do
We enable the movement of capital between those who need it, for example to grow their company or build new infrastructure, and those looking to generate a return on investment. In doing so we fund and facilitate global economic growth, helping millions of people to achieve their ambitions. Our business is split into three core areas:

- Markets: Provides execution, prime brokerage and risk management services across the full range of asset classes including equity and fixed income, currency and select commodity products
- Banking: Provides long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions
- Research: Provides multi-asset class and macro-economic research delivering practical ideas to help our clients make informed investment decisions

Through this range of business activities we can provide Barclays with a diversity of income and risk, and deliver market execution services for customers and clients within other parts of the Group.

Market environment and risks
The changes made following the Strategy Update rebalance our business mix to improve returns, while ensuring that we continue to provide a holistic service to our target clients.

The portfolios in the Investment Bank now represent a lower market risk and we will continue to closely manage our market and credit risk appetite as the market environment evolves.

The environment is still challenging with low interest rates and reduced volatility impacting the Investment Bank. Alongside more structural regulatory change, including new capital and leverage requirements, this has put increasing pressure on the Investment Bank's ability to deliver returns.

Changes resulting from new and impending regulation will continue to impact our business model. In particular, adapting our business framework in response to structural reform will be a key focus over the coming years as we seek to comply with both UK ring-fence and US Intermediate Holding Company legislation.

In addition the business continues to face conduct and litigation risk and we are further strengthening our control environment, evolving our culture and simplifying our products in order to minimise associated risks.

2014 performance review
Profit before tax decreased 32% to £1,377m. The Investment Bank continues to make progress on its origination-led strategy, building on leading positions in its home markets of the UK and US, whilst driving cost savings and RWA efficiencies. The business is focused on a simpler product set in Markets, which will enable it to build on existing strengths and adapt to regulatory developments. The business continued to execute this strategy despite difficult market-making conditions and continued low levels of activity. This has particularly impacted credit and interest rate products, resulting in an income decline across the Markets businesses. This decline was partially offset by improved banking performance and significant cost reductions as a result of savings from Transform.

Total income decreased 12% to £7,588m, including the impact of depreciation of average USD against GBP.

- Banking income increased 2% to £2,528m as lower fair value losses on hedges and higher interest offset lower fee income
- Markets income decreased 18% to £5,040m as:
  - Credit decreased 17% driven by reduced volatility and client activity
  - Equities decreased 11% due to lower client volumes
  - Macro decreased 24% reflecting subdued client activity and lower volatility in currency markets in the first half of the year

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs, business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased cost to achieve Transform and litigation and conduct charges.

Total assets increased 4% to £455.7bn due to an increase in derivatives due to forward interest rates and a strengthening of USD against major currencies. RWAs reduced 2% to £122.4bn primarily driven by risk reductions in the trading book.

Our future priorities for Investment Banking

We seek to:

- Invest in key growth areas, with a particular focus on origination
- Simplify and standardise the macro business, while retaining the flexibility to create bespoke solutions for core clients
- Consolidate and optimise client balance sheet usage through the centralised Client Capital Management team
- Significantly simplify and reduce the cost of our infrastructure, standardising technology and processes across asset classes
- Continue to strengthen our control environment and approach to conduct risk

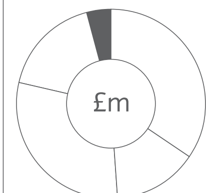
Barclays Non-Core

◂ Investment Bank

Barclays Non-Core is responsible for the divestment of Barclays non-strategic assets and businesses.

Company Contribution to the Group	2014	2013 as Restated	2012 as Restated
Income (£m)	1,050	2,293	3,207
Adjusted profit before tax (£m)	(1,180)	(1,562)	220
Adjusted ROE (%)	(4.1)	(7.2)	(1.1)
Loans and advances to customers (£bn)	63.9	81.9	99.1
Customer deposits (£bn)	21.6	29.3	31.9

Contribution to the Group's total income



£1,050m

Total income net of insurance claims decreased 54% reflecting exiting and running-down of certain businesses and securities in 2014

What we do

Barclays Non-Core (BNC) was formed to oversee the divestment of Barclays' non-strategic assets and businesses, releasing capital to stimulate strategic growth in our Core business.

BNC brings together businesses and assets that do not fit our client strategy, remain sub-scale with limited growth opportunities, or are challenged by the regulatory capital environment. Non-Core assets have been grouped together in BNC, comprising three main elements: principal businesses, securities and loans, and derivatives.

Several of the businesses managed within BNC are profitable and will be attractive to other owners.

All of BNC will be exited over time, through sale or run-off. Reducing the capital and cost base will help improve Group returns and deliver shareholder value.

Criteria for BNC

Two criteria were used to determine which businesses should be placed in BNC:

- Strategic fit: Businesses either not client-driven or operate in areas where we do not have competitive advantage
- Returns on both a CRD IV capital and leverage exposure: Capital and/or leverage-intensive businesses, unlikely to meet our target returns over the medium term

Almost 80% of BNC RWAs relate to the Non-Core Investment Bank at the creation of BNC. It includes the majority of our commodities and emerging markets businesses, elements of other trading businesses including legacy derivative transactions, and non-strategic businesses. The key Non-Core portfolios outside the Non-Core Investment Bank comprise the whole of our European retail business, some European corporate exposures and a small number of Barclaycard and Wealth portfolios.

BNC is run by a dedicated management team operating within a clear governance framework to optimise shareholder value and preserve maximum book value as businesses and assets are divested.

Market, environment and risks

To divest BNC successfully we are partly dependent on external market factors. The income from our businesses and assets, the quantum of associated RWAs and finally market appetite for BNC components are all influenced by market environment. In addition, regulatory changes in the treatment of RWAs can significantly impact our 'stock' of RWAs. These factors, alongside continued regulatory change, mean the market environment in which BNC operates can have positive or negative consequences for our planned run-down profile.

BNC maintains a robust risk management framework to mitigate the risks inherent in our businesses and traded assets, howeverwe may need to take further, currently unforeseen, actions to achieve our run-down objectives which may include incurring additional costs of exit, or a change in direction to our planned run-down trajectory.

Although the emphasis is on bringing down RWAs, reducing costs in BNC is also critical. We will be disciplined in ensuring we reduce both, although this may not always happen simultaneously.

2014 performance review

Loss before tax reduced 24% to £1,180m as BNC made good progress in exiting and running-down certain businesses and securities during 2014. This drove a £34.6bn reduction in RWAs, making substantial progress towards the BNC target reductions as outlined in the Strategy Update on 8 May 2014.

Total income net of insurance claims reduced 54% to £1,050m:

- Businesses income reduced 27% to £1,101m due to the sale and run-down of legacy portfolio assets and the rationalisation of product offerings within the European retail business
- Securities and Loans income reduced 82% to £117m primarily driven by the active run-down of securities, fair value losses on wholesale loan portfolios
- Derivatives income reduced £321m to an expense of £168m reflecting the funding costs of the traded legacy derivatives portfolio and the non-recurrence of fair value gains in the prior year

Credit impairment charges improved 81% to £168m due to the non-recurrence of impairments on single name exposures, and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio.

Total operating expenses improved 29% to £2,011m reflecting savings from lower headcount and the results of the previously announced European retail restructuring.

Total assets decreased 8% to £471.5bn due to the run-down of legacy portfolio assets, offset by an increase in derivative assets, with a respective reduction in RWAs of £34.6bn to £75.3bn.

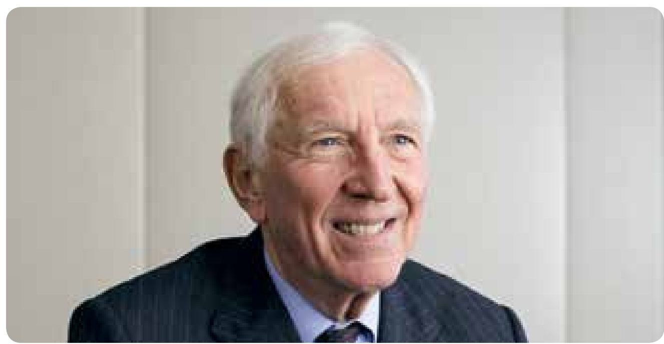
Our future priorities for Barclays Non-Core (BNC)

Barclays Non-Core seek to:

- Manage BNC in accordance with Barclays' Purpose and Values as we exit Non-Core business and assets, particularly in relation to our colleagues and clients
- Optimise shareholder value of BNC traded assets and businesses, and act decisively when exit opportunities arise
- Maintain a robust risk management framework at all times
- Partner with Barclays Core business to ensure strong coordination in relation to exit plans
- Be disciplined about costs while we run down Barclays Non-Core and ensure costs are eliminated from the Group

Your Board has set a clear priority

Building a business that generates strong, sustainable returns



Chairman's governance overview

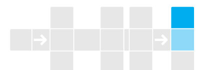
Our key priority as a Board is clear: build a sustainable business that generates good returns for our shareholders over the long-term. Our role is to set Barclays' strategic aims; provide the right leadership to achieve those aims; ensure consistent execution by monitoring performance and, above all, ensure that risk is managed appropriately and the business is well-controlled.

The Board sets direction and provides oversight and control, acting as an independent check and balance to the Executive team, whose responsibility it is to run the business. This relationship is only effective if it is built on mutual respect, with a common shared agenda and a shared perspective on what we are trying to achieve, and we saw that in evidence during 2014.

Setting strategic aims
Our overriding performance objective, which we set in February 2013, is to deliver a return on equity above the cost of equity on a sustainable basis. Faced with significant changes in the external environment since then, an important area of focus for your Board has been how we achieve that objective. In early 2014, the Executive team, led by Antony Jenkins, brought proposals to the Board, identifying the significant issues and the choices available to us. The Board challenged and tested these proposals and perspectives before concluding on the strategy on which we are all agreed, to rebalance Barclays and reposition the business for consistent returns and growth, which was announced on 8 May 2014. As a Board, we are united in our commitment to this plan.

Creating the right culture
Of course, how we do these things is just as important as what we do. Our goal is to create a Barclays that is doing business in the right way, exhibiting the right values. The Board has a vital role to play in setting the tone and the values – creating the culture – that will ultimately deliver sustainable success. Effective governance is therefore not simply about having a framework or processes in place: it is about people and how they interact. Ensuring that we have the right people leading Barclays and that they are appropriately rewarded and incentivised is vital. The Board Corporate Governance & Nominations Committee and Board Remuneration Committee oversee these important areas on behalf of the Board.

Monitoring performance
We continue to discuss and test each element of our strategy, not least because of further regulatory change, including Structural Reform, and the fundamental effect this will have on how we manage our capital, liquidity and risk. However, having refined our strategic aims, the Board's focus is now on execution and supporting the Executive team



in delivering against our agreed targets. The Board's attention has been particularly focused on the progress being made against our financial targets, on the potential growth opportunities presented by our Core business and on continuing to reposition our Investment Banking business and reduce the size of our Non-Core business.

Management of risk and control
It is essential that we have a holistic view of all major risks facing Barclays, remaining vigilant with regard to both known and emerging risks and ensuring that we are strong enough to withstand any exogenous shocks. Our Board-level risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite and risk profile are consistent with and support our strategy to deliver long-term, sustainable success. In light of our commitment to our Values, one of the areas of focus for the Board Audit Committee this year has been encouraging the deployment of a new method of assessing management's approach and attitude to control issues. This new approach is helping set a higher standard for the internal control environment and less than satisfactory performance has direct implications in respect of performance assessment and remuneration.

Sir David Walker
Chairman

Our Corporate Governance Framework

What the Board does, and how it does it, underpins the delivery of long-term sustainable success. This creates the framework within which the Executive team can lead the business and deliver the agreed strategy.

Leadership
The Board provides challenge, oversight and advice to ensure that we are doing the right things in the right way. The Board must also be attentive to the need to cultivate future leaders and ensure that robust succession plans are in place.

Effectiveness
The Board requires the right balance of expertise, skills, experience and perspectives to be effective. It also needs to have the right information, at the right time, so that it can engage deeply on how the business is operating, how the Executive team is performing and fully understand the risks and major challenges the business is facing. The performance of the Board, the Board Committees and the Directors is scrutinised each year in the Board Effectiveness Review.

Risk management and control
Understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic aims. The Board's risk committees play an active role in ensuring that we undertake well-measured, profitable risk-taking activity that supports long-term sustainable growth.

Remuneration
Remuneration decisions are aligned with and support the achievement of long-term value creation.

Engagement
Our wider societal responsibilities mean we are attentive to a broad set of stakeholders. We undertake regular engagement to maintain strong relationships.

Your Board
Sir David Walker (75) Group Chairman
Antony Jenkins (53) Group Chief Executive; Executive Director
Mike Ashley (60) Non-executive Director
Tim Breedon (57) Non-executive Director
Crawford Gillies (58) Non-executive Director
Reuben Jeffery III (61) Non-executive Director
Wendy Lucas-Bull (61) Non-executive Director
John McFarlane (67) Non-executive Director (from 1.1.15)
Tushar Morzaria (46) Group Finance Director; Executive Director
Dambisa Moyo (46) Non-executive Director
Frits van Paasschen (53) Non-executive Director
Sir Michael Rake (67) Deputy Chairman and Senior Independent Director
Diane de Saint Victor (60) Non-executive Director
Sir John Sunderland (69) Non-executive Director
Steve Thieke (68) Non-executive Director

Board diversity
Our overriding duty is to maintain a strong, effective Board with strong, effective Directors. All appointments to the Board are therefore made on merit, taking into account the collective balance of skills, experience and diversity that the Board requires. Our Board Diversity Policy, which is available at barclays.com/corporategovernance sets out our policy and objectives for achieving diversity on the Board. At the end of 2014, there were 3 women on the Board (21%), compared to our target of 25% by the end of 2015.

Gender balance

Date	Directors
31.12.14	3 Female Directors (21%) 11 Male Directors (79%)
31.12.13	3 Female Directors (20%) 12 Male Directors (80%)
31.12.12	1 Female Director (8%) 11 Male Directors (92%)

A focus on sound financial footings

To make sure our capital, liquidity and funding remain strong

This page details a number of metrics the Group used to monitor financial performance.

2014 income statement review

In order to provide a more consistent basis for comparing business performance between periods, management assess performance on both an adjusted and statutory basis. Adjusted measures exclude items considered to be significant but not representative of the underlying business performance.

	2014 £m	2013 £m
Core profit before tax	6,735	6,487
Non-Core loss before tax	(1,180)	(1,562)
Group Adjusted profit before tax	5,555	4,925
Own credit	34	(220)
Goodwill impairment	–	(79)
Provisions for PPI and interest rate hedging redress	(1,110)	(2,000)
Gains on US Lehman acquisition assets	461	259
Provision for ongoing investigations and litigation relating to Foreign Exchange	(1,250)	–
Loss on announced sale of the Spanish business	(446)	–
ESHLA valuation revision	(935)	–
Statutory profit before tax	2,309	2,885

Adjusted profit before tax increased 13% to £5,555m:

- Core income decreased 4% to £24,725m, reflecting a reduction in the Investment Bank and adverse currency movements in Africa Banking, partially offset by growth in Barclaycard and PCB. Non-Core income reduced to £1,050m (2013: £2,293m) following run-down and business disposals
- Core impairment charges decreased 8% to £2,000m, reflecting the improved economic environment in the UK and reduced impairment in South African mortgages. Non-Core impairment charges reduced £732m to £168m
- Total adjusted operating expenses were down 9% to £18,063m, driven by savings from Transform programmes, including a 5% net reduction in headcount, and currency movements

Statutory profit before tax decreased to £2,309m (2013: £2,885m) including the following material adjusting items:

- A valuation revision of £935m (2013: nil) has been recognised against the Education, Social Housing, and Local Authority (ESHLA) loan portfolio held at fair value in Barclays Non-Core. This is due to changes in discount rates applied in the valuation methodology
- An additional PPI redress provision of £1,270m based on an updated best estimate of future redress and associated costs, resulting in a full year net charge of £1,110m (2013: £2,000m) in relation to PPI and interest rate hedging redress
- A £1,250m (2013: nil) provision for ongoing investigations and litigation relating to Foreign Exchange
- A £461m gain (2013: £259m) on US Lehman acquisition asset
- A loss on the announced sale of the Spanish business of £446m, (2013: nil) which completed on 2 January 2015. Additional accumulated currency translation reserve losses of approximately £100m will be recognised on completion in the first quarter of 2015

Transform financial targets

	2014 £m	2013 £m
Barclays Group		
CRD IV FL CET1 ratio >11.0% in 2016	10.3%	9.1%
Leverage ratio > 4.0% by 2016	3.7%	n/a
Dividend payout ratio of 40-50% of adjusted earnings over time	38%	42%
Barclays Core		
Adjusted RoE >12% in Barclays Core by 2016	9.2%	11.3%
Adjusted operating expenses excluding costs to achieve Transform of less than £14.5bn in 2016	£15,105m	£16,377m
Barclays Non-Core		
Drag on adjusted RoE <(3%) in the Non-Core division by 2016	4.1%	7.2%

BCBS 270 fully loaded leverage ratio

In line with regulatory requirements, from 30 June 2014 Barclays adopted the January 2014 BCBS 270 rules for leverage exposure to derive the related leverage ratio for the Group. The ratio is calculated as fully loaded Tier 1 Capital divided by BCBS 270 fully loaded leverage exposure.

The ratio increased to 3.7% (30 June 2014: 3.4%), reflecting a reduction in the leverage exposure of £120bn to £1,233bn and an increase in Tier 1 Capital to £46.0bn (30 June 2014: £45.4bn).

Dividend payout ratio

The dividend payout ratio is the percentage of earnings paid to shareholders in dividends and is calculated as a proportion of dividends paid relative to adjusted earnings per share as determined by the Board. The ability to pay dividends to shareholders demonstrates the financial strength of the Group. The 2014 dividend per share of 6.5p (2013: 6.5p) resulted in a dividend payout ratio of 38% (2013: 42%).

Operating expenses excluding costs to achieve Transform

Defined as adjusted total operating expenses excluding costs to achieve Transform. Adjusted operating expenses exclude provisions for PPI and interest rate hedging redress, provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment.

Barclays views operating expenses as a key strategic battleground for banks. Adjusted operating expenses excluding costs to achieve Transform decreased 10% to £16,904m for the Group, and decreased 8% to £15,105m for the Core.

The Barclays Core and Non-Core adjusted RoE and CRD IV fully loaded CET1 ratio financial commitments are included as the Group Company Balanced Scorecard measures. Refer to page 16 for further details.

These financial highlights provide an overview of 2014 performance. For further information on the results of the Group, please see our Financial review on page 136

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2014.

Section 414 A of the Companies Act requires the Directors to present a Strategic report in The Bank's Annual Report & Accounts. The information which fulfils this requirement can be found on pages 1 to 27.

The Bank has chosen, in accordance with section 414 C (11) of the Companies Act 2006, and as noted in this Directors' report, to include certain additional matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. The Directors' Report together with the Strategic Report constitute the management report for the purpose of DTR 4.1.8R. An indication of likely future developments is given in the Strategic Report.

The particulars of important events affecting The Bank since the financial year end can be found in Note 28 Legal, Competition and Regulatory Matters and Note 45, Non-current assets held for disposal and associated liabilities.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

	Pages
Key performance indicators	137
Financial review	136
Risk Management	43
Principal risks	47

Profits and dividends

Barclays operates through branches, offices and subsidiaries in the UK and overseas. The results of the Group show a pre-tax profit of £2,309m (2013: £2,885m) for the year and profit after tax of £854m (2013: £1,308m). The Group had net assets of £66,045m at 31 December 2014 (2013: £63,220m). The profit attributable to Barclays PLC, The Bank's parent, for the year 2014 amounted to £528m (2013: £963m). Total dividends on ordinary shares paid during 2014 are set out in Note 11 to the accounts. Dividends paid on preference shares for the year ended 31 December 2014 amounted to £441m (2013: £471m).

Share Capital

There was no increase in ordinary share capital during the year. Barclays PLC owns 100% of the issued ordinary shares. There are no restrictions on the transfer of securities or agreements between holders of securities known to The Bank which may result in restrictions on the transfer of securities or voting rights. Further information on the Barclays Bank PLC share capital can be found on pages 244 to 248.

Repurchase of shares

The Bank did not repurchase any of its ordinary shares during 2014 (2013: none). On 18 June 2014 The Bank repurchased from Barclays PLC 108,144 euro preference shares of €100 each at a price of €10,123.63 per share, 54,070 sterling preference shares of £100 each at a price of £10,604.11 per share, and 41,867 dollar preference shares of $100 each at a price of $10,605.23 per share. The repurchased shares were subsequently cancelled. On 15 December 2014, 100,000 euro preference shares of €100 each became redeemable at the option of The Bank and the entire class of shares was redeemed on this date.

Powers of Directors to issue or buy back the company's shares

The powers of the Directors are determined by the Companies Act 2006 and the Company's Articles. At a general meeting held in June 2014, shareholders authorised The Bank and Barclays PLC to enter into a Call Option Agreement pursuant to which The Bank may purchase certain of its shares by way of off-market purchase.

Directors

The Directors of The Bank are listed on page 32. The Directors' interests in shares are set out on page 95 of the Remuneration Report in Barclays PLC's Annual Report and Accounts. The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical.

Fulvio Conti and Simon Fraser left the Board with effect from 24 April 2014. Steve Thieke and Crawford Gillies joined the Board with effect from 7 January 2014 and 1 May 2014 respectively. There were no other changes to Directors in 2014. John McFarlane was appointed to the Board with effect from 1 January 2015 and will succeed Sir David Walker as Chairman of Barclays with effect from the conclusion of the Barclays Bank PLC AGM in 2015.

Directors' Indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2014 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 they may incur (or have incurred) in connection with their duties, powers or office. In addition, The Bank maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2014 for the benefit of the then directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the retirement fund.

Similarly, qualifying pension scheme indemnities were in force during 2014 for the benefit of directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), Barclays Capital Funded Unapproved Retirement Benefits Scheme, and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the schemes above.

Employee Involvement

Barclays maintains and advocates a 'partnership' in the approach to industrial relations, and a regular and constructive dialogue with more than 30 national unions, works councils and staff associations across the globe is ensured. In the UK and South Africa, Barclays two largest markets; there are formal partnership agreements in place. Employee representatives are regularly consulted on a wide range of matters affecting their interests and well established regional forums in Europe and Africa allow engagement on transnational issues.

Where business restructuring is necessary and could result in potential job losses, Barclays works closely with colleague representatives to avoid compulsory redundancies where possible.

The goal is to ensure that the colleagues that leave Barclays are supported and treated with respect. In countries where there are no representative bodies engagement occurs directly with colleagues. Barclays have focused on putting internal colleagues first and supporting those impacted by change to ensure that, wherever possible, talent is retained within Barclays. So far over 1,000 colleagues have been redeployed. 'Think Barclays First' will be launched more widely in 2015 and will become a key driver within the recruitment strategy, ensuring that internal talent is retained and promoted before looking to the external market.

Barclays recognises the importance of continuously seeking the views of its employees and the need to understand the collective voice of the organisation, especially during a time of change. In order to understand what colleagues think about working for Barclays the first Group Employee Opinion Survey was deployed in 2014. This asked all colleagues globally to provide their perspectives across a wide-range of subject areas through a confidential online survey including questions on personal development, leadership and management, innovation, and citizenship. Over 90,000 colleagues participated in the survey, providing a depth of insight which will inform and shape the Barclays people strategy in 2015. The engagement of colleagues was measured at 72%, a 1% decrease on 2013. Given the amount of change taking place in the organisation, it is not surprising that there has been a small drop and we are committed to building engagement further in 2015. Barclays have performed an in-depth review of the results of the survey with all senior leaders and improving employee engagement is a key focus for 2015 to ensure that the right environment for colleagues to thrive is created. The company ensures that employees have a common awareness of the financial and economic factors affecting the company's performance. This includes the circulation of financial results and employee forums where colleagues can ask senior individuals, including the Chief Executive, questions.

Disabled persons

Barclays are moving closer to the publicly stated ambition to be the most accessible and inclusive bank. In 2014, the Barclays Accessibility Roadshow toured the UK, spending a week in 45 of the flagship branches raising awareness of the accessible services we offer. Innovative new services were launched, including Sign Video which makes it easier for Sign Language Users to communicate and the 'Beacon Technology' trials. The innovative technology notifies colleagues of a customer's accessibility needs when they enter the branch – helping Barclays to support and serve customers appropriately. Barclays are putting accessibility at the heart of a customer-centric service and have been delighted to receive awards for many of the Accessible Services, including Talking ATM's, High Visibility Debit Cards, and Colleague Accessibility Training Videos. Barclays also won the Marketing campaign of the year at the European Diversity Awards for the TV advert that raised awareness of the audio functionality of our ATMs.

Aligned to our inclusion ethos, Barclays recruitment processes ensure they are accessible for candidates with disabilities. In the UK Barclays are a Government accredited 'Two ticks' employer. Across the Group reasonable adjustments are provided to ensure ability and skills can be demonstrated by potential employees. Where colleagues acquire a disability or health condition, every effort is made to ensure that their employment with the Group continues. Similarly, Barclays works to ensure training, career development and promotion opportunities are equitable for non-disabled and disabled colleagues alike.

Barclays signed the 'Time to Change' pledge on World Mental Health day, expanding on the year-long 'This is me' mental health campaign for colleagues.

The Employee Opinion Survey saw over 5,000 colleagues (6%) identifying as having a disability. All those with an interest in disability can join the Reach employee network, with new chapters being launched this year across global sites.

Environment

Barclays Climate Action Programme focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. The Programme focuses on managing our own carbon footprint and reducing our absolute carbon emissions, developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large. We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our Credit Risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk.

We have disclosed global greenhouse gas emissions that we are responsible for as set out by 'The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013'. We provide fuller disclosure across our carbon emissions within Barclays GRI statement found on our website Barclays.com/citizenship.

	Current Reporting Year[a] 2014	Previous reporting year[b] 2013	Comparison Year[c] 2012
Global GHG Emissions[d]			
Total CO2e (tonnes)	830,668	968,781	1,060,442
Scope 1 CO2e emissions (tonnes)[e]	49,994	58,176	47,718
Scope 2 CO2e emissions (tonnes)	655,426	723,993	822,486
Scope 3 CO2e emissions (tonnes)[f]	125,248	186,612	190,238
Intensity Ratio			
Total Full Time Employees (FTE)	132,300	139,600	139,200
Total CO2e per FTE (tonnes)	6.28	6.94	7.62

[a] 2014 Reporting Year covers Q4 2013 and Q1, 2, 3 of 2014. The carbon reporting year is not fully aligned to the financial reporting year covered by the director's report. This report is produced earlier than previous carbon reporting to allow us to report within the Year End financial reporting timelines.
[b] 2013 Reporting Year covers Q4 2012 and Q1, 2, 3 of 2013.
[c] 2012 Reporting Year is the full calendar year (Jan 2012 – Dec 2012)
[d] The methodology used to calculate our CO2e emissions is the operational control approach on reporting boundaries as defined by the World Resources Institute/ World Business Council for Sustainable Development (WRI / WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Where properties are covered by Barclays consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the Group GHG calculations.

- Scope 1 covers direct combustion of fuels and company owned vehicles (from UK and South Africa only, which are the most material contributors).
- Scope 2 covers emissions from electricity and steam purchased for own use.
- Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK and South Africa. 2014 car hire data covers the USA and India only. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available.)

[e] Fugitive emissions reported in Scope 1 for 2014 & 2013 cover emissions from UK, Americas, Asia-Pacific and South Africa. Fugitive emission data for 2012 is not available. Business travel reported in Scope 1 covers company cars in the UK & South Africa. This covers the majority of our employees where we have retail operations with car fleets.

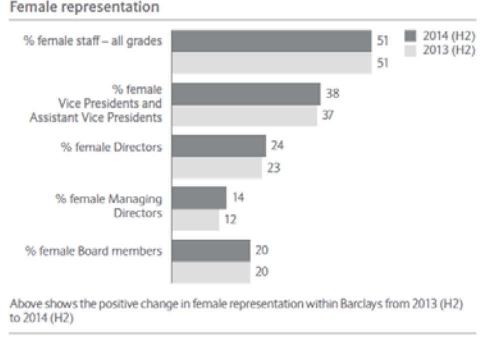
Directors' report

f Scope 3 is limited to emissions from business travel which covers global flights and ground transport from the UK and South Africa. 2014 car hire data also covers the USA and India only. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available.

Gender

Ensuring female talent can thrive, particularly at the senior leadership level, is a focus for many organisations that recognise the true value of diversity. The strength of Barclays commitment to improving gender balance is evident by the Board Diversity Policy which states Board-level gender aspirations (25% female Board members), and by the inclusion of senior leader gender goals within the Balanced Scorecard.

At all levels progress is being made. Barclays Board membership includes three women, and additionally three members of the Group Executive Committee are female. As regards to senior leaders (Director and MD), female senior leadership population stood at 22% at the end of 2014, which is a 1% increase year-on-year since 2011. Under the Companies Act 2006, Barclays are also required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 132,300 (65,200 male, 67,100 female), 732 were senior managers (596 male, 136 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior Managing Directors, and directors on the boards of undertakings of the Group, but exclude individuals who sit as directors on the board of The Bank.



Above shows the positive change in female representation within Barclays from 2013 (H2) to 2014 (H2)

The graduate recruitment target of 50/50 gender shortlists means that Barclays focus on gender diversity extends to Early Careers. This is enabling Barclays to grow a diverse pipeline of talent for the future. An inclusive environment is vital to enable the talent that is recruited to grow their careers with Barclays; and the thriving global Women's Initiative Network is just one way this is supported.

Independent assessment by external organisations continues to validate Barclays progress. For 2014, this has included being named for the seventh consecutive year within The Times Top 50 Workplaces for Women, and Barclays inclusion within the highly regarded 'Working Mother' 100 Best Companies in the US. In Asia, Barclays won the Women in Wealth Management Award, in part because judges were impressed that 40% of senior leaders in Asia are female.

Helping to shape wider industry change, Barclays launched the market leading Women's Index (tradable exchange notes which track the performance of companies with diverse boards). The launch of this product has allowed Barclays to engage in a richer dialogue with many investor clients about their holistic goals for investment.

Research and Development

In the ordinary course of business the Group develops new products and services in each of its business divisions.

Financial Instruments

Barclays financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 51 to 56 and 64 to 120.

Change of control

There are no significant agreements to which The Bank is a party that are affected by a change of control of The Bank following a takeover bid. There are no agreements between The Bank and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Auditors

The Board Audit Committee (BAC) reviews the appointment of the external auditors, as well as their relationship with The Group, including monitoring The Group's use of The Group's auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found in Note 42 to the accounts.

PricewaterhouseCoopers LLP (PwC) has been The Group's auditor for many years, although the lead audit partner is rotated every five years. The current lead audit partner joined the audit team for the 2010 year end and will retire after the 2014 year end. Having reviewed the independence and effectiveness of the external auditors, the BAC has recommended to the Board that the existing auditors, PwC, be reappointed. PwC have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2015 AGM. There are no contractual obligations restricting The Bank's choice of external auditor.

During 2014 new rules relating to audit tenders were published by the European Union and have been reflected in a final order published by the UK's Competition and Markets Authority, which came into force on 1 January 2015. FTSE 350 companies such as Barclays PLC, The Bank's parent, must retender the external audit at least every 10 years and the audit firm must be rotated at least every 20 years. As PwC, and its predecessor firms, has been The Group's external auditor since 1896, and it is more than 10 years since the external audit was last tendered, the BAC has agreed that a tender will be conducted in 2015 with a view to rotating the external audit firm for the 2017 audit onwards. PwC will consequently not be asked to tender.

Disclosure of Information to the Auditor

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which The Bank's auditors are unaware and that each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that The Bank's auditors are aware of that information. For these purposes, 'relevant audit information' means information needed by The Bank's auditors in connection with preparing their report.

Going concern

The Group's business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Strategic Report and Risk Management sections.

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The Directors confirm they are satisfied that The Bank and The Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

Disclosure controls and procedures

The Group Chief Executive, Antony Jenkins, and the Group Finance Director, Tushar Morzaria, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2014, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 159, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year and, with regards to The Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared individual accounts in accordance with IFRS as issued by the European Union. The accounts are required by law and IFRS to present fairly the financial position of The Bank and The Group and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 162 to 167, and the additional information contained on pages 168 to 282, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's performance, business and model.

The Directors have responsibility for ensuring that The Bank and The Group keep accounting records which disclose with reasonable accuracy the financial position of The Bank and The Group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, whose names are set out on page 26, confirm to the best of their knowledge that:

- The financial statements , prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Barclays Bank PLC and the undertakings included in the consolidation taken as a whole; and
- The management report, which is incorporated in the Directors' Report on pages 28 to 31, includes a fair review of the development and performance of the business and the position of Barclays Bank PLC and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Lawrence Dickinson
Joint Secretary
2 March 2015

Registered in England. Company No. 1026167

Directors and Officers

Current Directors and Officers

Sir David Walker – Group Chairman

Executive Directors
Antony Jenkins – Group Chief Executive
Tushar Morzaria – Group Finance Director

Non-Executive Directors
Mike Ashley
Tim Breedon
Crawford Gillies
Reuben Jeffery III
Wendy Lucas-Bull
John McFarlane
Dambisa Moyo
Frits Van Paasschen
Sir Michael Rake – Deputy Chairman
Diane De Saint Victor
Sir John Sunderland
Stephen Thieke

Group Executive Committee		Appointed to position
Robert Le Blanc	Chief Risk Officer	2004
Maria Ramos	Chief Executive, Barclays Africa Group	2009
Valerie Soranno Keating	CEO, Barclaycard	2012
Ashok Vaswani	CEO, Personal and Corporate Banking	2012
Bob Hoyt Group	General Counsel	2013
Thomas King	Chief Executive, Investment Bank	2013
Irene McDermott-Brown	Group Human Resources Director	2013
Mike Roemer	Group Head of Compliance	2014
Michael Harte	Chief Operations and Technology Officer	2014
Jonathan Moulds	Group Chief Operating Officer	2015

Other Officers		Appointed to position
Lawrence Dickinson	Joint Secretary	2002
Patrick Gonsalves	Joint Secretary	2002
Mark Merson	Deputy Finance Director	2014

Contents

Risk Review

The management of risk plays a central role in the execution of Barclays' strategy and insight into the level of risk across businesses and portfolios and the material risks and uncertainties the Group face are key areas of management focus.

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Material existing and emerging risks

Material existing and emerging risks to the Group's future performance

The section describes the material risks which senior management is currently focused on and believe could cause the Group's future results of operations, financial condition and prospects to differ materially from current expectations.

For more information about the major risk policies which underlie risk exposures, see the consolidated policy-based qualitative information in the Pillar 3 Report. A summary of this information may also be found in this report in the Risk Management section between pages 43 to 62.

The following information describes the material risks which senior management are currently focused on and believe could cause its future results of operations, financial condition and prospects to differ materially from current expectations including the ability to meet dividend expectations, ability to maintain appropriate levels of capital and meet capital and leverage ratio targets, or achieve stated targets and commitments as outlined in the Strategy section and other expected benefits. In addition, risks relating to the Group that are not currently known, or that are currently deemed immaterial, may individually or cumulatively also have the potential to have a material adverse effect on the Group's future results of operations, financial condition and prospects.

Material risks and their impact are described below in two sections: i) risks which management believes may affect more than one Principal Risk; and ii) risks management believes are more likely to impact a single Principal Risk. Certain risks below have been classified as an 'emerging risk', which is a risk that has the potential to have an increasingly significant detrimental effect on the Group's performance, but currently its outcome and the time horizon for the crystallisation of its possible impact is even more uncertain and more difficult to predict than for other risk factors that are not identified as emerging risks.

More information on Principal and Key Risks may be found in Barclays Approach to Managing Risk in the Barclays PLC 2014 Pillar 3 Report. For 2015, reputation risk will be recognised as a Key Risk within conduct risk given the close alignment between them and the fact that as separate Principal Risks they have a common Principal Risk Officer.

Material existing and emerging risks potentially impacting more than one Principal Risk

i) Business conditions, general economy and geopolitical issues

The Group's performance could be adversely affected in more than one Principal Risk by a weak or deteriorating global economy or political instability. These factors may also be focused in one or more of the Group's main countries of operation.

The Group offers a broad range of services to retail and institutional customers, including governments, across a large number of countries with the result that it could be materially adversely impacted by weak or deteriorating economic conditions, including deflation, or political instability in one or a number of countries in which the Group operates or any other globally significant economy.

The global economy continues to face an environment characterised by low growth, and this is expected to continue during 2015 with slow growth or recession in some regions, such as Europe which may be offset in part by expected growth in others, such as North America. Any further slowing of economic growth in China would also be expected to have an adverse impact on the global economy through lower demand, which is likely to have the most significant impact on countries in developing regions that are producers of commodities used in China's infrastructure development.

While the pace of decreasing monetary support by central banks, in some regions, is expected to be calibrated to potential recovery in demand in such regions, any such decrease of monetary support could have a further adverse impact on volatility in the financial markets and on the performance of significant parts of the Group's business, which could, in each case, have an adverse effect on the Group's future results.

Falling or continued low oil prices could potentially have an adverse impact on the global economy with significant wide ranging effects on producer and importer nations as well as putting strain on client companies in certain sectors which may lead to higher impairment requirements.

Furthermore, the outcome of the ongoing political and armed conflicts in the Ukraine and parts of the Middle East remain unpredictable and may have a negative impact on the global economy.

A weak or deteriorating global economy and political instability could impact Group performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity and consequently a decline in revenues; (ii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties; and (iii) higher levels of default rates and impairment.

ii) UK political and policy environment (emerging risk)

The political outlook in the UK is uncertain ahead of the General Election in May 2015. The public policy environment in the UK (including but not limited to regulatory reform in the UK, a potential referendum on UK membership of the European Union, taxation of UK financial institutions and clients) is likely to remain challenging in the short to medium term, with the potential for policy proposals emerging that could impact clients, markets and the Group either directly or indirectly.

Aside from specific policy proposals, uncertainty arises in particular with respect to:

- An inconclusive result in the General Election and the potential for a prolonged period of political uncertainty; and
- Depending on the outcome of the election, a possible referendum on continued UK membership of the European Union by 2017.

A referendum on the UK membership of the European Union may affect the Group's risk profile through introducing potentially significant new uncertainties and instability in financial markets, both ahead of the dates for this referendum and, depending on the outcomes, after the event. As a member of the European Union, the UK and UK-based organisations have access to the EU Single Market. Given the lack of precedent, it is unclear how a potential exit of the UK from the EU would affect the UK's access to the EU Single Market and how it would affect the Group.

Material existing and emerging risks

Material existing and emerging risks to the Group's future performance

iii) Model risk

The Group may suffer adverse consequences from risk based business and strategic decisions based on incorrect or misused model assumptions, outputs and reports.

The Group uses models in particular to assess and control the Group's credit and market exposures. Model risk can arise from a number of sources, including: fundamental model flaws leading to inaccurate outputs; incomplete, inaccurate or inappropriate data used for either development or operation of the model; incorrect or inappropriate implementation or use of a model; or assumptions in the models becoming outdated or invalid due to the evolving external economic and legislative environment and changes in customer behaviour.

If the Group were to place reliance on incorrect or misused model outputs or reports, this could result in a material adverse impact on the Group's reputation, operations, financial condition and prospects, for example, due to inaccurate reporting of financial statements; estimation of capital requirement (either on a regulatory or economic basis); or measurement of the financial risks taken by the Group as part of its normal course of business.

As a consequence, management of model risk has become an increasingly important area of focus for the Group, regulators and the industry.

Material existing and emerging risks by Principal Risk

Credit risk

The financial condition of the Group's customers, clients and counterparties, including governments and other financial institutions, could adversely affect the Group.

The Group may suffer financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. Furthermore, the Group may also suffer loss when the value of the Group's investment in the financial instruments of an entity falls as a result of that entity's credit rating being downgraded. In addition, the Group may incur significant unrealised gains or losses due solely to changes in the Group's credit spreads or those of third parties, as these changes affect the fair value of the Group's derivative instruments, debt securities that the Group holds or issues, or any loans held at fair value.

i) Deterioration in political and economic environment

The Group's performance is at risk from any deterioration in the economic and political environment which may result from a number of uncertainties, including most significantly the following factors:

a) Political instability or economic uncertainty in markets in which the Group operates (emerging risk)

Political instability, economic uncertainty or deflation in regions in which the Group operates could weaken growth prospects that could lead to an adverse impact on customers' ability to service debt and so to higher impairment requirements for the Group. These include, but are not limited to:

Eurozone

The economies across the Eurozone are showing little evidence of sustained growth with debt-burdened government finances, deflation, weak demand and persistent high unemployment preventing a sustained recovery. Slow recovery could put economic pressure on key trading partners of Eurozone countries, notably the UK and China. Furthermore, concerns persist on the pace of structural banking reform in the Eurozone and the strength of the Eurozone banking sector in general. A slowdown in the Eurozone economy could have a material adverse effect on the Group's results of operations, financial condition and prospects through, for example, a requirement to raise impairment levels.

The Group is at risk from a sovereign default of an existing Eurozone country in which the Group has operations and the adverse impact on the economy of that exiting country and the credit standing of the Group's clients and counterparties. This may result in increased credit losses and higher impairment requirements. While the risk of one or more countries exiting the Eurozone had been receding, as a result of the recent formation of an anti-austerity coalition government in Greece, this risk and the risk of redenomination is now re-emerging alongside the possibility of a significant renegotiation of the terms of Greece's bailout programme.

For further information see Exposures to Eurozone countries on page 78.

South Africa

The economy in South Africa remains under pressure with weak underlying economic growth reinforced by industrial strike action and electricity shortages. While the rapid growth in the consumer lending industry over the past three years has begun to slow, concerns remain over the level of consumer indebtedness, particularly given the prospect of further interest rate rises and high inflation. Higher unemployment and a fall in property prices, together with increased customer or client unwillingness or inability to meet their debt obligations to the Group, may have an adverse impact on the Group's performance through higher impairment charges.

Countries in developing regions

A number of countries, which have high fiscal deficits and reliance on short term external financing and/or material reliance on commodity exports, have become increasingly vulnerable as a result of, for example, the volatility of the oil price, a strong US dollar relative to local currencies, and the winding down of quantitative easing policies by some central banks. The impact on the Group may vary according to such country's respective structural vulnerabilities but the impact may result in increased impairment requirements of the Group through sovereign defaults or the inability or unwillingness of clients and counterparties of the Group in that country to meet their debt obligations.

Russia (emerging risk)

The risks to Russia are escalating as pressure on the Russian economy increases. Slowing GDP growth and high inflation due to the imposition of economic sanctions by the US and EU, falls in the price of oil, a rapid fall in the value of the rouble against other foreign currencies and significant and rapid interest rate rises could have a significant adverse impact on the Russian economy. In addition, foreign investment into Russia reduced during 2014 and may continue in 2015.

While the Group has no material operations in Russia, the Group participates in certain financing and trading activity with selected counterparties conducting business in Russia with the result that further sanctions or deterioration in the Russian economy may result in the counterparties being unable, through lack of a widely accepted currency, or unwilling to repay, refinance or roll-over outstanding liabilities. Any such defaults could have a material adverse effect on the Group's results as a result of, for example, incurring higher impairment.

For further information see page 78.

b) Interest rate rises, including as a result of slowing of monetary stimulus, could impact on consumer debt affordability and corporate profitability

To the extent that interest rates increase in certain developed markets, such increases are widely expected to be gradual and modest in scale over the next 18 months, albeit at differing timetables, across the major currencies. While an increase may support Group income, any sharper than expected changes could cause stress in loan portfolio and underwriting activity of the Group, leading to the possibility of the Group incurring higher impairments. The possibility of higher impairment would most notably occur in the Group's retail unsecured and secured portfolios, which, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group's assets resulting in a requirement to increase the Group's level of impairment allowance.

ii) Specific sectors

The Group is subject to risks arising from changes in credit quality and recovery of loans and advances due from borrowers and counterparties in a specific portfolio or from a large individual name. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector or in respect of specific large counterparties. The following provides examples of areas of uncertainties to the Group's portfolio which could have a material impact on performance. However, there may also be additional risks not yet known or currently immaterial which may have an adverse impact on the Group's performance.

a) Decline in property prices in the UK and Italy

The Group is at risk from a fall in property prices in both the residential and commercial sectors in the UK. With UK home loans representing the most significant portion of the Group's total loans and advances to the retail sector, the Group has a large exposure to adverse developments in the UK retail property sector. UK house prices (primarily in London) increased throughout 2014 at a rate faster than that of income and to a level far higher than the long term average. As a result, a fall in house prices, particularly in London and South East of the UK, would lead to higher impairment and negative capital impact as loss given default (LGD) rates increase. In addition, reduced affordability of residential and commercial property in the UK, for example, as a result of higher interest rates or increased unemployment, could also lead to higher impairment.

In addition a significant portion of the Group's total loans and advances in Italy are to residential home loans. As a consequence, a number of factors including, for example, a fall in property prices, higher unemployment, and higher default rates have the potential to have a significant impact on the Group's performance through higher impairment charges.

For further information see page 81.

b) Non-Core assets

The Group holds a large portfolio of Non-Core assets, including commercial real estate and leveraged finance loans, which (i) remain illiquid; (ii) are valued based upon assumptions, judgements and estimates which may change over time; and (iii) are subject to further deterioration and write-downs. As a result, the Group is at risk of loss on these portfolios due to, for example, higher impairment should their performance deteriorate or write-downs upon eventual sale of the assets.

c) Large single name losses

The Group has large individual exposures to single name counterparties. The default of obligations by such counterparties could have a significant impact on the carrying value of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on the Group's results due to, for example, incurring higher impairment charges.

Market risk

The Group's financial position may be adversely affected by changes in both the level and volatility of prices leading to lower revenues and may include:

i) Major changes in quantitative easing programmes (emerging risk)

The trading business model is focused on client facilitation in the wholesale markets, involving market making activities, risk management solutions and execution. A prolonged continuation of current quantitative easing programmes, in certain regions, could lead to a change and a decrease of client activity which could result in lower fees and commission income.

The Group is also exposed to a rapid unwinding of quantitative easing programmes. A sharp movement in asset prices could affect market liquidity and cause excess volatility impacting the Group's ability to execute client trades and may also result in portfolio losses.

ii) Adverse movements in interest and foreign currency exchange rates (emerging risk)

A sudden and adverse movement in interest or foreign currency exchange rates has the potential to detrimentally impact the Group's income arising from non-trading activity.

The Group has exposure to non-traded interest rate risk, arising from the provision of retail and wholesale (non-traded) banking products and services. This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does not change in line with base rate changes. The level and volatility of interest rates can impact the Group's net interest margin, which is the interest rate spread earned between lending and borrowing costs. The potential for future volatility and margin changes remains in key areas such as in the UK benchmark interest rate, to the extent such volatility and margin changes are not entirely neutralised by hedging programmes.

The Group is also at risk from movements in foreign currency exchange rates as these will impact the sterling equivalent value of foreign currency denominated assets in the banking book, and therefore exposing the Group to currency translation risk.

While the impact is difficult to predict with any accuracy, failure to appropriately manage the Group's balance sheet to take account of these risks could have an adverse effect on the Group's financial prospects due to reduced income and volatility of the regulatory capital measures.

iii) Adverse movements in the pension fund

Adverse movements between pension assets and liabilities for defined benefits pension schemes could contribute to a pension deficit. The liabilities discount rate is a key risk and in accordance with International Financial Reporting Standards (IAS 19), is derived from the yields of high quality corporate bonds (deemed to be those with AA ratings) and consequently includes exposure to both risk-free yields and credit spreads. Therefore, the Group's defined benefits scheme valuation would be adversely affected by a prolonged fall in the discount rate or a persistent low rate environment. Inflation is another key risk driver to the pension fund, as the net position could be negatively impacted by an increase in long term inflation expectation.

Material existing and emerging risks

Material existing and emerging risks to the Group's future performance

iv) Non-Core assets

As part of the assets in the Non-Core business, the Group holds a UK portfolio of generally longer term loans to counterparties in Education, Social Housing and Local Authorities (ESHLA) which are valued on a fair value basis. The valuation of this portfolio is subject to substantial uncertainty due to the long-dated nature of the portfolios, the lack of a secondary market in the relevant loans and observable loan spreads. As a result of these factors, the Group may be required to revise the fair values of these portfolios to reflect, among other things, changes in valuation methodologies due to changes in industry valuation practices and as further market evidence is obtained in connection with the Non-Core asset run-off and exit process. In 2014, the Group recognised a reduction of £935m in the fair value of the ESHLA portfolio as a result of these factors. Any further negative adjustments to the fair value of the ESHLA portfolio may give rise to significant losses to the Group.

For further information refer to Note 17 of the Group's consolidated financial statements.

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios.

The Group may not be able to achieve its business plans due to: i) being unable to maintain appropriate capital ratios; ii) being unable to meet its obligations as they fall due; iii) rating agency methodology changes; and, iv) adverse changes in foreign exchange rates on capital ratios.

i) Being unable to maintain appropriate capital ratios

Should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: an inability to support business activity; a failure to meet regulatory requirements including the requirements of regulator set stress tests; increased cost of funding due to deterioration in credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen the Group's capital or leverage position. Basel III and CRD IV have increased the amount and quality of capital that the Group is required to hold. While CRD IV requirements are now in force in the United Kingdom, changes to capital requirements can still occur, whether as a result of further changes by EU legislators, binding regulatory technical standards being developed by the European Banking Authority (EBA) or changes to the PRA interpretation and application of these requirements to UK banks. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital.

Additional capital requirements will also arise from other regulatory reforms, including both UK, EU and US proposals on bank structural reform, current EBA 'Minimum Requirement for own funds and Eligible Liabilities (MREL), proposals under the EU Bank Recovery and Resolution Directive (BRRD) and Financial Stability Board (FSB) Total Loss-Absorbing Capacity (TLAC) proposals for globally systemically important banks (G-SIBs). Given many of the proposals are still in draft form and subject to change, the impact is still being assessed. Barclays is participating in an FSB Quantitative Impact Study (QIS) to determine the quantum and composition of TLAC requirements. However, it is likely that these changes in law and regulation will have an impact on the Group as they would require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased capital requirements may also constrain the Group's planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group's costs, impact on the Group's earnings and restrict the Group's ability to pay dividends. Moreover, during periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, increasing the Group's capital resources in order to meet targets may prove more difficult and/or costly.

ii) Being unable to meet its obligations as they fall due

Should the Group fail to manage its liquidity and funding risk sufficiently, this may result in the Group, either not having sufficient financial resources available to meet its payment obligations as they fall due, or, although solvent, only being able to meet these obligations at excessive cost. This could cause the Group to fail to meet regulatory liquidity standards, be unable to support day to day banking activities or no longer be a going concern.

iii) Rating agency methodology changes (emerging risk)

During 2015, credit rating agencies are expected to complete their reviews and revisions of their ratings of banks by country to address the agencies' perception of the impact of ongoing regulatory changes designed to improve the resolvability of banks in a manner that minimises systemic risk, such that the likelihood of extraordinary sovereign support for a failing bank is less predictable, as well as to address the finalisation of revised capital and leverage rules under CRD IV. Following their review, Standard and Poor's downgraded Barclays PLC's long-term rating in February 2015 and placed Barclays Bank PLC's long- and short-term ratings on "credit watch with negative implications". While the overall outcome of the proposed changes in bank ratings methodologies, and the related review of ratings for removal of sovereign support, remains uncertain, there is a risk that any potential rating downgrades could impact the Group's performance should borrowing cost and liquidity change significantly versus expectations or the credit spreads of the Group be negatively affected.

For further information on the effect of a downgrade please refer to Credit Ratings in the Liquidity Risk Performance section on page 103.

iv) Adverse changes in foreign exchange rates on capital ratios

The Group has capital resources and risk weighted assets denominated in foreign currencies and changes in foreign currency exchange rates may adversely impact sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Group's balance sheet to take account of this risk could result in an adverse impact on regulatory capital ratios. While the impact is difficult to predict with any accuracy it may have a material adverse effect on the Group's operations as a result of a failure in maintaining appropriate capital and leverage ratios.

Operational risk

The operational risk profile of the Group may change as a result of human factors, inadequate or failed internal processes and systems, and external events.

The Group is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group's business), systems failure or an attempt, by an external party, to make a service or supporting infrastructure unavailable to its intended users, known as a denial of service attack, and the risk of geopolitical cyber threat activity destabilising or destroying the Group's IT (or critical infrastructure the Group depends upon but does not control) in support of critical economic business functions. The Group is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses or reductions in service to

customers and/or economic loss to the Group. The operational risks that the Group is exposed to could change rapidly and there is no guarantee that the Group's processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers.

i) Cyber-attacks (emerging risk)

The threat posed by cyber attacks continues to grow and the banking industry has suffered major cyber attacks during the year. Activists, nation states, criminal gangs, insiders and opportunists are among those targeting computer systems. Given the increasing sophistication and scope of potential cyber attack, it is possible that future attacks may lead to significant breaches of security. The occurrence of one or more of such events may jeopardise the Group or the Group's clients' or counterparties' confidential and other information processed and stored in, and transmitted through, the Group's computer systems and networks, or otherwise cause interruptions or malfunctions in the Group's, clients', counterparties' or third parties' operations, which could impact their ability to transact with the Group or otherwise result in significant losses or reputational damage.

Failure to adequately manage cyber security risk and continually review and update current processes in response to new threats could adversely affect the Group's reputation, operations, financial condition and prospects. The range of impacts includes increased fraud losses, customer detriment, regulatory censure and penalty, legal liability and potential reputational damage.

ii) Infrastructure and technology resilience

The Group's technological infrastructure is critical to the operation of the Group's businesses and delivery of products and services to customers and clients. Sustained disruption in a customer's access to their key account information or delays in making payments could have a significant impact on the Group's reputation and may also lead to potentially large costs to both rectify the issue and reimburse losses incurred by customers.

iii) Ability to hire and retain appropriately qualified employees

The Group is largely dependent on highly skilled and qualified individuals. Therefore, the Group's continued ability to manage and grow its business, to compete effectively and to respond to an increasingly complex regulatory environment is dependent on attracting new talented and diverse employees and retaining appropriately qualified employees.

In particular, as the Group continues to implement changes to its compensation structures in response to new legislation, there is a risk that some employees may decide to leave the Group. This may be particularly evident among those employees who are impacted by changes to deferral structures and new claw back arrangements. Additionally, colleagues who have specialist sets of skills within control functions or within specific geographies that are currently in high demand may also decide to leave the Group as competitors seek to attract top industry talent to their own organisations. Finally, the impact of regulatory changes such as the introduction of the Individual Accountabilities Regime, under which greater individual responsibility and accountability will be imposed on senior managers and non-executives of UK banks and the structural reform of banking, may also reduce the attractiveness of the financial services industry to high calibre candidates in specific geographies.

Failure by the Group to prevent the departure of appropriately qualified employees, to retain qualified staff who are dedicated to oversee and manage current and future regulatory standards and expectations, or to quickly and effectively replace such employees, could negatively impact the Group's results of operations, financial condition, prospects and level of employee engagement.

iv) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of current and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for.
The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. For example, the introduction of IFRS 9 Financial Instruments is likely to have a material impact on the measurement and impairment of financial instruments held.

For more information please refer to Accounting Policy and Critical Estimates on pages 168 to 170.

v) Legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and financial crime may negatively affect the Group's results, reputation and ability to conduct its business.

The Group conducts diverse activities in a highly regulated global market and, therefore, is exposed to the risk of fines and other sanctions relating to the conduct of its business. In recent years there has been an increased willingness on the part of authorities to investigate past practices, vigorously pursue alleged breaches and impose heavy penalties on financial services firms, and this trend is expected to continue. In relation to financial crime, a breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure and other sanctions in the jurisdictions in which it operates, particularly in the UK and US. Where clients, customers or other third parties are harmed by the Group's conduct this may also give rise to legal proceedings, including class actions, particularly in the US. Other legal disputes may also arise between the Group and third parties relating to matters such as breaches, or enforcement, of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Group being liable to third parties seeking damages, or may result in the Group's rights not being enforced as intended.

Details of material legal, competition and regulatory matters to which the Group is currently exposed are set out in Note 28 Legal, Competition and Regulatory Matters. In addition to those material ongoing matters, the Group is engaged in numerous other legal proceedings in various jurisdictions which arise in the ordinary course of business, as well as being subject to requests for information, investigations and other reviews by regulators and other authorities in connection with business activities in which the Group is or has been engaged. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the period.

The outcome of material legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, it is likely that in connection with any such matters the Group will incur

significant expense, regardless of the ultimate outcome, and one or more of such matters could expose the Group to any of the following: substantial monetary damages and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group's business including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Group's reputation; and/or loss of investor confidence; and/or dismissal or resignation of key individuals.

There is also a risk that the outcome of any legal, competition or regulatory matters in which the Group is involved may give rise to changes in law or regulation as part of a wider response by relevant law makers and regulators. An adverse decision in any one matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group.

vi) Risks arising from regulatory change and scrutiny

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance capital and risk management strategies.

a) Regulatory change

The Group, in common with much of the financial services industry, continues to be subject to significant levels of regulatory change and increasing scrutiny in many of the countries in which it operates (including, in particular, the UK and the US and in light of its significant investment banking operations). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements, including with regard to; (i) capital, liquidity and leverage requirements (for example arising from Basel III and CRD IV); (ii) structural reform and recovery and resolution planning; and (iii) market infrastructure reforms such as the clearing of over-the-counter derivatives. As a result, regulatory risk will continue to be a focus of senior management attention and consume significant levels of business resources. Furthermore, this more intensive approach and the enhanced requirements, uncertainty and extent of international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect the Group's business, capital and risk management strategies and/or may result in the Group deciding to modify its legal entity structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in areas despite their otherwise attractive potential.

For further information see Regulatory Developments in the section on Supervision and Regulation.

b) Additional PRA supervisory expectations, including changes to CRD IV (emerging risk)

The Group's results and ability to conduct its business may be negatively affected by changes to CRD IV or additional supervisory expectations.

To protect financial stability the Financial Policy Committee of the Bank of England (FPC) has legal powers to make recommendations about the application of prudential requirements. In addition, it may, for example, be given powers to direct the PRA and FCA to adjust capital requirements through sectoral capital requirements (SCR). Directions would apply to all UK banks and building societies, rather than to the Group specifically. The FPC issued its review of the leverage ratio in October 2014 containing a requirement of a minimum leverage ratio of 3% to supersede the PRA expectation of a 3% leverage. That review also introduced a supplementary leverage ratio for G-SIBs to be implemented from 2016 and countercyclical leverage ratio buffers would be implemented at the same time as countercyclical buffers are implemented for RWA purposes.

Changes to CRD IV requirements, UK regulators' interpretations of them, or additional supervisory expectations, either individually or in aggregate, may lead to unexpected enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. This may result in a need for further management actions to meet the changed requirements, such as: increasing capital or liquidity resources, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Group) and changing the Group's business mix or exiting other businesses and/or undertaking other actions to strengthen the Group's position.

c) Market infrastructure reforms

The European Market Infrastructure Regulation (EMIR) introduces requirements to improve transparency and reduce the risks associated with the derivatives market. Certain of these requirements came into force in 2013 and 2014 and still more will become effective in 2015. EMIR requires EU-established entities that enter into any form of derivative contract to: report every derivative contract entered into to a trade repository; implement new risk management standards for all bilateral over-the-counter derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation (although this clearing obligation will only apply to certain counterparties).

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms will be introduced by amendments to the EU Markets in Financial Instruments Directive that are expected to be implemented in 2016.

In the US, the Dodd-Frank Act also mandates that many types of derivatives that were previously traded in the over-the-counter markets must be traded on an exchange or swap execution facility and must be centrally cleared through a regulated clearing house. In addition, participants in these markets are now made subject to Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) regulation and oversight.

It is possible that other additional regulations, and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets.

Changes in regulation of the derivative markets could adversely affect the business of the Group and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities, which could in turn reduce the demand for swap dealer and similar services of the Group and its subsidiaries. In addition, as a result of these increased costs, the new regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

d) Structural reform and bank recovery and resolution

A number of jurisdictions have enacted or are considering legislation and rulemaking that could have a significant impact on the structure, business risk and management of the Group and of the financial services industry more generally. Detailed information on

the provisions set out below can be found in Regulatory Developments paragraphs in the section on Supervision and Regulation.

Key developments that are relevant to the Group include:

- The UK Financial Services (Banking Reform) Act 2013 (the Banking Reform Act), gives UK authorities the power to implement key recommendations of the Independent Commission on Banking, including the separation of the UK and EEA retail banking activities of the largest UK banks into a legally, operationally and economically separate and independent entity (so-called 'ring fencing'). It is expected that banks will have to comply with these ring fencing requirements from January 2019;
- The European Commission structural reform proposals of January 2014 (which are still in discussion) for a directive to implement recommendations of the EU High Level Expert Group Review (the Liikanen Review). The directive would apply to EU globally significant financial institutions;
- Implementation of the requirement to create a US intermediate holding company (IHC) structure to hold its US banking and non-banking subsidiaries, including Barclays Capital Inc., the Group's US broker-dealer subsidiary. The IHC will generally be subject to supervision and regulation, including as to regulatory capital and stress testing, by the Federal Reserve Bank (FRB) as if it were a US bank holding company of comparable size. The Group will be required to form its IHC by 1 July 2016. The IHC will be subject to the US generally applicable minimum leverage capital requirement (which is different than to Basel III international leverage ratio, including to the extent that the generally applicable US leverage ratio does not include off-balance sheet exposures) starting 1 January 2018. The Group continues to evaluate the implications of the FRB's IHC final rules (issued in February 2014) for the Group. Nevertheless, the Group currently believes that, in the aggregate, the final rules (and, in particular, the leverage requirements in the final rules that will be applicable to the IHC in 2018) are likely to increase the operational costs and capital requirements and/or require changes to the business mix of the Group's US operations, which ultimately may have an adverse effect on the Group's overall result of operations; and
- Implementation of the so-called 'Volcker Rule' under the Dodd-Frank Act. The Volcker Rule, once fully effective, will prohibit banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates from undertaking certain 'proprietary trading' activities and will limit the sponsorship of, and investment in, private equity funds and hedge funds, in each case broadly defined, by such entities. The rules will also require the Group to develop an extensive compliance and monitoring programme (both inside and outside of the US), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and the Group therefore expects compliance costs to increase. The final rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it. Subject entities are generally required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance programme by July 2015 (with certain provisions subject to possible extensions).

These laws and regulations and the way in which they are interpreted and implemented by regulators may have a number of significant consequences, including changes to the legal entity structure of the Group, changes to how and where capital and funding is raised and deployed within the Group, increased requirements for loss-absorbing capacity within the Group and/or at the level of certain legal entities or sub-groups within the Group and potential modifications to the business mix and model (including potential exit of certain business activities). These and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends and/or financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group which could be material.

e) Regulatory action in the event of a bank failure

The UK Banking Act 2009, as amended (the Banking Act) provides for a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers to make share transfer orders and property transfer orders. Following the Banking Reform Act the authorities will also have at their disposal a statutory bail-in power. This bail-in power, when it is made available to the UK resolution authority, will enable it to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors. The bail-in power will enable the UK resolution authority to cancel liabilities or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution and the power to convert liabilities into another form (e.g. shares). In addition to the bail-in power, the powers granted to the relevant UK resolution authority under the Banking Act include the power to: (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) transfer all or part of the business of the relevant financial institution to a 'bridge bank' (a publicly controlled entity); and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. The EU Bank Recovery and Resolution Directive (BRRD) contains provisions similar to the Banking Act on a European level, many of which augment and increase the powers available to regulators in the event of a bank failure. Further, parallel developments at international level may result in increased risks for banks, for example the Financial Stability Board (FSB) proposals for harmonising key principles for TLAC globally.

If these powers were to be exercised (or there is an increased risk of exercise) in respect of the Group or any entity within the Group such exercise could result in a material adverse effect on the rights or interests of shareholders and creditors including holders of debt securities and/or could have a material adverse effect on the market price of shares and other securities issued by the Group. Such effects could include losses of shareholdings/associated rights including by the dilution of percentage ownership of the Group's share capital, and may result in creditors, including debt holders, losing all or a part of their investment in the Group's securities that could be subject to such powers.

f) Recovery and resolution planning

There continues to be a strong regulatory focus on resolvability from international and UK regulators. The Group made its first formal Recovery and Resolution Plan (RRP) submissions to the UK and US regulators in mid-2012 and has continued to work with the relevant authorities to identify and address impediments to resolvability.

In the UK, RRP work is now considered part of continuing supervision. Removal of barriers to resolution will be considered as part of the PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability.

Material existing and emerging risks

Material existing and emerging risks to the Group's future performance

In the US, Barclays is one of several systemically important banks (as one of the so-called "first wave filers") required to file resolution plans with the Federal Reserve and the FDIC under provisions of the Dodd-Frank Act. The regulators provided feedback in August 2014 with respect to the 2013 resolution plans submitted by first wave filers. This feedback required such filers to make substantive improvements to their plans for filing in 2015 or face potential punitive actions which, in extremis, could lead to forced divestitures or reductions in operational footprints in the US. Barclays is working with its regulators to address these issues and will file its revised plan in June 2015. It is uncertain when or in what form US regulators will review and assess Barclays' US resolution plan filing.

In South Africa, the South African Treasury and the South Africa Reserve Bank are considering material new legislation and regulation to adopt a resolution and depositor guarantee scheme in alignment with FSB principles. BAGL and Absa Bank will be subject to these schemes as they are adopted. It is not clear what shape these schemes will take or when they will be adopted, but current proposals for a funded deposit insurance scheme and for operational continuity could result in material new expense impacts for the BAGL group.

Whilst the Group believes that it is making good progress in reducing impediments to resolution, should the relevant authorities ultimately decide that the Group or any significant subsidiary is not resolvable, the impact of such structural changes (whether in connection with RRP or other structural reform initiatives) could impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

Conduct risk

Any inappropriate judgements or actions taken by the Group, in the execution of business activities or otherwise, may adversely impact the Group or its employees. In addition, any such actions may have a detrimental impact on the Group's customers, clients or counterparties.

Such judgements or actions may negatively impact the Group in a number of ways including, for example, negative publicity and consequent erosion of reputation, loss of revenue, imposition of fines, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, criminal and civil penalties and other damages, reduced workforce morale, and difficulties in recruiting and retaining talent. The Group may self-identify incidents of inappropriate judgement which might include non-compliance with regulatory requirements where consumers have suffered detriment leading to remediation of affected customers.

There are a number of areas, where the Group has sustained financial and reputational damage from previous periods, and where the consequences continued in 2014 and are likely to have further adverse effects in 2015 and possibly beyond. Further details on current regulatory investigations are provided in Note 28 (Legal, Competition and Regulatory Matters).

As a global financial services firm, the Group is subject to the risks associated with money laundering, terrorist financing, bribery and corruption and economic sanctions and may be adversely impacted if it does not adequately mitigate the risk that its employees or third parties facilitate or that its products and services may be used to facilitate financial crime activities.

Furthermore, the Group's brand may be adversely impacted from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical and not in keeping with the Group's stated purpose and values.

Failure to appropriately manage these risks and the potential negative impact to the Group's reputation may reduce, directly or indirectly, the attractiveness of the Group to stakeholders, including customers and clients. Furthermore, such a failure may undermine market integrity and result in detriment to the Group's clients, customers, counterparties or employees leading to remediation of affected customers by the Group.

Risk review
Risk management

An overview of Barclays approach to risk management

For a more detailed breakdown on our Risk review and Risk management contents please see pages 63 to 126.

More detailed information on how Barclays manages these risks can be found in Barclays plc Pillar 3 Report.

Risk management

The following pages provide an overview of the Group's approach to risk management. A more comprehensive overview together with more specific information on Group policies can be found in Barclays plc 2014 Pillar 3 Report or at barclays.com

There are no differences in the manner in which risks are managed and measured between the Barclays Bank PLC Group and the Barclays PLC Group. Therefore the overview below for Barclays PLC includes the Barclays Bank PLC Group.

Introduction

This section outlines the Group's strategy for managing risk and how risk culture has been developed to ensure that there is a set of objectives and practices which are shared across the Group. It provides details of the Group's governance, committee structure and how responsibilities are assigned.

Risk management strategy

The Group has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes.

At a strategic level, the risk management objectives are to:

- Identify the Group's significant risks;
- Formulate the Group's risk appetite and ensure that the business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

A key element of setting clear management objectives is the Enterprise Risk Management Framework (ERMF), which sets out the activities, tools, techniques and organisational arrangements so that material risks facing the Group can be better identified and understood, and that appropriate responses are in place to protect Barclays and prevent detriment to its customers, employees or community. This will help the Group meet its goals, and enhance its ability to respond to new opportunities.

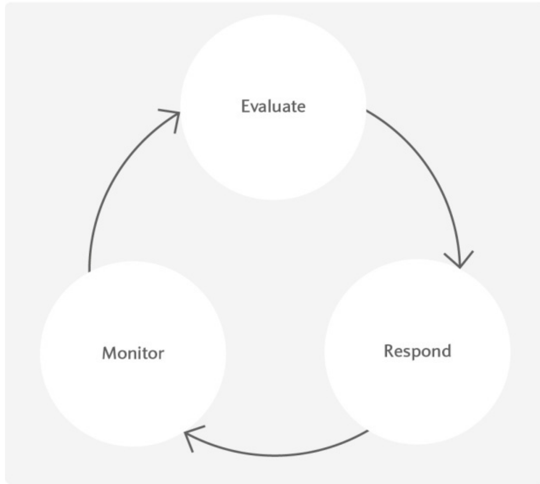
The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess those risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and changes to the risk profile.

1. Evaluate: risk evaluation must be carried out by those individuals, teams and departments that are best placed to identify and assess the potential risks, and include those responsible for delivering the objectives under review.

2. Respond: the appropriate risk response effectively and efficiently ensures that risks are kept within appetite, which is the level of risk that the Group is prepared to accept while pursuing its business strategy. There are three types of response: i) accept the risk but take the necessary mitigating actions such as using risk controls; ii) stop the existing activity/do not start the proposed activity; or iii) continue the activity but lay off risks to another party e.g. insurance.

3. Monitor: once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be ongoing and can prompt re-evaluation of the risks and/or changes in responses. Monitoring must be carried out proactively and is wider than just 'reporting' and includes ensuring risks are being maintained within risk appetite, and checking that controls are functioning as intended and remain fit for purpose.

Barclays Risk Management Strategy



The process is orientated around material risks impacting delivery of objectives, and is used to promote an efficient and effective approach to risk management. This three-step risk management process:

- Can be applied to every objective at every level in the bank, both top-down or bottom-up;
- Is embedded into the business decision making process;
- Guides the Group's response to changes in the external or internal environment in which existing activities are conducted; and
- Involves all staff and all three lines of defence (see page 47).

Governance structure

Risk exists when the outcome of taking a particular decision or course of action is uncertain and could potentially impact whether, or how well, the Group delivers on its objectives.

The Group faces risks throughout its business, every day, in everything it does. Some risks are taken after appropriate consideration – like lending money to a customer. Other risks may arise from unintended consequences of internal actions, for example an IT system failure or poor sales practices. Finally, some risks are the result of events outside the Group but which impact its business – such as major exposure through trading or lending to a market counterparty which later fails.

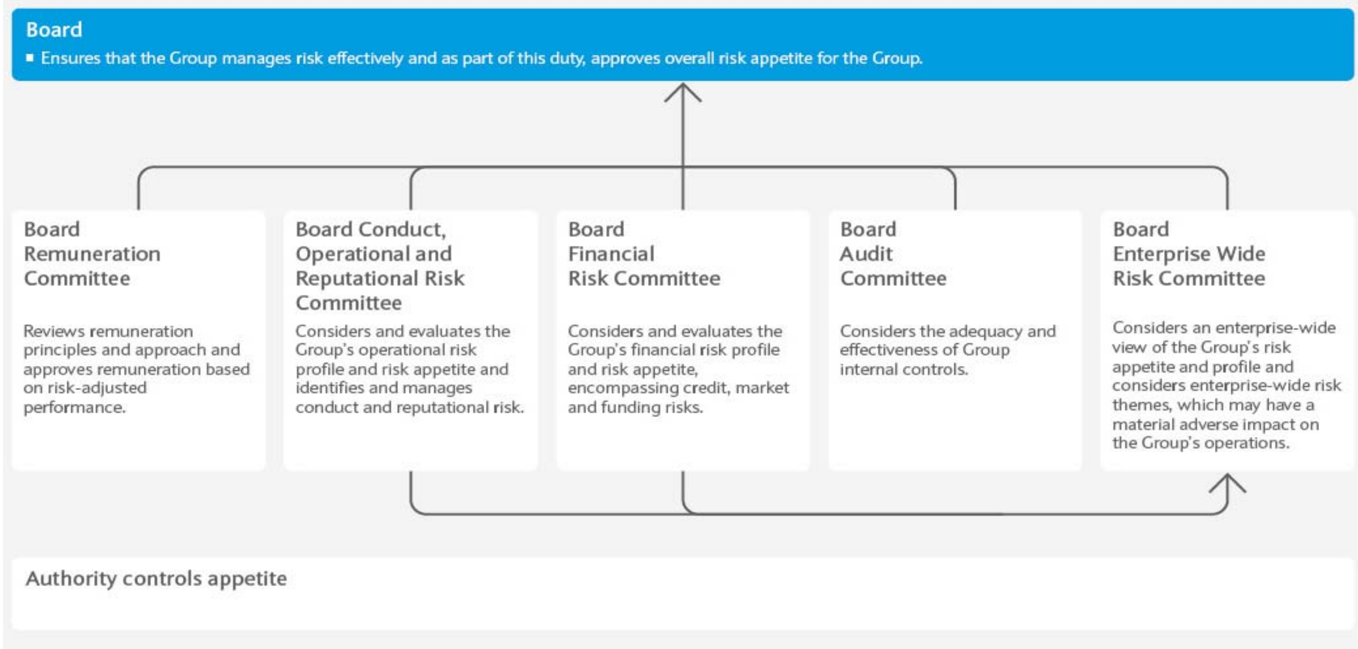
All employees must play their part in the Group's risk management, regardless of position, function or location. All employees are required to be familiar with risk management policies that are relevant to their activities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the ERMF, risk management process and governance arrangements.

There are four key Board-level committees which review and monitor risk across the Group. These are: the Board, the Board Enterprise Wide Risk Committee, the Board Financial Risk Committee and the Board Conduct, Operational and Reputational Risk Committee.

Credit risk management

The Board
One of the Board's (Board of Directors of Barclays PLC and Barclays Bank PLC) responsibilities is the approval of risk appetite, which is the level of risk the Group chooses to take in pursuit of its business objectives. The Chief Risk Officer regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Group Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set out in the ERMF.

Board oversight and flow of risk related information



Board Enterprise Wide Risk Committee (BEWRC)
The BEWRC is a committee of the Board, from which it derives its authority and to which it regularly reports. The principal purpose of the Committee is to review, on behalf of the Board, management's recommendations on risk, in particular:

- Consider and recommend to the Board the Group's overall risk appetite;
- Review, on behalf of the Board, the Group's overall risk profile;
- Satisfy itself on the design and completeness of the Group's ERMF, including the Principal Risk categories; and
- Considers key enterprise wide risk themes.

BEWRC membership comprises the Group Chairman and Chairmen of the Board Audit Committee, Board Conduct, Operational and Reputational Risk Committee, Board Financial Risk Committee and Board Remuneration Committee. The Group Chief Executive Officer (CEO), Group Chief Risk Officer (CRO), Group Finance Director, Head of Compliance, General Counsel and Chief Internal Auditor are mandatory attendees.

The Board Financial Risk Committee (BFRC)
The BFRC monitors the Group's risk profile against the agreed financial appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BFRC is comfortable with them. After each meeting, the Chair of the BFRC prepares a report for the next meeting of the Board. All members are non-executive Directors. The Finance Director and the Chief Risk Officer attend each meeting as a matter of course.

The BFRC receives regular and comprehensive reports on risk methodologies and the Group's risk profile including the key issues affecting each business portfolio and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the CRO or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities.

The Board Conduct, Operational and Reputational Risk Committee (BCORR)
The BCORR was created to strengthen the Board-level governance over conduct risk and reputation matters. It reviews the effectiveness of the processes by which the Group identifies and manages conduct and reputation risk and considers whether business decisions will compromise the Group's ethical policies or core business beliefs and values. It also considers the Group's risk appetite statement for operational risk and evaluates the Group's operational risk profile and operational risk monitoring.

In addition, the Board Audit and Board Remuneration Committees receive regular risk reports to assist them in the undertaking of their duties.

The Board Audit Committee (BAC)
The BAC receives, among other reports, quarterly reports on material control issues of significance, quarterly papers on accounting judgments (including impairment), and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group's policies and methodologies and the performance trends of peer banks. The Chair of the BAC also sits on the BFRC and BCORR.

The Board Remuneration Committee (RemCo)
The RemCo receives a detailed report on risk management performance from the BFRC, regular updates on the risk profile and proposals for the ex-ante risk adjustment. These inputs are considered in the setting of performance incentives.

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given in the Board of Directors section on page 34 of the Barclays PLC Annual Report. The terms of reference and additional details on membership activities for each of the principal Board Committees are available from the Corporate Governance section at: www.barclays.com/corporategovernance.

are available from the Corporate Governance section at: barclays.com/corporategovernance.

The CRO manages the independent Risk function and chairs the Financial Risk Committee (FRC) and the Operational Risk and Control Committee (ORCC), which monitor the Group's financial and non-financial risk profile relative to established risk appetite.

The Group Treasurer heads the Group Treasury function and chairs the Treasury Committee which manages the Group's liquidity, maturity transformation and structural interest rate exposure through the setting of policies and controls; monitors the Group's liquidity and interest rate maturity mismatch; monitors usage of regulatory and economic capital; and, has oversight of the management of the Group's capital plan.

The Head of Compliance chairs the Conduct and Reputational Risk Committee (CRRC) which assesses quality of the application of the Reputation and Conduct Risk Control Frameworks. It also recommends risk appetite, sets policies to ensure consistent adherence to that appetite, and reviews known and emerging reputational and conduct related risks to consider if action is required.

The Enterprise Wide Risk Management Committee (EWRMC) was established by, and derives its authority from, the CRO. It supports the CRO in the provision of oversight and challenge of the systems and controls in respect of risk management. EWRMC membership includes the CRO, CEO, Group Finance Director, Group General Counsel, and Head of Compliance.

Risk governance and assigning responsibilities

Responsibility for risk management resides at all levels of the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. These responsibilities are distributed so that risk/return decisions are: taken at the most appropriate level; as close as possible to the business and, subject to robust and effective review and challenge. The responsibilities for effective review and challenge reside at all levels.

The ERMF was introduced as part of the Transform programme and sets out the activities, tools, techniques and organisational arrangements to ensure that all material risks are identified and understood, and that appropriate responses are in place to protect the Group and prevent detriment to its customers, colleagues or community, enabling the Group to meets its goals, and enhance its ability to respond to new opportunities.

It covers those risks incurred by the Group that are foreseeable, continuous and material enough to merit establishing specific Group-wide control frameworks. These are known as Key Risks. See Principal Risks on page 63 for more information.

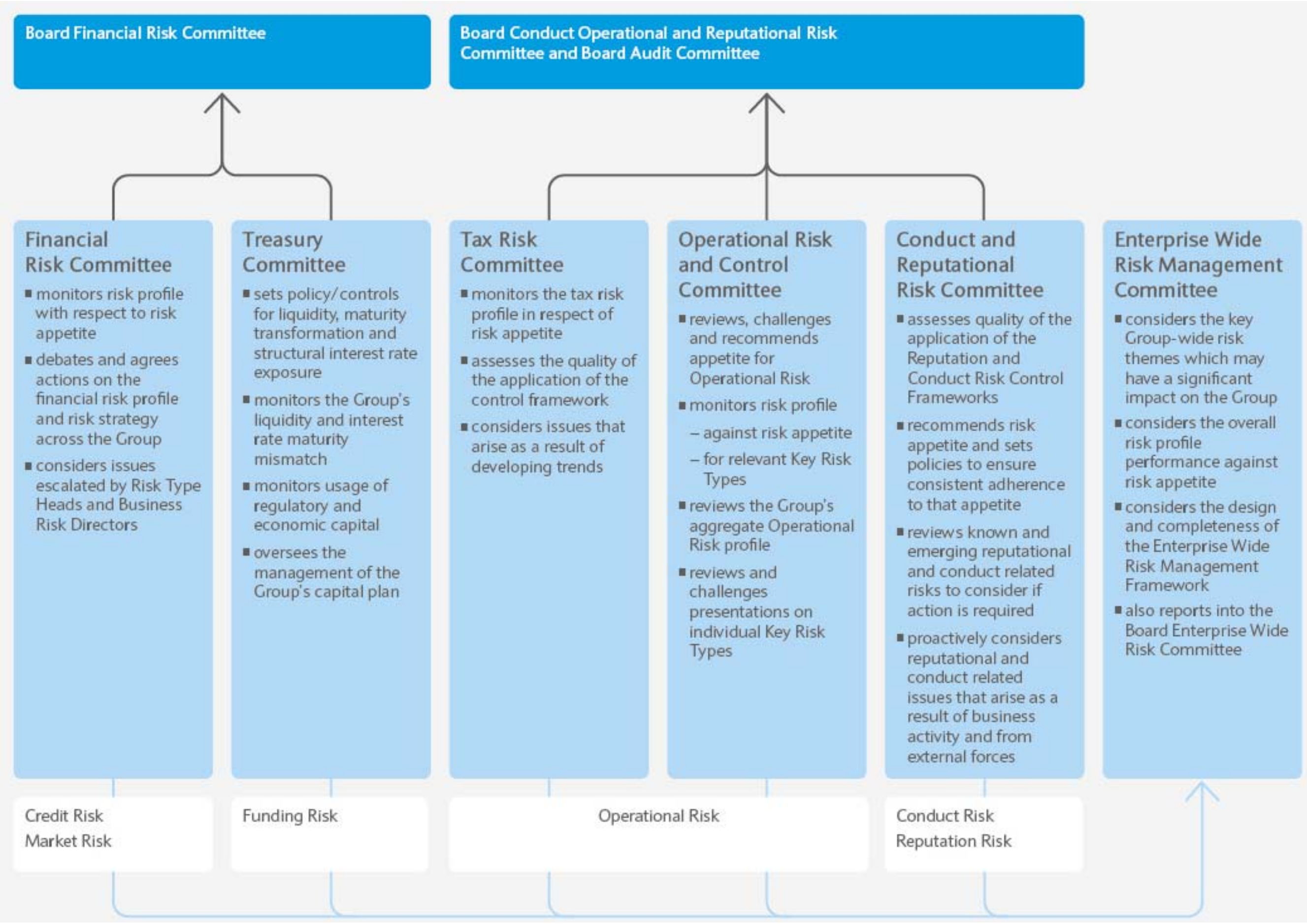
The ERMF is intended to be widely read with the aim of articulating a clear, consistent, comprehensive and effective approach for the management of all risks in the Group and creating the proper context for setting standards and establishing the right practices throughout the Group. It sets out a philosophy and approach that is applicable to the whole bank, all colleagues and to all types of risk and defines the roles and responsibilities of all employees with respect to risk management, including the CRO and the CEO. It also sets out specific requirements for key individuals, including the CRO and CEO, and the overall governance framework that will oversee its effective operation. See Risk Culture in Barclays PLC Pillar 3 Report for more information.

The EMRF supports risk management and control by ensuring that there is a:

- Sustainable and consistent implementation of the three lines of defence across all businesses and functions;
- Framework for the management of Principal Risks;
- Consistent application of Barclays risk appetite across all Principal Risks; and
- Clear and simple policy hierarchy.

Risk management

Credit risk management



Three lines of defence

The enterprise risk management process is the 'defence' and organising businesses and functions into three 'lines' enhances the E-R-M process by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas. The three lines of defence operating model enables the Group to separate risk management activities:

First line: **own and take risk, and implement controls**

First line activities are characterised by:

- Ownership of and direct responsibility for the Group's returns or elements of Barclays results;
- Ownership of major operations, systems and processes fundamental to the operation of the bank; and
- Direct linkage of objective setting, performance assessment and reward to P&L performance.

Second line: **oversee and challenge the first line, provide second line risk management activity and support controls**

Second line activities are characterised by:

- Oversight, monitoring and challenge of the first line of defence activities;
- Design, ownership or operation of Key Risk Control Frameworks impacting the activities of the first line of defence;
- Operation of certain second line risk management activities (e.g. work-outs); and
- No direct linkage of objective setting, performance assessment and reward to revenue (measures related to mitigation of losses and balancing risk and reward are permissible).

Third line: **provide assurance that the E-R-M process is fit for purpose, and that it is being carried out as intended**

Third line activities are characterised by:

- Providing independent and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control.

Principal Risks

A Principal Risk comprises individual Key Risk Types to allow for more granular analysis of the associated risk. As at 31 December 2014 the six Principal Risks were: i) Credit; ii) Market; iii) Funding; iv) Operational; v) Conduct; and vi) Reputation. For 2015, reputation risk will be recognised as a Key Risk within Conduct Risk given the close alignment between them and the fact that as separate Principal Risks they had a common Principal Risk Officer.

Risk management responsibilities are laid out in the ERMF, which covers the categories of risk in which the Group has its most significant actual or potential risk exposures. The ERMF: creates clear ownership and accountability; ensures the Group's most significant risk exposures are understood and managed in accordance with agreed risk appetite and risk tolerances; and ensures regular reporting of both risk exposures and the operating effectiveness of controls.

Each Key Risk is owned by a senior individual known as the Key Risk Officer who is responsible for developing a risk appetite statement and overseeing and managing the risk in line with the EMRF. This includes the documentation, communication and maintenance of a risk control framework which makes clear, for every business across the firm, the mandated control requirements in managing exposures to that Key Risk. These control requirements are given further specification, according to the business or risk type, to provide a complete and appropriate system of internal control.

Business function heads are responsible for obtaining ongoing assurance that the key controls they have put in place to manage

the risks to their business objectives are operating effectively. Reviews are undertaken on a six-monthly basis and support the regulatory requirement for the Group to make an annual statement about its system of internal controls. At the business level executive management hold specific Business Risk Oversight Meetings to monitor all Principal Risks.

Key Risk Officers report their assessments of the risk exposure and control effectiveness to Group-level oversight committees and their assessments form the basis of the reports that go to the:

Board Financial Risk Committee:

- Financial Risk Committee has oversight of Credit and Market Risks
- Treasury Committee has oversight of Funding Risk

Board Conduct, Operational and Reputation Risk Committee:

- Operational Risk and Control Committee has oversight of all Operational Risk types, with the exception of Tax Risk, which is primarily overseen by the Tax Risk Committee
- Conduct and Reputation Risk Committee has oversight of the Conduct and Reputation Risks

Each Key Risk Officer also undertakes an annual programme of risk-based conformance reviews. A conformance review is undertaken by individuals who are independent of the management team running the operations and assesses the quality of conformance testing.

The following sections provide an overview of each of the six Principal Risks together with details of the structure and organisation of the relevant management function and its roles and responsibilities including how the impact of the risk to the Group may be minimised.

Credit risk

The risk of suffering financial loss should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

Overview

The granting of credit is one of the Group's major sources of income and, as a significant risk, the Group dedicates considerable resources to its control. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

Credit risk management objectives are to:

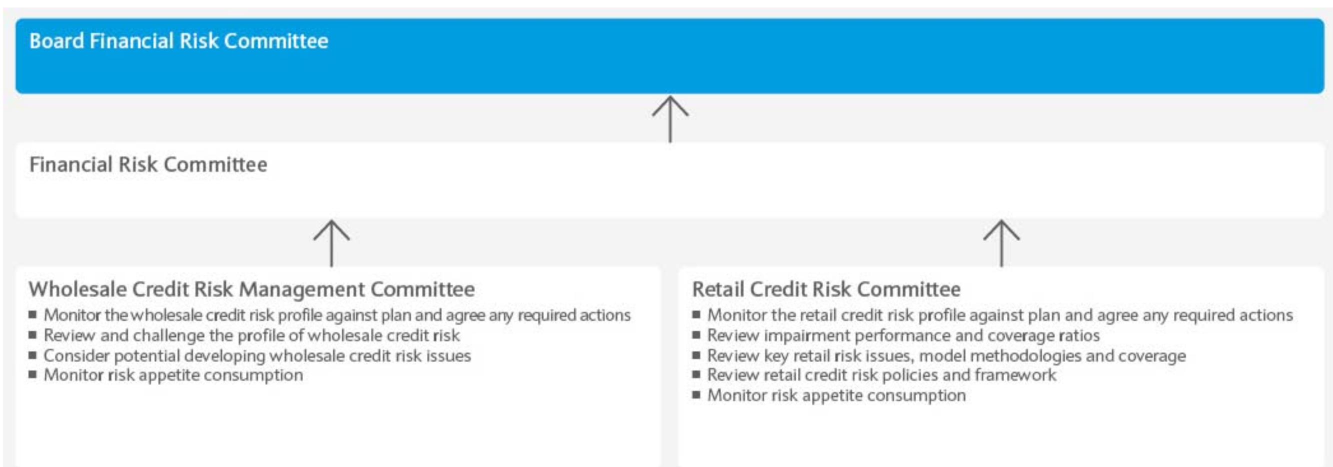
- Maintain a framework of controls to ensure credit risk-taking is based on sound credit risk management principles;
- Identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio;
- Control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations;
- Monitor credit risk and adherence to agreed controls; and
- Ensure that risk-reward objectives are met.

More information of the reporting of credit risk can be found in Barclays PLC Pillar 3 Report.

Organisation and structure

Wholesale and retail portfolios are managed separately to reflect the differing nature of the assets; wholesale balances tend to be larger and are managed on an individual basis while retail balances are larger in number but smaller in value and are, therefore, managed on a homogenous portfolio basis.

Responsibilities of credit risk management has been structured so that decisions are taken as close as possible to the business, while ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management teams in each business are accountable to the relevant business Chief Risk Officer who, in turn, reports to the CRO.



Roles and responsibilities

The responsibilities of the credit risk management teams in the businesses, the sanctioning team and other shared services include: sanctioning new credit agreements (principally wholesale); setting the policies for approval of transactions (principally retail); monitoring risk against limits and other parameters; maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; for wholesale portfolios performing effective turnaround and workout scenarios via dedicated restructuring and recoveries teams; for retail portfolios maintaining robust collections and recovery processes/units; and review and validation of credit risk measurement models.

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures are approved at the Credit Committee which is managed by the central risk function. In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

The role of the Central Risk function is to provide Group-wide direction, oversight and challenge of credit risk-taking. Central risk sets the Credit Risk Control Framework, which provides a structure within which credit risk is managed together with supporting credit risk policies.

Credit risk mitigation

The Group employs a range of techniques and strategies to actively mitigate credit risks to which it is exposed. These can broadly be divided into three types: netting and set-off; collateral; and risk transfer.

Netting and set-off

In most jurisdictions in which the Group operates, credit risk exposures can be reduced by applying netting and set-off. In exposure terms, this credit risk mitigation technique has the largest overall impact on net exposure to derivative transactions compared with other risk mitigation techniques.

For derivative transactions, the Group's normal practice is to enter into standard master agreements with counterparties (e.g. ISDA). These master agreements allow for netting of credit risk exposure to a counterparty resulting from a derivative transaction against the Group's obligations to the counterparty in the event of default, to produce a lower net credit exposure. These agreements may also reduce settlement exposure (e.g. for foreign exchange transactions) by allowing for payments on the same day in the same currency to be set off against one another.

Collateral

The Group has the ability to call on collateral in the event of default of the counterparty, comprising:

- Home loans: a fixed charge over residential property in the form of houses, flats and other dwellings;
- Wholesale lending: a fixed charge over commercial property and other physical assets, in various forms;
- Other retail lending: includes charges over motor vehicle and other physical assets, second lien charges over residential property, and finance lease receivables;
- Derivatives: the Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex (CSA)) with counterparties with which the Group has master netting agreements in place;
- Reverse repurchase agreements: collateral typically comprises highly liquid securities which have been legally transferred to the Group subject to an agreement to return them for a fixed price; and
- Financial guarantees and similar off-balance sheet commitments: cash collateral may be held against these arrangements.

Risk transfer

A range of instruments including guarantees, credit insurance, credit derivatives and securitisation can be used to transfer credit risk from one counterparty to another. These mitigate credit risk in two main ways:

- If the risk is transferred to a counterparty which is more credit worthy than the original counterparty, then overall credit risk will have been reduced; and
- Where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This will be less likely than the default of either counterparty individually so credit risk is reduced.

Detailed policies are in place to ensure that credit risk mitigation is appropriately recognised and recorded and more information can be found in Barclays PLC Pillar 3 Report.

Market Risk

The risk of a reduction to earnings or capital due to volatility of the trading book positions or an inability to hedge the banking book balance sheet.

Overview

Traded market risk

Traded market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, the Group will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices.

Non-traded market risk

Banking book operations generate non-traded market risk, primarily through interest rate risk arising from the sensitivity of net interest margins to changes in interest rates. The principal banking business PCB engages in internal derivative trades with Treasury to manage this interest rate risk to within its defined risk appetite, however, the businesses remain susceptible to market risk from four key sources:

- Prepayment risk: Balance run-off may be faster or slower than expected due to customer behaviour in response to general economic conditions or interest rates. This can lead to a mismatch between the actual balance of products and the hedges executed with Treasury based on initial expectations;
- Recruitment risk: The volume of new business may be lower or higher than expected requiring the business to unwind or execute hedging transactions with Treasury at different rates than expected;
- Residual risk and margin compression: The business may retain a small element of interest rate risk to facilitate the day-to-day management of customer business. Additionally, in the current low rate environment, deposits on which the Group sets the interest rate are exposed to margin compression. This is because for any further fall in base rate the Group must absorb an increasing amount of the rate move in its margin; and
- Lag risk: The risk of being unable to re-price products immediately after a change in interest rates due to mandatory notification periods. This is highly prevalent in managed rates savings products (e.g. Every Day Saver) where customers must be informed in writing of any planned reduction in their savings rates.

Pension risk

The Group maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet the projected pension payments is maintained principally through investments.

Pension risk arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. The Group monitors the market risks arising from its defined benefit pension schemes, and works with the trustees to address shortfalls. In these circumstances, the Group could be required or might choose to make extra contributions to the pension fund. The Group's main defined benefit scheme was closed to new entrants in 2012.

Insurance risk

Insurance risk is solely managed within Africa Banking where four categories of insurance risk are recognised, namely short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk, and life and insurance investment risk.

Insurance Risk arises when:

- Aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio of policies and claims;
- Premiums are not invested to adequately match the duration, timing and size of expected claims; or
- Unexpected fluctuations in claims arise or when excessive exposure (e.g. in individual or aggregate exposures) relative to capacity is retained in the entity.

Insurance entities also incur market risk (on the investment of accumulated premiums and shareholder capital), credit risk (counterparty exposure on investments and reinsurance transactions), liquidity risk and operational risk from their investments and financial operations.

Board Financial Risk Committee

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Financial Risk Committee

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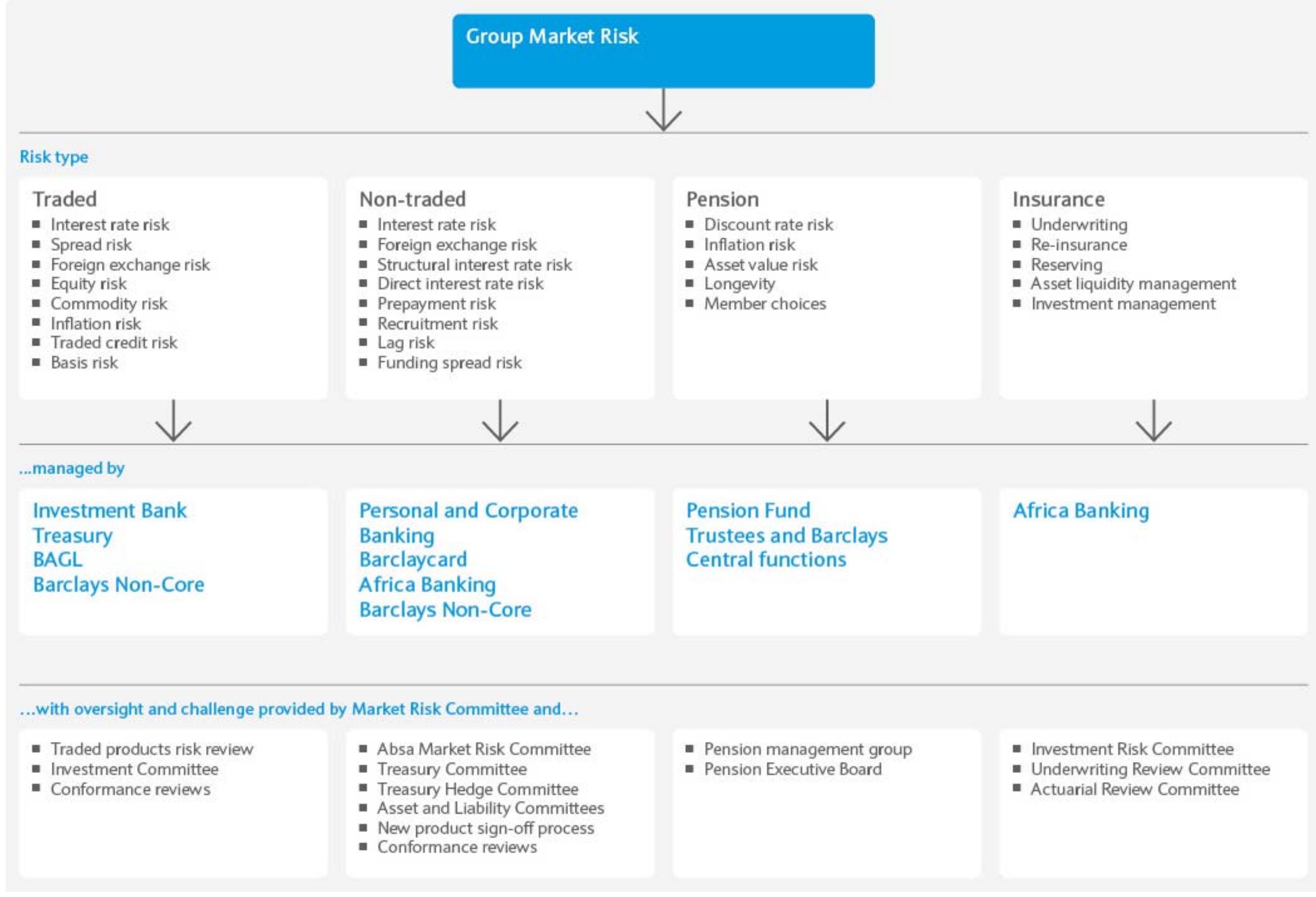
Market Risk Committee

- Chaired by the Group Financial Risk Director
- Oversees the management of the Group's market risk profile
- Approves Market Risk Key Risk Frameworks
- Reviews arising market or regulatory issues
- Proposes risk appetite levels to the Board

Overview of the business market risk control structure



Organisation and structure

Traded market risk in the businesses resides primarily in the Investment Bank, Treasury, Africa Banking and BNC. The businesses have the mandate to incur traded market risk. Non-traded market risk is mostly incurred in PCB and Barclaycard.

Market risk oversight and challenge is provided by business committees, Group committees, including the Market Risk Committee and Group Market Risk. The chart above gives an overview of the business control structure

Roles and responsibilities

The objectives of market risk management are to:

- Understand and control market risk by robust measurement, limit setting, reporting and oversight;
- Facilitate business growth within a controlled and transparent risk management framework;
- Ensure that traded market risk in the businesses resides primarily in certain areas, and that it is controlled according to the allocated appetite;
- Control non-traded market risk in line with approved appetite;
- Control insurance risk in line with approved appetite; and
- Support the Barclays Non-Core strategy of asset reductions by ensuring that it remains within agreed risk appetite.

To ensure the above objectives are met, a well-established governance structure in place, whereby the risks are identified, assessed, controlled and reported on throughout the organisation.

More information on market risk management can be found in Barclays PLC Pillar 3 Report.

Risk management

Funding and capital risk management

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios. Group Treasury manage funding risk on a day-to-day basis with the Group Treasury Committee acting as the principle management body.

In 2014, to ensure effective oversight and segregation of duties and in line with the ERMF, the Key Risk Officer duties and conformance responsibilities were transferred from Treasury to Risk.

An overview on how capital and liquidity are managed is covered below:

Board Financial Risk Committee

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- Chaired by the Group Treasurer
- Oversees the manangement of the Group's Capital Plan
- Sets policy/controls for liquidity, maturity transformation and structural interest rate exposure
- Monitors the Group's liquidity and interest rate maturity mismatch
- Monitors usage of regulatory and economic capital

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- Support its credit rating. A weaker credit rating would increase the Group's cost of funds; and
- Support its growth and strategic options.

Overview

Organisation and structure

Capital management is integral to the Group's approach to financial stability and sustainability management and is therefore embedded in the way businesses and legal entities operate. Capital demand and supply is actively managed on a centralised basis, at a business level, at a local entity level and on a regional basis taking into account the regulatory, economic and commercial environment in which Barclays operates.

Roles and responsibilities

The Group's capital management strategy is driven by the strategic aims of the Group and the risk appetite set by the Board. The Group's objectives are achieved through well embedded capital management practices:

Capital planning
Capital forecasts are managed on a top-down and bottom-up analysis through both short term (one year) and medium-term (three years) financial planning cycles. Barclays' capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group's risk profile, regulatory and business needs, including Transform financial commitments. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns.

Barclays' capital plans are continually monitored against relevant internal target capital ratios to ensure they remain appropriate, and consider risks to the plan including possible future regulatory changes.

Local management ensures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by the Group's Treasury Committee, as required.

Primary objectives	Core practices
Provide a viable and sustainable business offering by maintaining adequate capital to cover the Group's current and forecast business needs and associated risks	▪ Maintain a capital plan on a short-term and medium-term basis aligned with strategic objectives, balancing capital generation of the business with business growth and shareholder distributions
Ensure the Group and legal entities maintain adequate capital to withstand the impact of the risks that may arise under the stressed conditions analysed by the Group	▪ Meet minimum regulatory requirements at all times in the UK and in all other jurisdictions that the Group operates in, such as the United States and South Africa where regulated activities are undertaken ▪ Perform Group-wide internal and regulatory stress tests ▪ Maintain capital buffers over regulatory minimums ▪ Develop contingency plans for severe (stress management actions) and extreme stress tests (recovery actions)
Support a strong credit rating	▪ Maintain capital ratios aligned with rating agency expectations

Regulatory requirements
Capital planning is set in consideration of minimum regulatory requirements in all jurisdictions in which the Group operates. Barclays' regulatory capital requirements are determined by the PRA under the Basel III and CRD IV requirements.

Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the firm is exposed to which is measured through both risk-weighted assets (RWAs) and leverage.

Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. Capital requirements are set to support the firm's level of risk both on a going concern basis and in resolution.

Governance
The Group and legal entity capital plans are underpinned by the Capital Risk Framework, which includes capital management policies and practices approved by the Treasury Committee. These plans are implemented consistently in order to deliver on the Group objectives.
The Board approves the Group capital plan, stress tests and recovery plan. The Treasury Committee manages compliance with the Group's capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis. The Board Risk Committee annually reviews risk appetite and then analyses the impacts of stress scenarios on the Group capital forecast in order to understand and manage the Group's projected capital adequacy.

Monitoring and managing capital
Capital is monitored and managed on an ongoing basis through:

Stress testing: internal stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios, arising from 1 in 7 year and 1 in 25 year stresses. Actual recent economic, market and peer institution stresses are used to inform the assumptions of the stress tests and assess the effectiveness of mitigations strategies.

Risk management

Capital management

The Group also undertakes stress tests prescribed by the PRA and ECB. Legal entities undertake stress tests prescribed by their local regulators. These stress tests inform decisions on the size and quality of capital buffer required and the results are incorporated into the Group capital plan to ensure adequacy of capital under normal and severe, but plausible, stressed conditions.

Risk mitigation: as part of the stress testing process actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business outlook.

As an additional layer of protection, the Barclays Recovery Plan defines the actions and implementation strategies available for the Group to increase or preserve capital resources in the event that stress events are more extreme than anticipated. In addition, the strong regulatory focus on resolvability has continued in 2014, from both UK and international regulators. The Group continues to work with the authorities on recovery and resolution planning (RRP), and the detailed practicalities of the resolution process, including the provision of information that would be required in the event of a resolution, so as to enhance Barclays' resolvability.

Senior management awareness and transparency: Treasury works closely with Central Risk, businesses and legal entities to support a proactive approach to identifying sources of capital ratio volatilities which are considered in the Group's capital plan. Capital risks against firm-specific and macroeconomic early warning indicators are monitored and reported to the Treasury Committee, associated with clear escalation channels to senior management.

Capital management information is readily available at all times to support the Executive Managements strategic and day-to-day business decision making, as may be required.

The Group submits its Board approved ICAAP document to the PRA on an annual basis, which forms the basis of the Individual Capital Guidance ('ICG') set by the PRA.

Capital allocation: capital allocations are approved by the Group Executive committee and monitored by the Treasury Committee, taking into consideration the risk appetite, growth and strategic aims of the Group. The Bank is the primary source of capital to its legal entities. Regulated legal entities are, at a minimum, allocated adequate capital to meet their current and forecast regulatory and business requirements.

Transferability of capital: the Group's policy is for surplus capital held in Group entities to be repatriated to The Bank in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications. This approach provides optimal flexibility on the re-deployment of capital across legal entities. The Group is not aware of any material impediments to the prompt transfer of capital resources, in line with the above policy, or repayment of intra-Group liabilities when due.

More information on capital risk management can be found in Barclays PLC Pillar 3 document pages 158 to 159.

Liquidity risk

The risk that the firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm's inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a wide range of Group-specific and market-wide events.

Overview

Liquidity risk is recognised as a Key Risk within funding risk. Efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Management Framework (the Liquidity Framework) which is designed to maintain liquidity resources that are sufficient in amount and quality, and a funding profile, appropriate to maintain market confidence in the Group's name and meet the liquidity risk appetite as expressed by the Board.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

Organisation and structure

Barclays Treasury operates a centralised governance control process that covers all of the Group's liquidity risk management activities. As per Enterprise Risk Management Framework the Treasury Key Risk Officer (KRO) approves the Liquidity Framework under which the treasury function operates. The Treasury KRO reports into the Head of Financial Risk (Principal Risk Officer) and has an independent reporting line to the risk function. The Liquidity Framework is subject to annual review. The Liquidity Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the Liquidity Risk Appetite.

The Board sets the Group's Liquidity Risk Appetite (LRA), being the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Treasury Committee is responsible for the management and governance of the mandate defined by the Board and includes the following sub-committees:

- The Funding and Liquidity Risk Committee is responsible for the review, challenge and recommendation of the Liquidity Framework to the Treasury Committee; and
- The Liquidity Management Committee, which is responsible for managing the liquidity of the Group through a liquidity event.

Liquidity risk management

The Group has a comprehensive Liquidity Framework for managing the Group's liquidity risk. The Liquidity Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the LRA. The Liquidity Framework is designed to deliver the appropriate term and structure of funding consistent with the LRA set by the Board.

Liquidity is monitored and managed on an on-going basis through:

Risk appetite and planning: established LRA together with the appropriate limits for the management of liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations.

Liquidity limits: management of limits on a variety of on and off-balance sheet exposures and these serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.

Internal pricing and incentives: active management of the composition and duration of the balance sheet and of contingent liquidity risk through the transfer of liquidity premium directly to the businesses.

Early warning indicators: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to Barclays. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.

Contingency Funding Plan: maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses of varying severity.

Recovery Resolution Plan: in accordance with the requirements of the PRA Rulebook: Recovery & Resolution, Barclays has developed a Group Recovery Plan. The key objectives are to provide the Group with a range of options to ensure the viability of the firm in a stress, set consistent Early Warning Indicators and to enable the Group to be adequately prepared to respond to stressed conditions. The Group continues to work closely with the PRA on developing the resolution plan.

Ongoing business management	Early signs/ Mild stress	Severe Stress	Recovery	Resolution
■ LRA and Planning ■ Liquidity limits ■ Early Warning Indicators Committee	■ Monitoring and review ■ Low cost actions and balance sheet optimism	■ Activate Contingency Funding Plan ■ Balance sheet reduction and business limitations	■ Asset and liability actions to generate additional liquidity	■ Ensure an orderly resolution can be carried out if necessary, without adverse systemic risk or exposing the public fund to loss

Risk management

Operational risk management

Operational risk

Any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

Overview

The management of operational risk has two key objectives to:

- Minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses); and
- Improve the effective management of the Group and strengthen its brand and external reputation.

The Group is committed to the management and measurement of operational risk and was granted a waiver by the FSA (now the PRA) to operate an Advanced Measurement Approach (AMA) for operational risk, which commenced in January 2008. The majority of the Group calculates regulatory capital requirements using AMA (93% of capital requirements); however, in specific areas, the Basic Indicator Approach (7%) is applied. The Group works to benchmark its internal operational risk management and measurement practices with peer banks and to drive the further development of advanced techniques.

Organisation and structure

The Group is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The key elements of the Group's system of internal control, which is aligned to the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework (COSO), are set out in the risk control frameworks relating to each of the Group's Key Risks and in the Group Operational Risk Framework.

Operational risk comprises a number of specific Key Risks defined as follows.

- Cyber security: risk of loss or detriment to the Group's business and customers as a result of actions committed or facilitated through the use of networked information systems;
- External supplier: inadequate selection and ongoing management of external suppliers;
- Financial reporting: reporting mis-statement or omission within external financial or regulatory reporting;
- Fraud: dishonest behaviour with the intent to make a gain or cause a loss to others;
- Information: inadequate protection of the Group's information in accordance with its value and sensitivity;
- Legal: failure to identify and manage legal risks;
- Payments: failure in operation of payments processes;
- People: inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours;
- Premises and security: unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats;
- Taxation: failure to comply with tax laws and practice which could lead to financial penalties, additional tax charges or reputational damage;
- Technology: failure to develop and deploy secure, stable and reliable technology solutions; and
- Transaction operations: failure in the management of critical transaction processes.

In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk. For more information on conduct risk please see pages 59 to 60.

Board Audit Committee	Board Conduct Operational and Reputational Risk Committee
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Operational Risk & Control Committee
- Chaired by the Chief Risk Officer
- Review, challenge and recommend operational risk appetite
- Monitor the operational risk profile against appetite
- Debate potential developing operational risk issues
- Review effectiveness of Operational Risk Frameworks

Roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The Operational Risk function acts in a second line of defence capacity and provides oversight and challenge of the business operational risk profile escalating issues as appropriate.

The Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Group-wide Operational Risk Framework and for overseeing the portfolio of Operational Risk across the Group. The Operational Risk & Control Committee (OR&CC) is the senior executive body responsible for the oversight and challenge of operational risk and the control environment. Depending on their nature, the outputs of the OR&CC are presented to the BCORR or the BAC.

At the business level, operational risk is monitored by executive management through specific meetings which cover governance, risk and control. Businesses are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, material control issues, operational risk events and a review of scenarios and capital.

Operational risk management is represented at these business meetings and provides specific risk input into the issues highlighted and the overall risk profile of the business. Operational risk issues escalated from these meetings are considered at the OR&CC and from time to time businesses are required to present a deep-dive of their operational risk and control environment. The committee then considers material control issues and their effective remediation. On control issues the OR&CC additionally presents to the BAC.

Specific reports are prepared by businesses, Key Risk Officers and Operational Risk on a regular basis for OR&CC, BCORR and BAC.

Risk and control self-assessments and key indicators

The Group identifies and assesses all material risks within each business and evaluates the key controls in place to mitigate those risks. Managers in the businesses use self-assessment techniques to identify risks, evaluate the effectiveness of key controls in place, and assess whether the risks are effectively managed within business risk appetite. The businesses are then able to make decisions on what, if any, action is required to reduce the level of risk to the Group. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

Key indicators (KIs) are metrics which allow the Group to monitor its operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business and are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision-making and actions.

Conduct risk

Conduct Risk is the risk that detriment is caused to customers, clients, counterparties or the Group because of inappropriate judgement in the execution of the Group's business activities.

Overview

The Group defines, manages and mitigates conduct risk with the goal of providing good customer outcomes and protecting market integrity. The Group has defined 10 outcomes which are positive indicators that it is delivering good customer outcomes and protecting market integrity:

- Culture places customer interests at the heart of strategy, planning, decision making and judgements;
- Strategy is to develop long-term banking relationships with customers by providing products and services that meet their needs and do not cause detriment;
- Does not disadvantage or exploit customers, customer segments or markets, and does not distort market competition;
- Proactively identifies conduct risks and intervenes before they crystallise by managing, escalating and mitigating them promptly;
- Products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of customers;
- Provides banking products and services that meet customers' expectations and perform as represented. Representations are accurate and comprehensible so customers understand the products and services they are purchasing;
- Addresses any customer detriment and dissatisfaction in a timely and fair manner;
- Safeguards the privacy of personal data;
- Does not conduct or facilitate market abuse; and
- Does not conduct or facilitate financial crime.

Organisation and structure

The Conduct and Reputational Risk Committee (CRRC) is a sub-committee of the BCORR. The principal purpose of the CRRC is to review and monitor the effectiveness of Barclays' management of Conduct and Reputation Risk.

The Conduct Risk Committee (CRC) is a senior executive body responsible for the oversight and challenge of Conduct Risk and the control environment within Barclays. The outputs of the CRC are presented to the CRRC and the BCORR.

In addition, specific committees monitor conduct risk and the control environment at the business level.

Roles and responsibilities

The Conduct Risk Principal Risk Framework (PRF) comprises a number of elements that allow the Group to manage and measure its conduct risk profile. The PRF is implemented across the Group:

- Vertically, through an organisational structure that requires all businesses to implement and operate their own conduct risk framework that meets the requirements detailed within the ERMF; and
- Horizontally, with Group Key Risk Officers (KROs) required to monitor information relevant to their Key Risk from each element of the Conduct Risk PRF.

The primary responsibility for managing conduct risk and compliance with control requirements is with the business where the risk arises. The Conduct Risk Accountable Executive for each business is responsible for ensuring the implementation of, and compliance with, the Group Conduct Risk framework.

The Conduct Principal Risk Owner is responsible for owning and maintaining an appropriate Group-wide Conduct Risk PRF and for overseeing Group-wide Conduct Risk management.

Businesses are required to report their conduct risks on both a quarterly and an event-driven basis. The quarterly reports detail conduct risks inherent within the business strategy and include forward-looking horizon-scanning analysis as well as backward-looking evidence-based indicators from both internal and external sources.

Business-level reports are reviewed within Compliance. Compliance then creates Group-level reports for consideration by CRC, CRRC and BCORR. The Group periodically assesses its management of conduct risk through independent audits and addresses issues identified.

Event-driven reporting consists of any risks or issues that breach certain thresholds for severity and probability. Any such risks or issues must be promptly escalated to the business and the appropriate KRO.

Board Conduct Operational and Reputational Risk Committee

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Conduct and Reputational Risk Committee

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Conduct Risk Committee
- Responsible for the oversight and challenge of conduct risk and control environment within Barclays

Management of conduct risk

Conduct risk management includes the following elements:

Conduct material risk assessments: accountable executives must complete a top-down assessment of their business model and strategy. The analysis should take into consideration both internal (e.g. historic and current business strategy and banking activities) and external factors (e.g. economic and regulatory environment). This must identify all conduct risks arising from the business model, strategy or banking activity and must include recommendations and management actions to address the conduct risks identified. These assessments must then be presented to Business Risk Oversight Committees. These assessments are reflected in Conduct Risk Reports.

Conduct risk appetite: conduct risk is a non-financial risk and is intrinsic in all of Barclays' banking activities. There is no appetite for customer detriment resulting from inappropriate judgements in the execution of its business activities. Conduct risk appetite is aligned to the Group Risk Appetite Framework. BCORR considers and recommends to the Board for approval, via the BEWRC, the Group's conduct risk appetite statement.

Conduct risk reporting: accountable executives must produce a quarterly Conduct Risk Report which documents their businesses' approach to understand, monitor, manage and control conduct risk.

Risk and issue reporting: risk and issue reporting provides additional senior management visibility of any conduct risks or issues that breach certain severity and probability thresholds. Thresholds have been set across the Group; any risk or issue that breaches these must be reported to BCORR (via CRRC). In addition, any risks or issues that breach more significant probability thresholds must also be escalated promptly to the business and the appropriate KRO.

Business conduct performance management information: businesses are expected to evaluate how effectively they are managing conduct risks including against metrics that align with the Key Risk Frameworks and the 10 outcomes. Barclays is developing a range of business-specific and Group metrics and measures, which will further improve its ability to monitor and assess the identification and management of conduct risks.

Risk management

Reputation risk management

Reputation Risk
The risk of damage to the Group's brand arising from any association, action or inaction which is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion formers) to be inappropriate or unethical.

Overview

Damage to the Group brand and consequent erosion of reputation reduces the attractiveness of the Group to stakeholders and may lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

Reputation risk may arise in many different ways, for example:

- Failure to act in good faith and in accordance with the Group's values and code of conduct;
- Failure (real or perceived) to comply with the law or regulation, or association (real or implied) with illegal activity;
- Failures in corporate governance, management or technical systems;
- Failure to comply with internal standards and policies;
- Association with controversial sectors or clients;
- Association with controversial transactions, projects, countries or governments;
- Association with controversial business decisions, including but not restricted to, decisions relating to: products (in particular new products), delivery channels, promotions/advertising, acquisitions, branch representation, sourcing/supply chain relationships, staff locations, treatment of financial transactions; and
- Association with poor employment practices.

In each case, the risk may arise from failure to comply with either stated or expected norms, which are likely to change over time, so an assessment of reputation risk cannot be static. If not managed effectively, stakeholder expectations of responsible corporate behaviour will not be met.

The Group designated reputation risk as a Principal Risk and developed procedures and resources, including the Reputation Risk Principal and Key Risk Framework (the Framework), to support businesses and functions in dealing with reputation risks arising in their areas of activity. This Framework aligned to the overarching Group ERMF. In 2015 reputation risk has been re-designated as a Key Risk under the Conduct Risk Principal Risk.

The Framework sets out what is required to ensure reputation risk is managed effectively and consistently across the bank. Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Framework is designed explicitly in the light of that subjectivity and, together with supporting tools, policies and procedures, provides a holistic view of how the Group managed reputation risk during the year.

The following policies, tools and guidance support the Group's businesses and functions in implementing the requirements of the Framework:

- The Barclays Way (Code of Conduct) sets out in one place what it means to work in the Group and the standards and behaviours expected of all colleagues. It gives examples of how the Barclays Values should be put into practice in decision-making and highlights the responsibility of individuals to challenge poor practice whenever and wherever it occurs;
- The Barclays Guide outlines the Group's governance framework and contains information about how the Group organises, manages and governs itself;
- Reputation Risk Appetite is the level of risk that the Group is prepared to accept while pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented; and
- The Barclays Lens is an assessment tool made up of five simple questions designed to ensure that the interests of customers, clients, shareholders and communities are taken into account in the decisions made every day. The Lens is applied alongside other decision-making tools to help the Group move beyond legal, regulatory and compliance concerns to consider broader societal impacts and opportunities.

Board Conduct Operational and Reputational Risk Committee

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Conduct and Reputational Risk Committee

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Conduct Risk Committee
- Responsible for the oversight and challenge of conduct risk and control environment within Barclays

Reputation risk management

Organisation and structure

The reputation risk governance structure links the Board of Barclays Bank PLC, senior management and other forums to create a vehicle for the oversight of reputation risk. The CRRC is the designated Key Risk forum for reputation risk.

The Group Reputational Committee is a sub-committee of the CRRC, from which it derives its authority. It has license to investigate any matters within its responsibilities and obtain information as required from any employee of the Group, and to make decisions to resolve reputation issues escalated to it.

Each business (and functions where appropriate) has a clearly defined procedure for escalation of reputation risks as part of their risk oversight process. This includes a reputation risk sub-committee (or equivalent) of their Executive Committee, which has representation from appropriate specialists e.g. the Head of Communications. Business Risk Oversight Committee meetings consider all Principal Risks, and reputation risk as a Key Risk under conduct risk, as they relate to the associated businesses or region.

Roles and responsibilities

The principal responsibility for managing reputation risk lies with each business and function and, firstly, with the individuals responsible for making decisions that could impact Barclays' reputation. There will, however, be circumstances where it is necessary to escalate the evaluation of the reputation risk associated with particular decisions beyond an individual, business or function.

The Group's businesses and functions escalate material reputation risk issues to the Group Reputation Committee via their risk oversight process, which has a specified means of considering reputation-related issues on an ad hoc basis as they arise (e.g. a reputation risk sub-committee or equivalent). Issues may merit escalation due to: i) the degree of risk involved; ii) the fact that the issue sets a significant precedent; or iii) the fact that the issue impacts on more than one of the Group's businesses.

Each business (and function/region where appropriate) submits quarterly KRI reports to the Group reputation risk team, highlighting their most significant current and potential reputation risks and issues and how they are being managed. Reputation risk reporting takes the following forms:

- Quarterly reporting of key reputation risks via Business Risk Oversight Committees to Group Reputation Committee and CRRC;
- Six-monthly reputation risk horizon scan reports, including current and emerging priority reputation risks to BCORR; and
- Ad hoc review of identified reputationally controversial issues/transactions/relationships by business reputation committees, with escalation to Group Reputation Committee, where required.

Risk review
Risk performance

Maintaining our risk profile at an acceptable and appropriate level is essential to ensure our continued performance. This section provides a review of the performance of the Group in
2014 for each of the six Principal Risks, which are credit, market, funding, operational, conduct, and reputation risks

For a more detailed breakdown on our Risk review and Risk management contents please see page 33.

Where appropriate, prior year disclosures have been restated to reflect the new structure of the Group adopted in May 2014.

Analysis of credit risk

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group.

This section details the Group's credit risk profile and provides information on the Group's exposure to loans and advances to customer and banks, maximum exposures with collateral held, and net impairment charges raised in the year. It provides information on balances that are categorised as credit risk loans, balances in forbearance, as well as exposure to and performance metrics for specific portfolios and asset types.

Key metrics

- Credit impairment charges in 2014 were 29% lower than 2013:

-£0.2bn Group Core

Lower charges reflected improved performance in the majority of businesses

-£0.1bn retail Core

Lower charges in key PCB portfolios reflecting better economic conditions in the UK, and in South African mortgage portfolio

-£0.1bn wholesale Core

Lower charge in Corporate Banking reflected one-off releases and lower defaults from large UK corporates

-£0.7bn Non-Core

Lower charge reflected non-recurrence of large single name loss in 2013, releases in the wholesale portfolio, and improved recoveries and lower delinquencies in the European mortgage portfolios

- Loans and advances to customers and banks decreased by 1% in 2014
- The loan loss rate fell to 46bps

The disclosures found within the Barclays Bank PLC credit risk section have been prepared to satisfy legal and regulatory requirements. Where additional disclosures exist in the Barclays PLC Annual Report, a reference has been provided to the relevant pages of the Barclays PLC Annual Report, found at: group.barclays.com/about-barclays/investor-relations/annual-reports.

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group.

All disclosures in this section (pages 65-90) are unaudited unless otherwise stated

Overview

Credit risk represents a significant risk to the Group and mainly arises from exposure to wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients, and a summary of performance may be found below.

This section provides an analysis of particular interest or potentially of higher risk, including: i) balance sheet, including the maximum exposure and collateral and loans and advances; ii) areas of concentrations, including the eurozone; iii) exposure to and performance metrics for specific portfolios and assets types, including home loans, credit cards and UK commercial real estate; iv) exposure and performance of loans on concession programmes, including forbearance; v) problem loans, including credit risk loans (CRLs) ; and lastly vi) impairment, including impairment stock and management adjustments to model outputs.

More details of the topics covered in the section may be found in the credit risk section on page 36. Please see risk management section on pages 43-62 for details of governance, policies and procedures.

Summary of performance in the period

Credit impairment charges in 2014 fell 29% to £2.2bn, as performance improved in core UK and US portfolios reflecting economic growth and falling unemployment and low inflation in both regions. The economy in South Africa remains under pressure as economic growth contracted with prolonged strike actions in the mining and engineering industries and persistent electricity shortages. The Eurozone economies are also under pressure with growth prospects in the southern European countries remaining fragile and susceptible to external shocks.

The level of CRLs reduced by 30% to £9.3bn principally due to a reduction in balances in Barclays Non-Core as Spanish loans were reclassified as held for sale. The coverage ratios for home loans, unsecured retail portfolios and corporate loans remain broadly in line with expected severity rates for these types of portfolios.

Net loans and advances to customers and banks was stable at £470bn reflecting a decrease in Non-Core balances offset by increases across the majority of other businesses.

Lower loan impairment charges coupled with broadly stable loan balances resulted in the loan loss rate falling to 46bps (2013: 64bps). This reflects the stable or improving performance trends across the majority of the portfolios and is the lowest annual rate since 1998 and significantly below the longer-term average.

Group's maximum exposure and collateral and other credit enhancements held

Basis of preparation

The following tables present a reconciliation between the Group's maximum exposure and its net exposure to credit risk; reflecting the financial effects of collateral, credit enhancements and other actions taken to mitigate the Group's exposure.

For financial assets recognised on the balance sheet, maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that the Group would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

This and subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets not subject to credit risk, mainly equity securities held for trading, as available for sale or designated at fair value, and traded commodities. Assets designated at fair value in respect of linked liabilities to customers under investment contracts have also not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and not result in a loss to the Group. For off balance sheet exposures certain contingent liabilities not subject to credit risk such as performance guarantees are excluded.

The Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on the Group's policies to each of these forms of credit enhancement is presented on pages 66-69.

Overview

As at 31 December 2014, the Group's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer increased 4% to £746.8bn, reflecting an increase in maximum exposure of 2% and a reduction in the level of mitigation held by 1%. Overall, the extent to which the Group holds mitigation on its assets was stable at 53% (2013: 53%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, available for sale debt securities issued by governments, cash collateral and settlement balances, all of which are considered lower risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis above. The credit quality of counterparties to derivative, available for sale and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 70-74.

Where collateral is obtained in the event of default, the Group does not, as a rule, use such assets for its own operations and they are held for sale. The carrying value of assets held by The Group and the Bank as at 31 December 2014 as a result of the enforcement of collateral was £161m (2013: £234m) and £40m (2013: £63m).

Maximum exposure and effects of collateral and other credit enhancements (audited)

The Group As at 31 December 2014	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	39,695	-	-	-	-	39,695
Items in the course of collection from other banks	1,210	-	-	-	-	1,210
Trading portfolio assets:						
Debt securities	66,035	-	-	-	-	66,035
Traded loans	2,693	-	-	-	-	2,693
Total trading portfolio assets	68,728	-	-	-	-	68,728
Financial assets designated at fair value:						
Loans and advances	20,198	-	(48)	(6,657)	(291)	13,202
Debt securities	4,448	-	-	-	-	4,448
Reverse repurchase agreements	5,236	-	-	(4,803)	-	433
Other financial assets	469	-	-		-	469
Total financial assets designated at fair value	30,351	-	(48)	(11,460)	(291)	18,552
Derivative financial instruments	440,076	(353,631)	(44,047)	(8,231)	(6,653)	27,514
Loans and advances to banks	42,657	(1,012)	-	(3,858)	(176)	37,611
Loans and advances to customers:						
Home loans	166,974		(274)	(164,389)	(815)	1,496
Credit cards, unsecured and other retail lending	69,022		(954)	(16,433)	(1,896)	49,739
Corporate loans	191,771	(9,162)	(620)	(40,201)	(5,122)	136,666
Total loans and advances to customers	427,767	(9,162)	(1,848)	(221,023)	(7,833)	187,901
Reverse repurchase agreements and other similar secured lending	131,753	-	-	(130,135)	-	1,618
Available for sale debt securities	85,552	-	-	(938)	(432)	84,182
Other assets	1,680	-	-	-	-	1,680
Total on-balance sheet	1,269,469	(363,805)	(45,943)	(375,645)	(15,385)	468,691
Off-balance sheet:						
Contingent liabilities	21,263	-	(781)	(848)	(270)	19,364
Documentary credits and other short term trade related transactions	1,091	-	(6)	(8)	(3)	1,074
Forward starting reverse repurchase agreements	13,856	-	-	(13,841)	-	15
Standby facilities, credit lines and other commitments	276,315	-	(457)	(17,385)	(793)	257,680
Total off-balance sheet	312,525	-	(1,244)	(32,082)	(1,066)	278,133
Total	1,581,994	(363,805)	(47,187)	(407,727)	(16,451)	746,824

Maximum exposure and effects of collateral and other credit enhancements (audited)

The Group As at 31 December 2013	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	45,687	-	-	-	-	45,687
Items in the course of collection from other banks	1,282	-	-	-	-	1,282
Trading portfolio assets:						
Debt securities	84,580	-	-	-	-	84,580
Traded loans	1,647	-	-	-	-	1,647
Total trading portfolio assets	86,227	-	-	-	-	86,227
Financial assets designated at fair value:						
Loans and advances	18,695	-	-	(6,840)	(301)	11,554
Debt securities	842	-	-	-	-	842
Reverse repurchase agreements	5,323	-	-	(5,006)	-	317
Other financial assets	678	-	-	-	-	678
Total financial assets designated at fair value	25,538	-	-	(11,846)	(301)	13,391
Derivative financial instruments	350,460	(279,802)	(36,733)	(7,888)	(8,830)	17,207
Loans and advances to banks	39,822	(1,012)	-	(3,798)	(391)	34,621
Loans and advances to customers:						
Home loans	179,527	-	(239)	(176,014)	(941)	2,333
Credit cards, unsecured and other retail lending	70,378	(8)	(1,182)	(18,566)	(2,243)	48,379
Corporate loans	184,332	(9,366)	(775)	(42,079)	(7,572)	124,540
Total loans and advances to customers	434,237	(9,374)	(2,196)	(236,659)	(10,756)	175,252
Reverse repurchase agreements and other similar secured lending	186,779	-	-	(184,896)	-	1,883
Available for sale debt securities	91,298	-	-	(777)	-	90,521
Other assets	1,998	-	-	-	-	1,998
Total on-balance sheet	1,263,328	(290,188)	(38,929)	(445,864)	(20,278)	468,069
Off-balance sheet:						
Contingent liabilities	19,675	-	(1,081)	(950)	(556)	17,088
Documentary credits and other short-term trade related transactions	780	-	(3)	(35)	(4)	738
Forward starting reverse repurchase agreements	19,936	-	-	(19,565)	-	371
Standby facilities, credit lines and other commitments	254,855	-	(1,220)	(20,159)	(2,529)	230,947
Total off-balance sheet	295,246	-	(2,304)	(40,709)	(3,089)	249,144
Total	1,558,574	(290,188)	(41,233)	(486,573)	(23,367)	717,213

Risk performance

Credit risk

Maximum exposure and effects of collateral and other credit enhancements (audited)

The Bank As at 31 December 2014	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	35,469					35,469
Items in the course of collection from other banks	801	-	-	-	-	801
Trading portfolio assets:						
Debt securities	39,406	-	-	-	-	39,406
Traded loans	2,692	-	-	-	-	2,692
Total trading portfolio assets	42,098	-	-	-	-	42,098
Financial assets designated at fair value:						
Loans and advances	23,541	-	(48)	(6,579)	(103)	16,811
Debt securities	13,729	(8,255)	-	-	(2,103)	3,371
Reverse repurchase agreements	3,324	-	-	(3,296)	-	28
Other financial assets	270	-	-	-	-	270
Total financial assets designated at fair value	40,864	(8,255)	(48)	(9,875)	(2,206)	20,480
Derivative financial instruments	426,565	(327,156)	(43,928)	(8,163)	(5,895)	41,423
Loans and advances to banks	57,438	(24,107)	-	(10)	(57)	33,264
Loans and advances to customers:						
Home loans	150,896	-	(244)	(149,729)	(738)	185
Credit cards, unsecured and other retail lending	42,706	-	(690)	(12,040)	(1,553)	28,423
Corporate loans	236,212	(9,162)	(444)	(29,200)	(19,368)	178,038
Total loans and advances to customers	429,814	(9,162)	(1,378)	(190,969)	(21,659)	206,646
Reverse repurchase agreements and other similar secured lending	102,824	-	-	(101,953)	-	871
Available for sale debt securities	78,364	-	-	-	(349)	78,015
Other assets	15,558	-	-	-	-	15,558
Total on-balance sheet	1,229,795	(368,680)	(45,354)	(310,970)	(30,166)	474,625
Off-balance sheet:						
Contingent liabilities	17,591	-	(755)	(728)	(270)	15,838
Documentary credits and other short term trade related transactions	955	-	(6)	(8)	(3)	938
Forward starting reverse repurchase agreements	11,412	-	-	(11,399)	-	13
Standby facilities, credit lines and other commitments	220,535	-	(457)	(13,624)	(797)	205,657
Total off-balance sheet	250,493	-	(1,218)	(25,759)	(1,070)	222,446
Total	1,480,288	(368,680)	(46,572)	(336,729)	(31,236)	697,071

Maximum exposure and effects of collateral and other credit enhancements (audited)						
	Maximum	Netting	Collateral		Risk	Net
The Bank	exposure	and set-off	Cash	Non-cash	transfer	exposure
As at 31 December 2013	£m	£m	£m	£m	£m	£m
On-balance sheet:						
Cash and balances at central banks	42,139					42,139
Items in the course of collection from other banks	992	-	-	-	-	992
Trading portfolio assets:						
Debt securities	54,402	-	-	-	-	54,402
Traded loans	1,647	-	-	-	-	1,647
Total trading portfolio assets	56,049	-	-	-	-	56,049
Financial assets designated at fair value:						
Loans and advances	18,338	-	-	(6,474)	(107)	11,757
Debt securities	58,059	(13,425)	-	-	(39,179)	5,455
Reverse repurchase agreements	3,709	-	-	(3,550)	-	159
Other financial assets	487	-	-	-	-	487
Total financial assets designated at fair value	80,593	(13,425)	-	(10,024)	(39,286)	17,858
Derivative financial instruments	345,434	(275,062)	(33,329)	(7,798)	(8,665)	20,580
Loans and advances to banks	51,650	(19,875)	-	-	(270)	31,505
Loans and advances to customers:						
Home loans	149,974	-	(212)	(148,339)	(869)	554
Credit cards, unsecured and other retail lending	34,066	-	(670)	(10,439)	(1,820)	21,137
Corporate loans	278,543	(9,033)	(601)	(31,357)	(34,283)	203,269
Total loans and advances to customers	462,583	(9,033)	(1,483)	(190,135)	(36,972)	224,960
Reverse repurchase agreements and other similar secured lending	142,695	-	-	(140,155)	-	2,540
Available for sale debt securities	82,052	-	-	-	-	82,052
Other assets	15,758	-	-	-	-	15,758
Total on-balance sheet	1,279,945	(317,395)	(34,812)	(348,112)	(85,193)	494,433
Off-balance sheet:						
Contingent liabilities	19,610	-	(920)	(742)	(480)	17,468
Documentary credits and other short term trade related transactions	570	-	(3)	(35)	(4)	528
Forward starting reverse repurchase agreements	11,048	-		(10,671)	-	377
Standby facilities, credit lines and other commitments	206,253	-	(1,074)	(17,415)	(2,529)	185,235
Total off-balance sheet	237,481	-	(1,997)	(28,863)	(3,013)	203,608
Total	1,517,426	(317,395)	(36,809)	(376,975)	(88,206)	698,041

The Group's approach to manage and represent credit quality

Asset credit quality
All loans and advances are categorised as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired', which includes restructured loans. For the purposes of the disclosures in the balance sheet credit quality section (pages 71-74):

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.
- The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment.
- Loans neither past due nor impaired consist predominantly of wholesale and retail loans that are performing. These loans, although unimpaired, may carry an unidentified impairment.
- Loans that are past due but not impaired consist predominantly of wholesale loans that are past due but individually assessed as not being impaired. These loans, although individually assessed as unimpaired, may carry an unidentified impairment provision.
- Impaired loans that are individually assessed consist predominantly of wholesale loans that are past due and for which an individual allowance has been raised.
- Impaired loans that are collectively assessed consist predominantly of retail loans that are one day or more past due for which a collective allowance is raised. Wholesale loans that are past due, individually assessed as unimpaired, but which carry an unidentified impairment provision, are excluded from this category.

Home loans and credit card receivables that are subject to forbearance in the retail portfolios are included in the collectively assessed impaired loans column in the tables in the analysis of loans and advances and impairment section (page 148)in the Barclays PLC Annual Report). Included within wholesale loans that are designated as neither past due nor impaired is a portion of loans that have been subject to forbearance or similar strategies as part of the Group's ongoing relationship with clients. The loans will have an internal rating reflective of the level of risk to which the Group is exposed, bearing in mind the circumstances of the forbearance, the overall performance and prospects of the client. Loans on forbearance programmes will typically, but not always, attract a higher risk rating than similar loans which are not. A portion of wholesale loans under forbearance is included in the past due but not impaired column, although not all loans subject to forbearance are necessarily impaired or past due. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

The Group uses the following internal measures to determine credit quality for loans that are performing:

Default Grade	Retail lending Probability of default	Wholesale lending Probability of default	Credit Quality Description
1-3	0.0-0.60%	0.0-0.05%	Strong
4-5		0.05-0.15%	
6-8		0.15-0.30%	
9-11		0.30-0.60%	
12-14	0.60-10.00%	0.60-2.15%	Satisfactory
15-19		2.15-11.35%	
20-21	10.00%+	11.35%+	Higher Risk

For loans that are performing, these descriptions can be summarised as follows:

Strong: there is a very high likelihood of the asset being recovered in full.

Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of some deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

Higher risk: there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Group's impairment policies. These loans are all considered higher risk for the purpose of this analysis of credit quality.

Debt securities
For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by Standard & Poor's or Moody's. Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities.

Balance sheet credit quality
The following tables present the credit quality of Group assets exposed to credit risk.

Overview

As at 31 December 2014, the ratio of the Group's assets classified as strong improved to 84% (2013: 83%) of total assets exposed to credit risk.

Traded assets remained mostly investment grade with the following proportions being categorised as strong; 94% (2013: 95%) of total derivative financial instruments, 91% (2013: 95%) of debt securities held for trading and 98% (2013: 96%) of debt securities held as available for sale. The credit quality of counterparties to reverse repurchase agreements held at amortised cost remained broadly stable at 78% (2013: 76%). The credit risk of these assets is significantly reduced as balances are largely collateralised.

In the loan portfolios, 86% of home loans (2013: 85%) to customers are measured as strong. The majority of credit card, unsecured and other retail lending remained satisfactory, reflecting the unsecured nature of a significant proportion of the balance, comprising 71% (2013: 71%) of the total. The credit quality profile of the Group's wholesale lending improved with counterparties rated strong increasing to 72% (2013: 70 %), primarily due to increases in collateral balances generally rated strong in the Investment Bank.

Balance sheet credit quality (audited)

As at 31 December 2014	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Group								
Cash and balances at central banks	39,695	-	-	39,695	100%	0%	0%	100%
Items in the course of collection from other banks	1,137	48	25	1,210	94%	4%	2%	100%
Trading portfolio assets:								
Debt securities	60,328	5,202	505	66,035	91%	8%	1%	100%
Traded loans	446	1,935	312	2,693	16%	72%	12%	100%
Total trading portfolio assets	60,774	7,137	817	68,728	89%	10%	1%	100%
Financial assets designated at fair value:								
Loans and advances	18,545	844	809	20,198	92%	4%	4%	100%
Debt securities	4,315	130	3	4,448	97%	3%	0%	100%
Reverse repurchase agreements	4,876	346	14	5,236	93%	7%	0%	100%
Other financial assets	270	167	32	469	57%	36%	7%	100%
Total financial assets designated at fair value	28,006	1,487	858	30,351	92%	5%	3%	100%
Derivative financial instruments	415,147	24,387	542	440,076	94%	6%	0%	100%
Loans and advances to banks	39,999	1,651	1,007	42,657	94%	4%	2%	100%
Loans and advances to customers:								
Home loans	143,700	13,900	9,374	166,974	86%	8%	6%	100%
Credit cards, unsecured and other retail lending	15,369	49,255	4,398	69,022	23%	71%	6%	100%
Corporate loans	137,102	42,483	12,186	191,771	72%	22%	6%	100%
Total loans and advances to customers	296,171	105,638	25,958	427,767	69%	25%	6%	100%
Reverse repurchase agreements and other similar secured lending	102,609	29,142	2	131,753	78%	22%	0%	100%
Available for sale debt securities	84,406	498	648	85,552	98%	1%	1%	100%
Other assets	1,336	282	62	1,680	79%	17%	4%	100%
Total assets	1,069,280	170,270	29,919	1,269,469	84%	13%	3%	100%

Balance sheet credit quality (audited)

As at 31 December 2013	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Group								
Cash and balances at central banks	45,687	-	-	45,687	100%	0%	0%	100%
Items in the course of collection from other banks	1,218	51	13	1,282	95%	4%	1%	100%
Trading portfolio assets:								
Debt securities	80,210	3,633	737	84,580	95%	4%	1%	100%
Traded loans	526	700	421	1,647	32%	42%	26%	100%
Total trading portfolio assets	80,736	4,333	1,158	86,227	94%	5%	1%	100%
Financial assets designated at fair value:								
Loans and advances	17,020	1,017	658	18,695	91%	5%	4%	100%
Debt securities	403	36	403	842	48%	4%	48%	100%
Reverse repurchase agreements	4,492	794	37	5,323	84%	15%	1%	100%
Other financial assets	255	191	232	678	38%	28%	34%	100%
Total financial assets designated at fair value	22,170	2,038	1,330	25,538	87%	8%	5%	100%
Derivative financial instruments	331,701	18,042	717	350,460	95%	5%	0%	100%
Loans and advances to banks	37,150	1,634	1,038	39,822	93%	4%	3%	100%
Loans and advances to customers:								
Home loans	153,299	14,373	11,855	179,527	85%	8%	7%	100%
Credit cards, unsecured and other retail lending	14,728	50,100	5,550	70,378	21%	71%	8%	100%
Corporate loans	128,309	46,263	9,760	184,332	70%	25%	5%	100%
Total loans and advances to customers	296,336	110,736	27,165	434,237	68%	26%	6%	100%
Reverse repurchase agreements and other similar secured lending	141,861	44,906	12	186,779	76%	24%	0%	100%
Available for sale debt securities	87,888	1,354	2,056	91,298	96%	2%	2%	100%
Other assets	1,598	340	60	1,998	80%	17%	3%	100%
Total assets	1,046,345	183,434	33,549	1,263,328	83%	14%	3%	100%

Balance sheet credit quality (audited)

As at 31 December 2014	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment Grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Bank								
Cash and balances at central banks	35,469	-	-	35,469	100%	0%	0%	100%
Items in the course of collection from other banks	760	29	12	801	95%	4%	1%	100%
Trading portfolio assets:								
Debt securities	34,437	4,531	438	39,406	88%	11%	1%	100%
Traded loans	446	1,934	312	2,692	16%	72%	12%	100%
Total trading portfolio assets	34,883	6,465	750	42,098	83%	15%	2%	100%
Financial assets designated at fair value:								
Loans and advances	22,084	800	657	23,541	94%	3%	3%	100%
Debt securities	13,640	89	-	13,729	99%	1%	0%	100%
Reverse repurchase agreements	3,174	150	-	3,324	95%	5%	0%	100%
Other financial assets	171	67	32	270	63%	25%	12%	100%
Total financial assets designated at fair value	39,069	1,106	689	40,864	95%	3%	2%	100%
Derivative financial instruments	405,512	20,511	542	426,565	95%	5%	0%	100%
Loans and advances to banks	54,483	2,104	851	57,438	95%	4%	1%	100%
Loans and advances to customers:								
Home loans	136,467	6,750	7,679	150,896	91%	4%	5%	100%
Credit cards, unsecured and other retail lending	16,152	24,658	1,896	42,706	38%	58%	4%	100%
Corporate loans	194,735	31,153	10,324	236,212	83%	13%	4%	100%
Total loans and advances to customers	347,354	62,561	19,899	429,814	80%	15%	5%	100%
Reverse repurchase agreements and other similar secured lending	84,445	18,379	-	102,824	82%	18%	0%	100%
Available for sale debt securities	77,829	31	504	78,364	99%	0%	1%	100%
Other assets	15,457	76	25	15,558	99%	1%	0%	100%
Total assets	1,095,261	111,262	23,272	1,229,795	89%	9%	2%	100%

Balance sheet credit quality (audited)

As at 31 December 2013	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Bank								
Cash and balances at central banks	42,139	-	-	42,139	100%	0%	0%	100%
Items in the course of collection from other banks	903	69	20	992	91%	7%	2%	100%
Trading portfolio assets:								
Debt securities	50,188	3,924	290	54,402	92%	7%	1%	100%
Traded loans	526	700	421	1,647	32%	42%	26%	100%
Total trading portfolio assets	50,714	4,624	711	56,049	91%	8%	1%	100%
Financial assets designated at fair value:								
Loans and advances	16,951	985	402	18,338	93%	5%	2%	100%
Debt securities	58,058	1	-	58,059	100%	0%	0%	100%
Reverse repurchase agreements	3,026	677	6	3,709	81%	19%	0%	100%
Other financial assets	179	77	231	487	35%	16%	49%	100%
Total financial assets designated at fair value	78,214	1,740	639	80,593	97%	2%	1%	100%
Derivative financial instruments	328,721	15,996	717	345,434	95%	5%	0%	100%
Loans and advances to banks	47,563	3,238	849	51,650	92%	6%	2%	100%
Loans and advances to customers:								
Home loans	134,964	5,848	9,162	149,974	90%	4%	6%	100%
Credit cards, unsecured and other retail lending	7,369	24,364	2,333	34,066	22%	71%	7%	100%
Corporate loans	236,982	33,422	8,139	278,543	85%	12%	3%	100%
Total loans and advances to customers	379,315	63,634	19,634	462,583	82%	14%	4%	100%
Reverse repurchase agreements and other similar secured lending	114,553	28,130	12	142,695	80%	20%	0%	100%
Available for sale debt securities	80,215	47	1,790	82,052	98%	0%	2%	100%
Other assets	15,725	25	8	15,758	100%	0%	0%	100%
Total assets	1,138,062	117,503	24,380	1,279,945	89%	9%	2%	100%

Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group implements limits on concentrations in order to mitigate the risk. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged. Further detail on the Group's policies with regard to managing concentration risk is presented on page 65.

Geographic concentrations

As at 31 December 2014, the geographic concentration of the Group's assets remained broadly consistent with 2013. 38% (2013: 37%) of the exposure is concentrated in the UK, 22% (2013: 23%) in Europe and 31% (2013: 29%) in the Americas.

For balance sheet assets, the most significant change in concentrations was for cash held at central banks. A significant reduction in Europe was noted, primarily with the European Central Bank, following the change in composition of the liquidity pool with the Bank of England and the Federal Reserve. Balances in the UK and US contributed a higher proportion of the total as a result. Overall reverse repurchase agreements have decreased due to reduced matched book trading and a focus on reducing the leveraged balance sheet. This is reflected in balances within the Americas, UK and Europe.

An analysis of geographical and industry concentration of Group loans and advances held at amortised cost and at fair value is presented on pages 149-150 in the Barclays PLC Annual Report. Information on exposures to Eurozone countries is presented on pages 78-83.

Credit risk concentrations by geography (audited)

As at 31 December 2014	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Group						
On-balance sheet:						
Cash and balances at central banks	13,770	12,224	9,365	2,161	2,175	39,695
Items in the course of collection from other banks	644	158	-	408	-	1,210
Trading portfolio assets	12,958	15,638	31,062	2,498	6,572	68,728
Financial assets designated at fair value	21,274	1,591	3,986	2,999	501	30,351
Derivative financial instruments	133,567	147,421	129,771	2,332	26,985	440,076
Loans and advances to banks	8,018	12,793	13,227	3,250	5,369	42,657
Loans and advances to customers	241,543	60,018	76,561	39,241	10,404	427,767
Reverse repurchase agreements and other similar secured lending	20,551	22,655	81,368	928	6,251	131,753
Available for sale debt securities	22,901	33,368	22,846	4,770	1,667	85,552
Other assets	837	-	232	483	128	1,680
Total on-balance sheet	**476,063**	**305,866**	**368,418**	**59,070**	**60,052**	**1,269,469**
Off-balance sheet:						
Contingent liabilities	10,222	2,542	5,517	2,757	225	21,263
Documentary credits and other short-term trade related transactions	851	36	-	186	18	1,091
Forward starting reverse repurchase agreements	4,461	5,937	701	2	2,755	13,856
Standby facilities, credit lines and other commitments	108,025	34,886	116,343	14,911	2,150	276,315
Total off-balance sheet	**123,559**	**43,401**	**122,561**	**17,856**	**5,148**	**312,525**
Total	**599,622**	**349,267**	**490,979**	**76,926**	**65,200**	**1,581,994**

As at 31 December 2013	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Group						
On-balance sheet:						
Cash and balances at central banks	7,307	29,983	4,320	2,111	1,966	45,687
Items in the course of collection from other banks	756	242	-	284	-	1,282
Trading portfolio assets	15,947	21,040	37,122	2,165	9,953	86,227
Financial assets designated at fair value	17,487	2,632	3,399	1,372	648	25,538
Derivative financial instruments	108,255	114,931	98,568	2,904	25,802	350,460
Loans and advances to banks	6,524	12,631	10,579	2,580	7,508	39,822
Loans and advances to customers	236,686	74,021	70,661	39,584	13,285	434,237
Reverse repurchase agreements and other similar secured lending	34,027	32,820	102,922	1,887	15,123	186,779
Available for sale debt securities	29,540	33,816	20,189	5,875	1,878	91,298
Other assets	917	380	260	324	117	1,998
Total on-balance sheet	457,446	322,496	348,020	59,086	76,280	1,263,328
Off-balance sheet:						
Contingent liabilities	10,349	2,475	4,521	2,110	220	19,675
Documentary credits and other short-term trade related transactions	496	121	-	163	-	780
Forward starting reverse repurchase agreements	5,254	3,903	4,753	4	6,022	19,936
Standby facilities, credit lines and other commitments	102,456	35,612	99,240	15,584	1,963	254,855
Total off-balance sheet	118,555	42,111	108,514	17,861	8,205	295,246
Total	576,001	364,607	456,534	76,947	84,485	1,558,574

Credit risk concentrations by geography (audited)

As at 31 December 2014	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Bank						
On-balance sheet:						
Cash and balances at central banks	13,691	11,963	7,705	139	1,971	35,469
Items in the course of collection from other banks	643	158	-	-	-	801
Trading portfolio assets	12,744	15,222	10,300	218	3,614	42,098
Financial assets designated at fair value	35,870	1,425	2,723	331	515	40,864
Derivative financial instruments	136,156	148,931	113,084	2,401	25,993	426,565
Loans and advances to banks	6,629	14,157	29,363	2,016	5,273	57,438
Loans and advances to customers	290,318	79,476	43,685	4,734	11,601	429,814
Reverse repurchase agreements and other similar secured lending	23,295	21,996	38,297	1,301	17,935	102,824
Available for sale debt securities	22,024	31,913	22,699	98	1,630	78,364
Other assets	13,337	1,978	-	120	123	15,558
Total on-balance sheet	554,707	327,219	267,856	11,358	68,655	1,229,795
Off-balance sheet:						
Contingent liabilities	10,157	2,425	4,528	283	198	17,591
Documentary credits and other short-term trade related transactions	851	36	-	50	18	955
Forward starting reverse repurchase agreements	4,446	5,931	429	-	606	11,412
Standby facilities, credit lines and other commitments	107,745	32,712	76,502	1,433	2,143	220,535
Total off-balance sheet	123,199	41,104	81,459	1,766	2,965	250,493
Total	677,906	368,323	349,315	13,124	71,620	1,480,288

As at 31 December 2013	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Bank						
On-balance sheet:						
Cash and balances at central banks	7,287	29,692	3,381	127	1,652	42,139
Items in the course of collection from other banks	755	237	-	-	-	992
Trading portfolio assets	15,744	20,362	13,066	345	6,532	56,049
Financial assets designated at fair value	70,882	5,993	2,640	340	738	80,593
Derivative financial instruments	113,377	115,290	89,878	1,892	24,997	345,434
Loans and advances to banks	6,296	12,451	24,578	1,860	6,465	51,650
Loans and advances to customers	336,280	68,132	42,979	4,618	10,574	462,583
Reverse repurchase agreements and other similar secured lending	32,594	36,419	49,308	1,365	23,009	142,695
Available for sale debt securities	27,638	32,144	20,139	253	1,878	82,052
Other assets	11,868	3,790	-	16	84	15,758
Total on-balance sheet	622,721	324,510	245,969	10,816	75,929	1,279,945
Off-balance sheet:						
Contingent liabilities	12,357	2,235	4,509	290	219	19,610
Documentary credits and other short-term trade related transactions	495	14	-	61	-	570
Forward starting reverse repurchase agreements	5,241	3,896	1,442	-	469	11,048
Standby facilities, credit lines and other commitments	102,477	31,710	68,164	1,933	1,969	206,253
Total off-balance sheet	120,570	37,855	74,111	2,288	2,657	237,481
Total	743,291	362,365	320,080	13,104	78,586	1,517,426

Exposures to eurozone countries (audited)

Overview

The Group recognises the credit and market risk resulting from the ongoing volatility in the eurozone and continues to monitor events closely while taking coordinated steps to mitigate the risks associated with the challenging economic environment. Risks associated with a potential partial break-up of the European Union (EU) area include:

- Direct risk arising from sovereign default of a country exiting the EU and the impact on the economy of, and the Group's counterparties in, that country;
- Indirect risk arising from the subsequent impact on the economy of, and the Group's counterparties in, other eurozone countries; and
- Indirect risk arising from credit derivatives that reference eurozone sovereign debt (see page 83).

Contingency planning began in early 2012 based on a series of potential scenarios that might arise from an escalation in the crisis. Multiple tests have subsequently been run to establish the impact on customers, systems, processes and staff in the event of the most plausible scenarios. Where issues have been identified, appropriate remedial actions have been completed.

As a consequence of renewed concerns over a potential Greek exit from the EU, these contingency plans have been reviewed and refreshed to ensure they remain effective. Whilst the Group's net exposure to Greece is low, a risk of contagion spreading to other EU countries is evident and plans are in place for such a scenario.

During 2014, the Group's net on-balance sheet exposures to Spain, Italy, Portugal, Ireland, Cyprus and Greece reduced by 18% to £43bn. This primarily reflects a reduction of 17% in exposures to Spain, Italy and Portugal as part of the non-core strategy. During 2014, the net funding mismatch decreased €1.7bn to €9.9bn in Italy and decreased €1.1bn to €1.9bn in Portugal. The surplus in Spain increased €1.2bn to €4.3bn. For Ireland there is no local balance sheet funding requirement by the Group as total liabilities in this country exceeds assets.

Net exposure to Greece was £27m (2013: £85m) with negligible net funding required from Group. On a gross basis exposure to Greece was £1,279m (2013: £906m) consisting of derivative assets with Financial Institutions. The exposure is mitigated by offsetting derivative liabilities and cash collateral.

Other emerging risks being monitored outside the eurozone include Russia and China.

- Net exposure to Russia of £1,943m largely consists of loans and advances to Financial Institutions of £1,076m. Gross exposure to Russia was £3,776m consisting of derivative assets with Financial Institutions. The gross exposure is mitigated by offsetting derivative liabilities.
- Net exposure to China of £4,831m largely consists of loans and advances (mainly cash collateral and settlement balances) to Sovereign (£1,664m) and Financial Institutions (£1,388m). The gross exposure to China excluding offsetting derivative liabilities was £4,999m.

Basis of preparation

The Group presents the direct balance sheet exposure to credit and market risk by country, with the totals reflecting allowance for impairment, netting and cash collateral held where appropriate.

Trading and derivatives balances relate to Investment Bank activities, principally as market-maker for government bond positions. Positions are held at fair value, with daily movements taken through profit and loss:

- Trading assets and liabilities are presented by issuer type, whereby positions are netted to the extent allowable under IFRS. Where liability positions exceed asset positions by counterparty type, exposures are presented as nil.
- Derivative assets and liabilities are presented by counterparty type, whereby positions are netted to the extent allowable under IFRS. Cash collateral held is then added to give a net credit exposure. Where liability positions and collateral held exceed asset positions by counterparty type, exposures are presented as nil.
- Assets designated at fair value include debt and equity securities, loans and reverse repurchase agreements that have been designated at fair value.

Available for sale investments principally relate to investments in government bonds and other debt securities. Balances are reported on a fair value basis, with movements in fair value going through other comprehensive income (OCI).

Loans and advances held at amortised cost[a] comprise: (i) retail lending portfolios, predominantly mortgages secured on residential property; and (ii) corporate lending portfolios. Settlement balances and cash collateral are excluded from this analysis.

Sovereign exposures reflect direct exposures to central and local governments[b], the majority of which are used for hedging interest rate risk and liquidity purposes. The remaining portion is actively managed reflecting our role as a leading primary dealer, market-maker and liquidity provider to our clients. Financial institution and corporate exposures reflect the country of operations of the counterparty or issuer depending on the asset class analysed (including foreign subsidiaries and without reference to cross-border guarantees). Retail exposures reflect the country of residence for retail customers and country of operations for business banking customers. Off-balance sheet exposure consists primarily of undrawn commitments and guarantees issued to third parties on behalf of our corporate clients.

Notes

a The Group also enters into reverse repurchase agreements and other similar secured lending, which are materially fully collateralised.

b In addition, the Group held cash with the central banks of these countries totalling £0.2bn (2013: £0.2bn). Other material balances with central banks are classified within loans to financial institutions.

Summary of Group Exposures

The following table shows the Group's exposure to Eurozone countries monitored internally as being higher risk and thus being the subject of particular management focus. Detailed analysis on these countries is on pages[a] 79-82.The net exposure provides the most appropriate measure of the credit risk to which the Group is exposed. The gross exposure is also presented below, alongside off-balance sheet contingent liabilities and commitments. Gross exposure reflects total exposures before the effects of economic hedging by way of trading portfolio liabilities, derivative liabilities and cash collateral, but after taking into account impairment allowances and IFRS netting.

Net exposure by country and counterparty (audited)

	Sovereign	Financial institutions	Corporate	Residential mortgages	Other retail lending	Total net on-balance sheet exposure	Contingent liabilities and commitments	Total net exposure
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2014								
Spain	**108**	**14,043**	**1,149**	**12**	**248**	**15,560**	**2,863**	**18,423**
Italy	**1,716**	**485**	**1,128**	**13,530**	**1,114**	**17,973**	**3,033**	**21,006**
Portugal	**105**	**7**	**531**	**2,995**	**1,207**	**4,845**	**1,631**	**6,476**
Ireland	**37**	**3,175**	**1,453**	**43**	**50**	**4,758**	**2,070**	**6,828**
Cyprus	**28**	**12**	**61**	**6**	**16**	**123**	**26**	**149**
Greece	**1**	**11**	**15**	**-**	**-**	**27**	**-**	**27**
As at 31 December 2013								
Spain	184	1,029	3,203	12,537	2,292	19,245	3,253	22,498
Italy	1,556	417	1,479	15,295	1,881	20,628	3,124	23,752
Portugal	372	38	891	3,413	1,548	6,262	2,288	8,550
Ireland	67	5,030	1,356	103	100	6,656	2,047	8,703
Cyprus	-	7	106	19	43	175	66	241
Greece	8	5	51	6	12	82	3	85

Gross exposure by country and counterparty (audited)

	Sovereign	Financial institutions	Corporate	Residential mortgages	Other retail lending	Total gross on-balance sheet exposure	Contingent liabilities and commitments	Total gross exposure
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2014								
Spain	**1,559**	**21,244**	**1,810**	**12**	**248**	**24,873**	**2,863**	**27,736**
Italy	**3,998**	**5,700**	**1,625**	**13,530**	**1,114**	**25,967**	**3,033**	**29,000**
Portugal	**227**	**83**	**538**	**2,995**	**1,207**	**5,050**	**1,631**	**6,681**
Ireland	**412**	**7,124**	**1,816**	**43**	**50**	**9,445**	**2,071**	**11,516**
Cyprus	**28**	**503**	**155**	**6**	**16**	**707**	**27**	**734**
Greece	**17**	**1,242**	**20**	**-**	**-**	**1,279**	**-**	**1,279**
As at 31 December 2013								
Spain	1,198	6,715	3,596	12,537	2,292	26,338	3,253	29,591
Italy	4,104	4,339	1,836	15,295	1,881	27,455	3,124	30,579
Portugal	526	171	950	3,413	1,548	6,608	2,288	8,896
Ireland	587	7,819	1,424	103	100	10,033	2,047	12,080
Cyprus	-	68	126	19	43	256	66	322
Greece	9	824	52	6	12	903	3	906

Notes

a Detailed analysis is not provided for Ireland as there is no redenomination risk due to local funding and due to significant risk relating to the underlying assets residing in an alternative country. The exposures for Cyprus and Greece are deemed immaterial to the Group.

Spain (audited)

As at 31 December	Trading portfolio Assets £m	Trading portfolio Liabilities £m	Trading portfolio Net £m	Derivatives Assets £m	Derivatives Liabilities £m	Derivatives Cash collateral £m	Derivatives Net £m	Designated at fair value Assets £m	Total 2014 £m	Total 2013 £m
Sovereign	1,442	(1,442)	-	59	(9)	-	50	33	83	140
Financial institutions	610	(126)	484	7,075	(5,771)	(1,304)	-	13,498	13,982	857
Corporate	584	(417)	167	399	(244)	-	155	347	669	905

As at 31 December	Amortised cost - loans and advances Gross £m	Amortised cost - loans and advances Impairment allowances £m	Amortised cost - loans and advances 2014 total £m	Amortised cost - loans and advances 2013 total £m	Off balance sheet contingent liabilities and commitments 2014 £m	Off balance sheet contingent liabilities and commitments 2013 £m	Fair value through OCI - available for sale (AFS) investments[a] Cost £m	AFS reserve £m	2014 total £m	2013 total £m
Sovereign	-	-	-	21	-	-	22	3	25	23
Financial institutions	10	-	10	9	476	283	48	3	51	163
Residential mortgages	12	-	12	12,537	-	7	-	-	-	-
Corporate	526	(51)	475	2,290	2,027	1,831	5	-	5	8
Other retail lending	266	(18)	248	2,292	360	1,132	-	-	-	-

Total net exposure to Spain decreased 18% to £18,423m. This primarily reflects the run-down of businesses as part of the Non-Core strategy. Excluding the Spanish assets held for sale, the net on-balance sheet exposure was £2,383m (2013: £22,498m).

Sovereign

- £108m (2013: £184m) largely consisting of holdings in government bonds held at fair value through profit and loss.

Financial institutions

- £13,982m (2013: £857m) held at fair value through profit and loss, predominantly Spanish assets reclassified to held for sale relating to the sale of the business to Caixabank. Excluding Spanish assets held for sale the exposure was £866m (2013: £857m)
- £51m (2013: £163m) AFS investments with £3m (2013: £4m) cumulative gain held in AFS reserve.

Residential mortgages, Corporate and Other Retail Lending

- The significant decrease within Residential mortgages to £12m (2013: £12,537m), Corporate to £475m (2013: £2,290m) and Other Retail Lending to £248m (2013: £2,292m) is primarily as a result of the reclassification of Spanish assets held for sale to the Financial institution category.

Note
a 'Cost' refers to the fair value of the asset at recognition, less any impairment booked. 'AFS reserve' is the cumulative fair value gain or loss on the assets that is held in equity. 'Total' is the fair value of the assets at the balance sheet date.

Italy (audited)

As at 31 December	Trading portfolio Assets £m	Trading portfolio Liabilities £m	Trading portfolio Net £m	Derivatives Assets £m	Derivatives Liabilities £m	Derivatives Cash collateral £m	Derivatives Net £m	Designated at fair value Assets £m	Total 2014 £m	Total 2013 £m
Sovereign	2,191	(2,191)	-	1,783	(91)	-	1,692	-	1,692	1,399
Financial institutions	246	(81)	165	5,134	(3,636)	(1,498)	-	244	409	305
Corporate	306	(99)	207	470	(211)	(187)	72	143	422	592

As at 31 December	Amortised cost - loans and advances Gross £m	Amortised cost - loans and advances Impairment allowances £m	Amortised cost - loans and advances 2014 total £m	Amortised cost - loans and advances 2013 total £m	Off balance Sheet contingent liabilities and commitments 2014 £m	Off balance Sheet contingent liabilities and commitments 2013 £m	Fair value through OCI - available for sale (AFS) investments[a] Cost £m	AFS reserve £m	2014 Total £m	2013 Total £m
Sovereign	-	-	-	-	-		21	3	24	157
Financial institutions	22	(1)	21	50	200	361	52	3	55	63
Residential mortgages	13,679	(149)	13,530	15,295	18	25	-	-	-	-
Corporate	797	(123)	674	858	2,806	2,069	34	(2)	32	29
Other retail lending	1,248	(134)	1,114	1,881	9	669	-	-	-	-

Total net exposure to Italy reduced 12% to £21,006m primarily reflecting a £1,765m decrease in residential mortgages as the existing portfolio paid down and new business lending was reduced.

Sovereign
- Increase of £160m to £1,716m driven by increases in net derivative positions.

Residential mortgages
- £13,530m (2013: £15,295m) secured on residential property with average balance weighted marked to market LTVs of 60% (2013: 60%) and CRL coverage of 24% (2013: 24%); and
- 90 day arrears and gross charge-off rates remained stable at 1.2% (2013: 1.1%) and gross charge-off rates improved to 0.7% (2013: 0.7%) respectively.

Corporate
- £674m (2013: £858m) of loans and advances focused on large corporate clients with limited exposure to property sector; and
- Early warning list (EWL) balances reduced from £400m to £109m against a backdrop of limited impairment and improving good book measures. EWL balances as a percentage of loans and advances was 13.6% (December 2013: 40%).

Other retail lending
- £592m (2013: £982m) Italian salary advance loans where repayment is deducted at source by qualifying employers and the Group is insured in the event of termination of employment or death. Arrears rates (30 and 90 days) on salary loans improved to 2.0% (2013: 2.2%) and 0.8% (2013: 1.0%) respectively, while charge-off rates worsened to 18.7% (2013: 13.8%).
- £142m (2013: £394m) of credit cards and other unsecured loans.

Note
a 'Cost' refers to the fair value of the asset at recognition, less any impairment booked. 'AFS reserve' is the cumulative fair value gain or loss on the assets that is held in equity. 'Total' is the fair value of the assets at the balance sheet date.

Portugal (audited)

	Trading portfolio			Derivatives				Designated at fair value	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2014	2013
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	126	(62)	64	60	(60)	-	-	-	64	21
Financial institutions	18	(14)	4	62	(62)	-	-	-	4	13
Corporate	71	(2)	69	24	(5)	-	19	-	88	61

	Amortised cost - loans and advances				Off balance sheet contingent liabilities and commitments		Fair value through OCI - available for sale investment [a]			
	Gross	Impairment allowances	2014 total	2013 total	2014	2013	Cost	AFS reserve	2014 total	2013 total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	36	(9)	27	41	-	-	13	1	14	310
Financial institutions	1	-	1	23	4	1	2	-	2	2
Residential mortgages	3,042	(47)	2,995	3,413	4	11	-	-	-	-
Corporate	689	(278)	411	765	646	627	32	-	32	65
Other retail lending	1,354	(147)	1,207	1,548	977	1,649	-	-	-	-

Total net exposure to Portugal decreased 24% to £6,476m reflecting a £1,149m decrease in Loans and advances due to reduced lending as part of the Non-Core strategy.

Sovereign

- Sovereign exposures decreased £105m (2013: £372m) due to the disposal of AFS government bonds.

Residential mortgages

- £2,995m (2013: £3,413m) secured on residential property with average balance weighted LTVs of 75% (2013: 76%) and CRL coverage of 27% (2013: 34%); and
- 90 day arrears rates and recoveries remained stable at 0.5% (2013: 0.5%) and 3.6% (2013: 3.4%) respectively.

Corporate

- Net lending to corporates of £411m (2013: £765m), with CRLs of £376m (2013: £548m), impairment allowance of £278m (2013: £352m) and CRL coverage of 74% (2013: 64%).
- Net lending to the property and construction industry of £120m (2013: £217m) secured, in part, against real estate collateral, with CRLs of £178m (2013: £281m), impairment allowance of £129m (2013: £183m) and CRL coverage of 72% (2013: 65%).
- Balances on EWL decreased £330m to £458m during 2014 due to increased focus on recovery balances.

Other retail lending

- £785m (2013: £890m) credit cards and unsecured loans. 30 days arrears rates in cards portfolio deteriorated to 6.0% (2013: 4.9%) and charge-off rates were at 10.7% (2013: 8.2%).

Analysis of indirect exposures

Indirect exposure to sovereigns can arise through a number of different sources, including credit derivatives referencing sovereign debt; guarantees to savings and investment funds which hold sovereign risk; lending to financial institutions who themselves hold exposure to sovereigns and guarantees, implicit or explicit, by the sovereign to the Group's counterparties. A geographic and industrial analysis of the Group's loans and advances, including lending to European counterparties by type, is set out on pages 148 to 149 in the Barclays PLC Annual Report.

Note

a 'Cost' refers to the fair value of the asset at recognition, less any impairment booked. 'AFS reserve' is the cumulative fair value gain or loss on the assets that is held in equity. 'Total' is the fair value of the assets at the balance sheet date.

Credit derivatives referencing sovereign debt

The Group enters into credit mitigation arrangements (principally credit default swaps and total return swaps) for which the reference asset is government debt. For Spain, Italy and Portugal, these have the net effect of reducing the Group's exposure in the event of sovereign default. An analysis of the Group's credit derivatives referencing sovereign debt is presented below.

	Spain £m	Italy £m	Portugal £m	Ireland £m	Cyprus £m	Greece £m
As at 31 December 2014						
Fair value						
- Bought	(48)	91	27	(30)	2	18
- Sold	53	(61)	(22)	25	(2)	(21)
Net derivative fair value	5	30	5	(5)	-	(3)
Contract notional amount						
- Bought	(5,308)	(11,735)	(2,283)	(1,730)	(18)	(65)
- Sold	5,264	10,766	2,171	1,758	16	73
Net derivative notional amount	(44)	(969)	(112)	28	(2)	8
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(39)	(939)	(107)	23	(2)	5
As at 31 December 2013						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(18)	(533)	(23)	62	-	-

The fair values and notional amounts of credit derivative assets and liabilities would be lower than reported under IFRS if netting was permitted for assets and liabilities with the same counterparty or for which we hold cash collateral. An analysis of the effects of such netting is presented below.

	Spain £m	Italy £m	Portugal £m	Ireland £m	Cyprus £m	Greece £m
As at 31 December 2014						
Fair value						
- Bought	(19)	59	19	(16)	1	17
- Sold	24	(29)	(14)	11	(1)	(20)
Net derivative fair value	5	30	5	(5)	-	(3)
Contract notional amount						
- Bought	(2,317)	(5,204)	(1,038)	(688)	(15)	(62)
- Sold	2,273	4,235	926	716	13	70
Net derivative notional amount	(44)	(969)	(112)	28	(2)	8
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(39)	(939)	(107)	23	(2)	5
As at 31 December 2013						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(18)	(533)	(23)	62	-	-

Credit derivatives are contracts whereby the default risk of an asset (reference asset) is transferred from the buyer to the seller of the credit derivative contract. Credit derivatives referencing sovereign assets are bought and sold to support client transactions and for risk management purposes. The contract notional amount represents the size of the credit derivative contracts that have been bought or sold, while the fair value represents the change in the value of the reference asset. The net protection or exposure from credit derivatives in the event of sovereign default amount represents a net purchase or sale of insurance by the Group. This insurance reduces or increases the Group's total exposure and should be considered alongside the direct exposures disclosed in the preceding pages.

Industrial concentrations
As at 31 December 2014, the industrial concentration of the Group's assets remained broadly consistent year on year. 49% (2013: 49%) of total assets were concentrated towards banks and other financial institutions, predominantly within Derivative financial instruments which increased during the year. The proportion of the overall balance concentrated towards governments and central banks remained stable at 11% (2013: 12%) and towards home loans at 12% (2013: 13%).

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks	Other financial institutions	Manufacturing	Construction and property	Government and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
The Group												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	39,695	-	-	-	-	-	-	39,695
Items in the course of collection from other banks	1,210	-	-	-	-	-	-	-	-	-	-	1,210
Trading portfolio assets	2,932	17,718	1,466	593	39,201	2,745	385	2,751	-	-	937	68,728
Financial assets designated at fair value	5,113	1,548	70	9,358	10,378	73	207	3,127	393	-	84	30,351
Derivative financial instruments	257,630	149,050	2,519	3,454	7,691	7,794	1,510	6,227	-	-	4,201	440,076
Loans and advances to banks	40,811	-	-	-	1,846	-	-	-	-	-	-	42,657
Loans and advances to customers	-	103,388	11,647	22,842	7,115	8,536	13,339	22,372	166,974	58,914	12,640	427,767
Reverse repurchase agreements and other similar secured lending	38,946	86,588	-	4,845	739	-	24	611	-	-	-	131,753
Available for sale debt securities	11,135	8,365	68	45	61,341	194	27	4,084	-	-	293	85,552
Other assets	634	996	-	14	24	-	-	12	-	-	-	1,680
Total on-balance sheet	358,411	367,653	15,770	41,151	168,030	19,342	15,492	39,184	167,367	58,914	18,155	1,269,469
Off-balance sheet:												
Contingent liabilities	1,159	5,177	2,709	698	-	2,757	1,157	6,496	45	191	874	21,263
Documentary credits and other short term trade related transactions	470	12	197	14	-	1	218	62	55	28	34	1,091
Forward starting reverse repurchase agreements	2,128	11,724	-	-	4	-	-	-	-	-	-	13,856
Standby facilities, credit lines and other commitments	2,643	29,645	28,589	11,449	2,400	24,830	12,771	24,534	16,119	110,091	13,244	276,315
Total off-balance sheet	6,400	46,558	31,495	12,161	2,404	27,588	14,146	31,092	16,219	110,310	14,152	312,525
Total	364,811	414,211	47,265	53,312	170,434	46,930	29,638	70,276	183,586	169,224	32,307	1,581,994

Credit risk concentrations by industry (audited)

As at 31 December 2013	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distrib-ution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
The Group												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	45,687	-	-	-	-	-	-	45,687
Items in the course of collection from other banks	1,174	-	-	-	108	-	-	-	-	-	-	1,282
Trading portfolio assets	6,970	18,069	1,379	655	50,964	3,265	545	3,312	-	-	1,068	86,227
Financial assets designated at fair value	4,720	2,835	164	8,589	5,613	162	327	3,038	-	-	90	25,538
Derivative financial instruments	219,505	103,690	1,783	2,621	6,630	8,334	1,692	3,733	-	17	2,455	350,460
Loans and advances to banks	37,788	-	-	-	2,034	-	-	-	-	-	-	39,822
Loans and advances to customers	-	103,170	10,343	23,951	4,992	7,452	12,864	20,069	179,527	52,715	19,154	434,237
Reverse repurchase agreements and other similar secured lending	62,180	116,148	-	1,083	6,019	-	23	1,326	-	-	-	186,779
Available for sale debt securities	15,625	12,817	25	97	56,780	-	21	5,435	-	-	498	91,298
Other assets	470	1,295	-	17	82	-	-	134	-	-	-	1,998
Total on-balance sheet	348,432	358,024	13,694	37,013	178,909	19,213	15,472	37,047	179,527	52,732	23,265	1,263,328
Off-balance sheet:												
Contingent liabilities	1,620	4,783	2,243	882	302	2,275	1,391	4,709	9	295	1,166	19,675
Documentary credits and other short term trade related transactions	270	4	51	10	-	9	181	171	-	82	2	780
Forward starting reverse repurchase agreements	13,884	5,650	-	-	2	-	-	400	-	-	-	19,936
Standby facilities, credit lines and other commitments	1,886	29,348	24,381	8,935	2,839	23,765	13,221	17,474	18,751	102,088	12,167	254,855
Total off-balance sheet	17,660	39,785	26,675	9,827	3,143	26,049	14,793	22,754	18,760	102,465	13,335	295,246
Total	366,092	397,809	40,369	46,840	182,052	45,262	30,265	59,801	198,287	155,197	36,600	1,558,574

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
The Bank												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	35,469	-	-	-	-	-	-	35,469
Items in the course of collection from other banks	801	-	-	-	-	-	-	-	-	-	-	801
Trading portfolio assets	1,982	8,214	1,108	451	25,036	2,347	314	1,814	-	-	832	42,098
Financial assets designated at fair value	3,108	15,649	35	9,104	9,416	55	134	2,975	383	-	5	40,864
Derivative financial instruments	255,744	137,763	2,532	3,453	7,690	7,792	1,508	5,895	-	-	4,188	426,565
Loans and advances to banks	56,008	-	-	-	1,430	-	-	-	-	-	-	57,438
Loans and advances to customers	204	161,978	9,693	20,408	6,866	8,055	11,561	17,002	150,896	33,234	9,917	429,814
Reverse repurchase agreements and other similar secured lending	21,471	80,264	-	164	607	-	23	295	-	-	-	102,824
Available for sale debt securities	10,793	7,402	6	3	55,918	-	9	4,057	-	-	176	78,364
Other assets	62	15,044	-	5	21	-	5	308	-	113	-	15,558
Total on-balance sheet	350,173	426,314	13,374	33,588	142,453	18,249	13,554	32,346	151,279	33,347	15,118	1,229,795
Off-balance sheet:												
Contingent liabilities	977	4,169	2,665	654	-	2,737	1,062	4,274	45	190	818	17,591
Documentary credits and other short-term trade related activities	465	12	155	12	-	-	193	35	55	28	-	955
Forward starting reverse repurchase agreements	444	10,964	-	-	4	-	-	-	-	-	-	11,412
Standby facilities, credit lines and other commitments	1,813	33,775	27,162	10,088	2,400	24,229	12,052	21,773	16,107	58,685	12,451	220,535
Total off-balance sheet	3,699	48,920	29,982	10,754	2,404	26,966	13,307	26,082	16,207	58,903	13,269	250,493
Total	353,872	475,234	43,356	44,342	144,857	45,215	26,861	58,428	167,486	92,250	28,387	1,480,288

Credit risk concentrations by industry (audited)

As at 31 December 2013	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distrib-ution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
The Bank												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	42,139	-	-	-	-	-	-	42,139
Items in the course of collection from other banks	992	-	-	-	-	-	-	-	-	-	-	992
Trading portfolio assets	6,418	6,779	650	524	35,432	2,749	311	2,455	-	-	731	56,049
Financial assets designated at fair value	2,947	60,375	163	8,506	5,290	134	194	2,971	-	-	13	80,593
Derivative financial instruments	218,809	99,435	1,835	2,621	6,631	8,325	1,678	3,762	-	3	2,335	345,434
Loans and advances to banks	50,067	-	-	-	1,583	-	-	-	-	-	-	51,650
Loans and advances to customers	-	192,787	8,900	20,122	4,651	6,519	11,481	24,822	149,974	32,969	10,358	462,583
Reverse repurchase agreements and other similar secured lending	37,560	100,504	-	59	3,597	-	-	975	-	-	-	142,695
Available for sale debt securities	12,810	11,870	25	65	52,032	-	13	4,740	-	-	497	82,052
Other assets	43	15,523	-	5	70	-	-	117	-	-	-	15,758
Total on-balance sheet	329,646	487,273	11,573	31,902	151,425	17,727	13,677	39,842	149,974	32,972	13,934	1,279,945
Off-balance sheet:												
Contingent liabilities	1,428	5,066	2,060	751	33	2,278	1,247	4,870	-	275	1,602	19,610
Documentary credits and other short term trade related transactions	270	-	42	-	-	-	134	42	-	82	-	570
Forward starting reverse repurchase agreements	10,331	315	-	-	2	-	-	400	-	-	-	11,048
Standby facilities, credit lines and other commitments	2,672	30,606	22,733	8,536	2,832	23,173	10,855	17,229	16,053	59,870	11,694	206,253
Total off-balance sheet	14,701	35,987	24,835	9,287	2,867	25,451	12,236	22,541	16,053	60,227	13,296	237,481
Total	344,348	523,260	36,408	41,189	154,292	43,178	25,913	62,383	166,027	93,199	27,230	1,517,426

Analysis of Problem loans

Past due

Age analysis of loans and advances that are past due (audited)

The following tables present an age analysis of loans and advances that are past due but not impaired and loans that are assessed as impaired. These loans are reflected in the balance sheet credit quality tables on pages 71 to 74 as being Higher Risk.

Loans and advances past due but not impaired (audited)

As at 31 December 2014	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
The Group						
Loans and advances designated at fair value	594	48	1	-	33	676
Home loans	46	6	17	135	230	434
Credit cards, unsecured and other retail lending	64	29	14	139	194	440
Corporate loans	7,204	630	874	190	387	9,285
Total	7,908	713	906	464	844	10,835
The Bank						
Loans and advances designated at fair value	479	48	1	-	26	554
Home loans	23	6	12	72	204	317
Credit cards, unsecured and other retail lending	56	28	6	81	174	345
Corporate loans	5,705	592	883	123	463	7,766
Total	6,263	674	902	276	867	8,982

Loans and advances past due but not impaired (audited)

As at 31 December 2013	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
The Group						
Loans and advances designated at fair value	113	45	9	10	170	347
Home loans	36	5	19	76	51	187
Credit cards, unsecured and other retail lending	103	37	16	56	109	321
Corporate loans	4,210	407	308	248	407	5,580
Total	4,462	494	352	390	737	6,435
The Bank						
Loans and advances designated at fair value	113	26	-	-	71	210
Home loans	22	5	14	38	18	97
Credit cards, unsecured and other retail lending	60	3	7	21	92	183
Corporate loans	3,364	308	214	185	322	4,393
Total	3,559	342	235	244	503	4,883

Analysis of loans and advances assessed as impaired (audited)

The following tables present an age analysis of loans and advances collectively impaired, total individually impaired loans, and total impairment allowance.

Loans and advances assessed as impaired

As at 31 December 2014	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individually assessed for impairment £m	Total £m
The Group								
Home loans	5,155	1,424	335	470	1,050	8,434	455	8,889
Credit cards, unsecured and other retail lending	1,196	738	299	532	2,225	4,990	800	5,790
Corporate loans	284	30	24	25	148	511	2,679	3,190
Total	6,635	2,192	658	1,027	3,423	13,935	3,934	17,869
The Bank								
Home loans	4,444	1,320	274	406	591	7,035	412	7,447
Credit cards, unsecured and other retail lending	571	541	161	314	1,750	3,337	265	3,602
Corporate loans	278	27	23	25	113	466	2,123	2,589
Total	5,293	1,888	458	745	2,454	10,838	2,800	13,638

Loans and advances assessed as impaired

As at 31 December 2013	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individually assessed for impairment £m	Total £m
The Group								
Home loans	5,726	2,161	667	728	1,818	11,100	510	11,610
Credit cards, unsecured and other retail lending	1,589	1,029	411	632	2,866	6,527	1,548	8,075
Corporate loans	1,047	40	35	59	400	1,581	3,892	5,473
Total	8,362	3,230	1,113	1,419	5,084	19,208	5,950	25,158
The Bank								
Home loans	5,285	1,553	444	583	731	8,596	467	9,063
Credit cards, unsecured and other retail lending	853	591	177	326	2,061	4,008	178	4,186
Corporate loans	1,033	33	22	39	140	1,267	2,510	3,777
Total	7,171	2,177	643	948	2,932	13,871	3,155	17,026

For further analysis of loans and advances showing different management analysis please refer to the Barclays PLC Annual Report:

- Retail and wholesale loan portfolio analysis pages 157 to 165
- Analysis by industry and geography pages 148 to 149
- Analysis by business pages 229 to 244
- Analysis by asset class pages 164 to 165
- Potential credit risk loans page 172
- Forbearance pages 167 to 171

Impairment

Impairment allowances (audited)

Impairment allowances decreased 25% to £5,455m, primarily within Corporate loans as a result of the reclassification of Spanish loans now held for sale and a write-off of a single name exposure within BNC.

Movements in allowance for impairment by asset class (audited)

2014	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
The Group								
Home loans	788	-	(23)	(200)	(191)	17	156	547
Credit cards, unsecured and other retail lending	3,603	13	(116)	(307)	(1,679)	126	1,705	3,345
Corporate loans	2,867	-	(14)	(540)	(1,167)	78	339	1,563
Total impairment allowance	7,258	13	(153)	(1,047)	(3,037)	221	2,200	5,455
The Bank								
Home loans	355	-	(7)	(15)	(40)	3	98	394
Credit cards, unsecured and other retail lending	2,355	16	(99)	(37)	(1,091)	92	1,033	2,269
Corporate loans	1,863	-	(5)	(48)	(840)	72	159	1,201
Total impairment allowance	4,573	16	(111)	(100)	(1,971)	167	1,290	3,864

Movements in allowance for impairment by asset class (audited)

2013	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
The Group								
Home loans	855	-	(38)	(147)	(199)	30	287	788
Credit cards, unsecured and other retail lending	3,780	(5)	(132)	50	(2,050)	123	1,837	3,603
Corporate loans	3,164	-	(9)	(163)	(1,094)	48	921	2,867
Total impairment allowance	7,799	(5)	(179)	(260)	(3,343)	201	3,045	7,258
The Bank								
Home loans	295	-	(8)	(5)	(52)	3	122	355
Credit cards, unsecured and other retail lending	2,717	-	(106)	189	(1,626)	75	1,106	2,355
Corporate loans	3,830	-	(3)	(366)	(2,652)	37	1,017	1,863
Total impairment allowance	6,842	-	(117)	(182)	(4,330)	115	2,245	4,573

Analysis of market risk

Market risk is the risk of a reduction to earnings or capital due to volatility of trading book positions or an inability to hedge the banking book balance sheet.

This section contains key disclosures describing the Group's market risk profile, highlighting regulatory as well as management measures.

Key metrics

Measures of traded market risk, such as Value at Risk, decreased in the year due to lower volatility and risk reduction in BNC businesses

We saw lower income from reduced activity and a reduction in associated risk measures

98%

Of days generated positive trading revenue

-24%

Reduction in management Value at Risk

-22%

Reduction in average daily revenue

Non-traded market risk measures suggest a higher sensitivity to a change in interest rates, with a stable structural currency exposure

55%

Increase in the positive impact on pre-tax net interest income of a 100bps rise in interest rate

The disclosures within the Barclays Bank PLC market risk section have been prepared to satisfy legal and regulatory requirements. Where additional disclosures exist in the Barclays PLC Annual Report, a reference has been provided to the relevant pages of the Barclays PLC Annual Report, found at: group.barclays.com/about-barclays/investor-relations/annual-reports.

Market risk is the risk of a reduction to earnings or capital due to volatility of trading book positions or an inability to hedge the banking book balance sheet.

All disclosures in this section (pages 91-97) are unaudited unless otherwise stated

Summary of performance in the period

The Group has seen a decrease in market risk, from lower volatility in certain financial markets in addition to risk reduction in non-core businesses.

Measures of traded market risk, such as Value at Risk, decreased in the year due to lower volatility and risk reduction in BNC businesses:

This translated into lower volatility in daily trading revenue as reflected in the trading revenue histogram on page 93, although with lower average daily revenue from 2013 levels;

Market risk RWAs fell from 2013 levels as a result of lower volatility and reduction of BNC assets;

Annual Earnings at Risk (AEaR) to interest rate shocks, a key measure of interest rate risk in the banking book (IRRBB), increased in 2014, due to increased current account balances and an improvement in the completeness of the model; and

Other market risks, such as pension risk and insurance, are disclosed in pages 51.

Traded market risk review

Review of management measures
The following disclosures provide details on management measures of market risk. See pages 139 to 144 in Barclays PLC Pillar 3 Report for more detail on management measures and the differences when compared to regulatory measures..

The table below shows the total Group management VaR by asset class, (see page 139 in the Barclays PLC Pillar 3 report for definitions) as well as the impact of diversification. The majority of VaR arises out of the Investment Bank. Additional limited trading activity is undertaken in Africa Banking on behalf of clients. VaR also arises in Treasury in relation to certain products (mainly for hedging and liquidity purposes). Finally, certain legacy positions in BNC attract VaR.

Limits are applied against each asset class VaR as well as total management VaR, which are then cascaded further by risk managers to each business.

The management VaR numbers in the table below include add-ons, to better represent the market risk where the VaR model may not fully represent some risk factors. See page 144 in Barclays PLC Pillar 3 Report for a description of risks not in VaR (RNIVs).

The daily average, maximum and minimum values of management VaR

For the year ended 31 December	2014			2013		
	Average	High[a]	Low[a]	Average	High[a]	Low[a]
Management VaR (95%)	£m	£m	£m	£m	£m	£m
Credit risk	11	15	9	18	25	12
Interest rate risk	11	17	6	13	24	6
Equity risk	10	16	6	11	21	5
Basis risk	4	8	2	11	17	7
Spread risk	4	8	3	11	21	5
Foreign exchange risk	4	23	1	4	7	2
Commodity risk	2	8	1	5	8	2
Inflation risk	2	4	2	3	8	2
Diversification effect[a]	(26)	n/a	n/a	(47)	n/a	n/a
Total management VaR	22	36	17	29	39	21

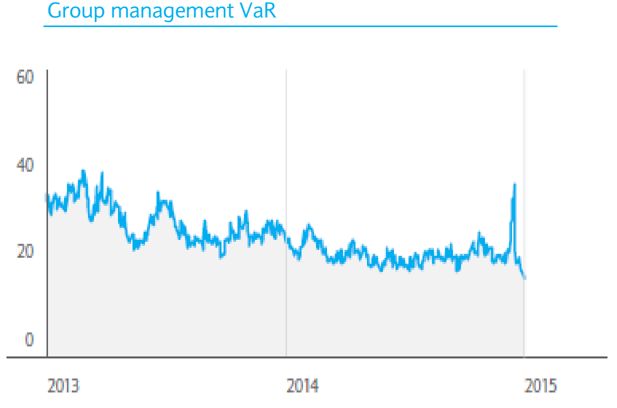
Note
a Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each area. Historic correlations between losses are taken into account in making these assessments. The high and low VaR figures reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently a diversification effect balance for the high and low VaR figures would not be meaningful and is therefore omitted from the above table.

Average management VaR for the Group fell by 24% to £22m, with all individual risk type components reducing, particularly credit, spread and basis risks. The three main contributors to average Management VaR were credit, interest rate and equity risk.

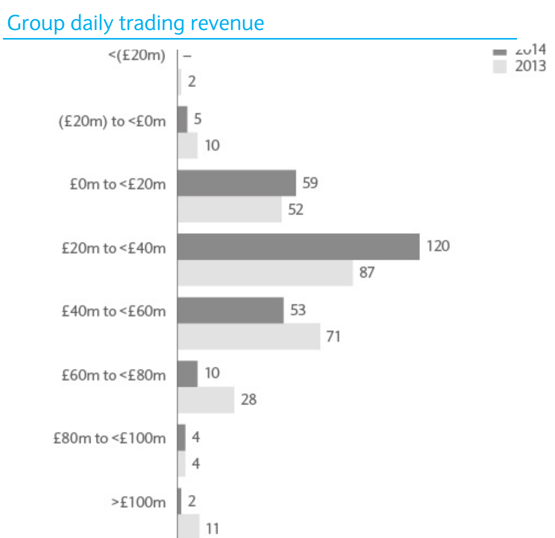
Average credit risk VaR decreased 39% to £11m reflecting lower volatility driven by low credit spreads. Spread risks and Basis risk VaR decreased in part due to lower interest rates environment. Average commodities VaR declined 60% to £2m primarily as a result of risk reduction in Non-Core businesses. Average Equity VaR was broadly stable compared to the previous year and also saw an environment of low volatility for most of the year. Average Foreign Exchange VaR was broadly stable over the year, but saw a peak of £23m in late December 2014 due to an increase in positions that were held for a brief period of time. Foreign Exchange VaR fell back before the year-end when the positions were closed out. See also the Group management VaR graph below.

The business remained within the Management VaR limits that were reported to the Board Financial Risk Committee (BFRC) throughout 2014 for both asset class VaR and total VaR.

Group management VaR



Group daily trading revenue



The chart above shows the distribution of daily revenue in 2014 and 2013. For 2014, this includes daily trading revenue generated in the Investment Bank (except for Private Equity and Principal Investments), Treasury, Africa Banking and BNC as discussed on pages 148 to 155. The BNC business does not undertake trading activities other than strategic disposals. Please see page 154 for a discussion of BNC financial performance in 2014.

Daily trading revenue includes realized and unrealised mark to market gains and losses from intraday market moves, commission and advisory fees. The VaR measure above is not designed to be reconciled to the full revenue measure from the trading business. VaR shows the volatility of a hypothetical measure that reflects unrealised mark to market changes in positions under the assumption that they are held over a one-day period. VaR informs risk managers on the risk implications of current portfolio decisions.

The average daily revenue decreased 22% to £32m; however, there were more positive trading revenue days in 2014 than in 2013, with 98% (2013: 97%) of days generating positive trading revenue. The chart shows lower variability in daily income levels, which appears consistent with the decrease in average management VaR and lower market volatility.

The daily VaR chart illustrates a declining trend in 2014. The rise in late December 2014 was associated with an increase in positions in a specific market that were held for a brief period of time. VaR fell back when the positions were closed out. See the discussion of VaR by asset class on the previous page.

The table below provides an overview of the assets and liabilities of the major trading portfolios and associated standalone management VaR. The table below shows the assets and liabilities for the major trading portfolios in the Investment Bank that are most sensitive to market risk. These comprise available for sale investments, debt securities in issue, derivative financial instruments, and positions with other financial institutions at fair value, repurchase agreements, and trading portfolio assets/liabilities.

The restructuring of the business into Core and BNC in 2014 changed the portfolio structure. Management VaR is presented for the fourth quarter, the first full period since the restructure.

Principal asset and liability balances subject to market risk

For the year ended 31 December 2014

Portfolio	Description of business activity	Assets (£m)	Liabilities (£m)	Average over Q42014 Management VaR (£m)	Principal balance sheet line items	Principal market risk exposure
Client Capital Management	The function primarily manages counterparty risk exposures arising from derivative contracts.	102,610	99,821	11	Derivative financial instruments and repurchase agreements.	Hedging the firm's credit including counterparty risk exposure on derivatives.
Equities	Provides equity market making and risk management services for clients.	66,395	55,274	10	Trading portfolio asset/liabilities and derivative financial instruments and repurchase agreements.	Provides derivative solutions to clients. The business also supports cash equity trading, primary market issuance and block trades.
Credit	Provides specific credit market exposures.	38,993	23,222	10	Derivative financial instruments and trading portfolio asset/liabilities and repurchase agreements.	Risk exposure is primarily to credit markets.
Treasury[a]	Provides funding and liquidity services	31,715	34,219	9	Available for sale financial investments and debt securities in issue.	The principal service is the execution of liquidity and funding operations.
Macro	Market maker in foreign exchange, rates, commodities and local markets.	118,791	119,302	8	Derivative financial instruments and trading portfolio asset/liabilities and repurchase agreements.	Market risk exposure arises from credit trading including bond syndication, and interest rate, currency and commodity market making and trading. The business is well-diversifies leading to low risk.
Non-Core	Manages assets from non-core operations.	351,247	328,859	4	Derivative financial instruments and repurchase agreements and trading portfolio asset/liabilities.	Exposures which the business has been managing down.
Other subject to management VaR	Primarily provides financing solution for clients	551	11,256	n/a	Debt securities in issue/ Issued debts.	Risk exposure is primarily to debt capital markets.
Other, including diversification effects	-			(30)	-	-
Total subject to management VaR	-	**710,302**	**671,953**	22	-	-
Other Investment Bank, Non Core and Head Office	-	**265,866**	**237,213**		-	-
Total Investment Bank, Non Core and Head Office	-	**976,168**	**909,166**		-	-

Note
a Treasury figures contain banking book positions that will be treated under the non-traded market risk framework in 2015.

In order to provide an estimation of the scale of the balance sheet instruments that generate market risk, as defined by the Group for purposes of risk management, assets and liabilities that are expected to generate market risk have been aggregated by main business lines. Note, however, that due to differences in data sets for market risk and IFRS reporting some assets that do not generate market risk could be included. The 'Other assets' line contains (i) business lines that are primarily defined as banking book, and (ii) line items that should not generate market risk.

Management VaR is shown at 95th percentile for the fourth quarter. Market risks arising from the individual portfolios listed above diversify to provide total management VaR for the Investment Bank, BNC and Head Office. Some functions such as Treasury and Client Capital Management shows exposure as a result of the service it provides to the client facing franchise, such as managing the firm's exposure to counterparty default or providing funding to execute business.

Business Scenario Stresses

As part of the Group's risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to six global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, terrorist attacks, global recession and a sovereign peripheral crisis.

Similarly to 2013, throughout 2014 the scenario analyses showed the biggest market risk related impact would be due to a severe deterioration in liquidity and a rapid slowdown in global economy.

For further analysis of regulatory VaR, SVaR, IRC and APR measures please refer to pages 179 of the Barclays PLC Annual Report.

Non-traded market risk

Net interest income sensitivity

The table below shows sensitivity analysis on the pre-tax net interest income for the non-trading financial assets and financial liabilities. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology as described on page 145 in Barclays PLC Pillar 3 report. The benchmark interest rate for each currency is set as at 31 December of the same year. The effect of structural hedging is taken into account. The tables below show that net interest income would increase given a rise in rates; however, this analysis does not include the potential impacts on the impairment charge due to the effect of interest rates on affordability. This effect would depend on the wider economic environment and have the opposite effect on total profit.

Banking book exposures held or issued by the Investment Bank are excluded from the interest rate sensitivity tables as these are measured and managed using VaR.

Net Interest Income Sensitivity (AEaR) by currency	31 December 2014		31 December 2013	
The Group	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
GBP	126	(373)	92	(199)
USD	25	(19)	9	(21)
EUR	(9)	24	(18)	(7)
ZAR	11	(8)	10	(9)
Others	17	(8)	17	(7)
Total	170	(384)	110	(243)
As percentage of net interest income	1.40%	(3.16)%	0.94%	(2.09)%

Net Interest Income Sensitivity (AEaR) by currency	31 December 2014		31 December 2013	
The Bank	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis Points £m
GBP	115	(294)	79	(180)
USD	10	(7)	3	(6)
EUR	(6)	16	(4)	(1)
ZAR	-	-	-	-
Others	9	(4)	8	(4)
Total	128	(289)	86	(191)
As percentage of net interest income	1.46%	(3.30)%	0.94%	(2.10)%

For net interest income sensitivity by business unit and analysis of non-traded market risk using economic capital please refer to page 181 of the Barclays PLC Annual Report.

Analysis of equity sensitivity

The table below measures the overall impact of a +/- 100bps movement in interest rates on available for sale and cash flow hedge reserves. This data is captured using PV01 (Present Value of 1bp) which is an indicator of the shift in asset value for a 1 basis point shift in the yield curve. Note that in 2014 the methodology used to estimate the impact of the negative movement applied a 0% floor to interest rates.

Analysis of equity sensitivity	31 December 2014		31 December 2013	
The Group	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
Net Interest Income	170	(384)	110	(243)
Taxation effects on the above	(41)	92	(27)	61
Effect on profit for the year	129	(292)	83	(182)
As percentage of net profit after tax	15.13%	(34.19)%	6.31%	(13.91)%
Effect on profit for the year (per above)	129	(292)	83	(182)
Available for sale reserve	(698)	845	(861)	861
Cash flow hedge reserve	(3,058)	2,048	(2,831)	2,808
Taxation effects on the above	901	(694)	923	(917)
Effect on equity	(2,726)	1,907	(2,686)	2,570
As percentage of equity	(4.13)%	2.89%	(4.25)%	4.07%

As discussed in relation to the net interest income sensitivity table on page 95, the impact of a 100bps movement in rates is largely driven by PCB. The movement in the AFS reserve shows lower sensitivity in 2014 due to the disposal of large debt security positions in Treasury. Note that the movement in the AFS reserve would impact CET1 Capital, but the movement in the cash flow hedge reserve would not be expected to impact CET1 Capital.

Analysis of equity sensitivity	31 December 2014		31 December 2013	
The Bank	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
Net Interest Income	128	(289)	86	(191)
Taxation effects on the above	(31)	69	(22)	48
Effect on profit for the year	97	(220)	64	(143)
As percentage of net profit after tax	6.52%	(14.78)%	(1.88)%	4.18%
Effect on profit for the year (per above)	97	(220)	64	(143)
Available for sale reserve	(658)	805	(855)	855
Cash flow hedge reserve	(2,936)	1,926	(2,831)	2,808
Taxation effects on the above	863	(655)	922	(916)
Effect on equity	(2,634)	1,856	(2,700)	2,604
As percentage of equity	(4.64)%	3.27%	(5.10)%	4.91%

For analysis of net interest margins and balances please refer to pages 244 of the Barclays PLC Annual Report.

Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk.

i) Transactional foreign currency exposure
Transactional foreign exchange exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Investment Bank which is monitored through DVaR.

Banking book transactional foreign exchange risk outside of the Investment Bank is monitored on a daily basis by the market risk functions and minimised by the businesses.

ii) Translational foreign exchange exposure
The Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies principally US Dollar, Euro and South African Rand. Changes in the GBP value of the net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Common Equity Tier 1 capital.

The Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by using the CET 1 capital movements to broadly match the revaluation of the Group's foreign currency RWA exposures.

The economic hedges primarily represent the US Dollar and Euro preference shares and Additional Tier 1 instruments that are held as equity, accounted for at historic cost under IFRS and do not qualify as hedges for accounting purposes.

Functional currency of operations (audited)

	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre- economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
As at 31 December 2014						
US Dollar	**23,728**	**5,270**	**1,012**	**17,446**	**6,655**	**10,791**
Euro	**3,056**	**328**	**238**	**2,490**	**1,871**	**619**
Rand	**3,863**	**-**	**103**	**3,760**	**-**	**3,760**
Japanese Yen	**364**	**164**	**208**	**(8)**	**-**	**(8)**
Other	**2,739**	**-**	**1,198**	**1,541**	**-**	**1,541**
Total	**33,750**	**5,762**	**2,759**	**25,229**	**8,526**	**16,703**
As at 31 December 2013						
US Dollar	34,220	5,555	12,558	16,107	5,812	10,295
Euro	9,336	538	5,570	3,228	2,833	395
Rand	3,835	-	114	3,721	-	3,721
Japanese Yen	454	89	352	13	-	13
Other	2,850	-	1,101	1,749	-	1,749
Total	50,695	6,182	19,695	24,818	8,645	16,173

During 2014, total structural currency exposures net of hedging instruments remained stable at £16.7bn (2013: £16.2bn) and broadly in line with the overall RWA currency profile. Foreign currency net investments decreased by £16.9bn to £33.8n (2013: £50.7bn) driven predominantly by the restructuring of Group subsidiaries. The hedges associated with these investments decreased by £16.9bn to £2.8bn (2013: £19.7bn).

For analysis of The Group's exposure to pension risk and insurance risk please refer to pages 182 to 183 of the Barclays PLC Annual Report.

Analysis of capital risk

Capital risk is the risk that the Group has insufficient capital resources, which could lead to (i) a failure to meet regulatory requirements; (ii) a change to credit rating; or (iii) an inability to support business activity and growth.

This section details Barclays Bank PLC's capital composition providing information on both capital resources and capital requirements under CRD IV.

Key metrics

10.3% fully loaded Common Equity Tier 1 ratio

Fully loaded CET 1 capital increased to £41.5bn driven by increased qualifying reserves and lower regulatory deductions.

RWAs decreased to £402bn driven by a reduction in Non-Core reflecting the disposal of businesses, run-down and exit of securities and loans; and derivative risk reductions

Capital risk is the risk that the Group has insufficient capital resources to:

- Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- Support its credit rating. A weaker credit rating would increase the Group's cost of funds; and
- Support its growth and strategic options.

More details on monitoring and managing capital risk may be found in the Risk Management sections on page 53.

All disclosures in this section (pages 98-101) are unaudited

Overview

This section provides a summary of Barclays Bank PLC capital resources. The capital position of Barclays Bank PLC is broadly equivalent to Barclays PLC, details of which may be found in the analysis of capital risk section of the Barclays PLC Annual Report.

Capital ratios

Barclays' current regulatory target is to meet a fully loaded CET1 ratio of 9% by 2019, plus a Pillar 2A add-on. The 9% comprises the required 4.5% minimum CET1 ratio and, phased in from 2016, a Combined Buffer Requirement made up of a Capital Conservation Buffer (CCB) of 2.5% and an expected Globally Systemically Important Institution (G-SII) buffer of 2%.

Under current PRA guidance, the Pillar 2A add-on will need to be met with 56% CET1 from 2015, which would equate to approximately 1.6%[a] of RWAs. The Pillar 2A add-on would be expected to vary over time according to the PRA's individual capital guidance.

In addition, a Counter-Cyclical Capital Buffer (CCCB) and/or additional Sectoral Capital Requirements (SCR) may be required by the Bank of England to protect against perceived threats to financial stability. CRD IV also includes the potential for a Systemic Risk Buffer (SRB). These buffers could be applied at the Group level or at a legal entity, sub-consolidated or portfolio level. No CCCB, SCR or SRB has currently been set by the Bank of England.

Capital resources

The PRA announced the acceleration of transitional provisions relating to CET1 deductions and filters so the fully loaded requirements are applicable from 1 January 2014, with the exception of unrealised gains on available for sale debt and equity. As a result, transitional capital ratios are now closely aligned to fully loaded ratios.

Grandfathering limits on capital instruments, previously qualifying as Tier 1 and Tier 2, are unchanged under the PRA transitional rules

Leverage

In addition to the Group's capital structure, target ratios have also been set in respect of both the PRA leverage ratio requirement of 3% and the final recommendations on leverage proposed by the FPC's review on leverage published 31st October 2014.

The review recommends a minimum leverage ratio requirement, a supplementary leverage ratio buffer applicable to globally systemically important banks and a countercyclical leverage ratio buffer. These recommendations would result in a fully phased in leverage ratio of 3.7% for Barclays (based on current GSIFI and Countercyclical Buffer assumptions) applicable by 2018.

Summary of performance in the period

Barclays continues to be in excess of minimum CRD IV capital ratios on both a transitional and fully loaded basis.

As at 31 December 2014, Barclays PLC exceeded the PRA target fully loaded CET1 ratio of 7%. On a transitional basis, the PRA has implemented a minimum requirement CET 1 ratio of 4%, Tier 1 ratio of 5.5% and Total Capital ratio of 8%.

The fully loaded CRD IV CET 1 ratio increased to 10.3% (2013: 9.1%) due to a £40.6bn reduction in risk weighted assets to £401.9bn and an increase in the fully loaded CRD IV CET 1 capital of £1.1bn to £41.5bn.

The increase in capital, after absorbing £3.3bn of adjusting items, was driven by £1.6bn increase in other qualifying reserves and a £0.6bn increase due to lower regulatory adjustments and deductions. This was partially offset by £1.2bn recognised for dividends.

The RWA reduction was mainly driven by a £35bn reduction in Non-Core to £75bn reflecting the disposal of businesses, run-down and exit of securities and loans, and derivative risk reductions.

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Note

a Based on a point in time assessment made by the PRA, at least annually. The PRA issued its requirements in May 2014. The EBA issued guidelines on the Supervisory Review and Evaluation Process (SREP) and on Pillar 2 capital which are effective from 2016, which are likely to affect how the PRA approaches Pillar 2 thereafter.

CRD IV Capital
The Capital Requirements Regulation and Capital Requirements Directive implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA's rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted by the European Commission and the PRA. All capital, RWA and leverage calculations reflect Barclays' interpretation of the current rules.

Capital Composition
The capital composition of Barclays Bank Plc Group is broadly equivalent to Barclays Plc Group of which details may be found in the key capital ratios and capital resources tables below.

	Barclays PLC Group 2014 £m	Barclays Bank Plc Group 2014 £m
Fully Loaded Common Equity Tier 1	41,453	41,513
PRA Transitional Common Equity Tier 1	40,870	40,914
PRA Transitional Tier 1	52,062	52,197
PRA Transitional Total Capital Resources	66,343	66,773

Key capital ratios table:	2014	2013
Fully Loaded Common Equity Tier 1	10.3%	9.1%
PRA Transitional Common Equity Tier 1[a,b]	10.2%	9.1%
PRA Transitional Tier 1[b,c]	13.0%	11.3%
PRA Transitional Total Capital[b,c]	16.5%	15.0%

Capital resources (audited)

As at 31 December	2014 £m	2013 £m
Shareholders' equity (excluding non-controlling interests) per balance sheet	59,567	55,385
- Less: Other equity instruments (recognised as AT1 capital)	(4,322)	(2,063)
Adjustment to retained earnings for foreseeable dividends	(615)	(640)
Minority interests (amount allowed in consolidated CET 1)	1,227	1,238
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	(2,199)	(2,479)
Goodwill and intangible assets	(8,127)	(7,618)
Deferred tax assets that rely on future profitability excluding temporary differences	(1,080)	(1,045)
Fair value reserves related to gains or losses on cash flow hedges	(1,814)	(270)
Excess of expected losses over impairment	(1,772)	(2,106)
Gains or losses on liabilities at fair value resulting from own credit	658	600
Other regulatory adjustments	(45)	(119)
Direct and indirect holdings by an institution of own CET1 instruments	(25)	(496)
Fully loaded Common Equity Tier 1	41,453	40,387
Regulatory adjustments relating to unrealised gains	(583)	(180)
PRA transitional Common Equity Tier 1	40,870	40,207
Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	4,322	2,063
Qualifying AT1 capital (including minority interests) issued by subsidiaries	6,870	9,726
Less instruments issued by subsidiaries subject to phase out	-	(1,849)
Transitional Additional Tier 1 capital	11,192	9,940
PRA transitional Tier 1 capital	52,062	50,147
Tier 2 (T2) capital		
Capital instruments and the related share premium accounts	800	-
Qualifying T2 capital (including minority interests) issued by subsidiaries	13,529	16,834
Less instruments issued by subsidiaries subject to phase out	-	(522)
Other regulatory adjustments and deductions	(48)	(12)
PRA transitional total regulatory capital	66,343	66,447
Risk weighted assets	401,900	442,471

For additional commentary to explain the movement in Barclays PLC Common Equity Tier 1 capital please refer to pages 186-187 of the Barclays PLC Annual Report.

For CRD IV RWA by risk type and business please refer to page 188 of the Barclays PLC Annual Report.

Details of Barclays PLC BCBS 270 leverage ratio and underlying exposures may be found on page 189 of the Barclays PLC Annual Report.

Notes

a The CRD IV CET 1 ratio (FSA October 2012 transitional statement) as applicable to Barclays' Tier 2 Contingent Capital Notes was 12.3% based on £49.6bn of transitional CRD IV CET 1 capital and £402bn RWAs.

b The PRA transitional capital is based on guidance provided in policy statement PS7/13 on strengthening capital standards published in December 2013.

c As at 31 December 2014, Barclays' fully loaded Tier 1 capital was £46,020m, and the fully loaded Tier 1 ratio was 11.5%. Fully loaded total regulatory capital was £61,763m and the fully loaded total capital ratio was 15.4%. The fully-loaded Tier 1 capital and total capital measures are calculated without applying the transitional provisions set out in CRD IV and after assessing compliance of AT1 and T2 instruments against the relevant criteria in CRD IV.

Analysis of liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

This section details the Group's liquidity risk profile and provides information on the way the Group manages that risk.

Key metrics

124% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements

£15bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt

The disclosures within the Barclays Bank PLC funding risk – liquidity section are materially the same as those found in the Barclays PLC Annual Report, pages 191 to 209, found at: group.barclays.com/about-barclays/investor-relations/annual-reports.

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm's inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

All disclosures in this section (pages 102-120) are unaudited unless otherwise stated

Overview

The Group has a comprehensive Key Risk Control Framework for Liquidity Risk (the Liquidity Framework) for managing the Group's liquidity risk. The Liquidity Framework meets the PRA's standards and is designed to ensure the Group maintains liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Liquidity risk is managed separately at Barclays Africa Group Limited (BAGL) due to local currency and funding requirements. Unless stated otherwise, all disclosures in this section exclude BAGL and they are reported on a stand-alone basis. Adjusting for local requirements, BAGL liquidity risk is managed on a consistent basis to the Group.

This section provides an analysis of the Group's: i) liquidity risk stress testing, ii) internal and regulatory stress tests, iii) liquidity pool, iv) funding structure & funding relationships, v) wholesale funding, vi) term financing, vii) encumbrance, viii) repurchase agreements, ix) credit ratings, x) liquidity management at BAGL and xi) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework see page 56.

Summary of performance in the period

During 2014, the Group strengthened its liquidity position, building a larger surplus to its Liquidity Risk Appetite. This positions the Group well for potential rating changes as credit rating agencies assess sovereign support in Barclays Bank PLC's credit ratings. This resulted in an increase in the Group liquidity pool to £149bn (2013: £127bn). The estimated CRD IV Liquidity Coverage Ratio (LCR) increased to 124% (2013: 96%), equivalent to a surplus of £30bn (2013: shortfall of £6bn).

The Group funding profile remains stable and well diversified. Wholesale funding outstanding (excluding repurchase agreements) was £171bn (2013: £186bn). The Group was active in wholesale unsecured, secured and debt capital markets, issuing £15bn (2013: £1bn) net of early redemptions.

Liquidity risk stress testing

Under the Liquidity Framework, the Group has established a Liquidity Risk Appetite (LRA) together with the appropriate limits for the management of the liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through internal stress tests. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for each of three stress scenarios.

Liquidity Risk Appetite

As part of the LRA, the Group runs three primary liquidity stress scenarios, aligned to the PRA's prescribed stresses:

- A 90-day market-wide stress event;
- A 30-day Barclays-specific stress event; and
- A combined 30-day market-wide and Barclays-specific stress event.

Under normal market conditions, the liquidity pool is managed to be at a target of at least 100% of anticipated outflows under each of these stress scenarios. The 30-day Barclays-specific stress scenario, results in the greatest net outflows of each of the liquidity stress tests. The combined 30-day scenario assumes outflows consistent with a firm-specific stress for the first two weeks of the stress period, followed by relatively lower outflows consistent with a market-wide stress for the remainder of the stress period.

Key LRA assumptions include:

Liquidity risk driver	Barclays specific stress
Wholesale unsecured funding	- Zero rollover of wholesale deposits, senior unsecured debt and conduit commercial paper - Prime brokerage: 100% withdrawal of non-segregated client excess (cash and independent amount)
Wholesale secured funding	- Zero rollover of trades secured on less-liquid collateral - Rollover of trades secured on highly-liquid collateral, subject to haircut widening
Deposit outflow	- Substantial deposit outflows in PCB and Barclaycard as the Group is seen as greater credit risk than competitors
Funding concentration	- Additional outflows recognised against concentration of providers of wholesale secured financing
Intra-day liquidity	- Anticipated liquidity required to support intra-day requirements at payment and settlement systems
Intra-group	- Anticipated liquidity required to support material subsidiaries, based on stand-alone stress tests. Excess liquidity held within certain subsidiaries not available to the wider Group
Off-balance sheet	- Drawdown on committed facilities based on facility type, counterparty type and counterparty creditworthiness - Outflow of all collateral owed to counterparties but not yet called - Collateral outflows contingent upon a multi-notch credit rating downgrade of Barclays Bank PLC - Variation margin posting requirement on collateralised derivatives - Increase in the Group's initial margin requirement across all major exchanges
Franchise viability	- Liquidity required in order to meet outflows that are non-contractual in nature but necessary in order to support the Group's on going franchise (for example, market-making activities)
Cross currency risk	- Net liquidity flows at maturity for FX forwards and cross currency swaps evaluated at current FX rates - Haircuts are applied to inflows on non-G10 FX markets to restrict reliance
Mitigating actions	- Monetisation of unencumbered assets that are of known liquidity value to the firm but held outside the liquidity pool (subject to haircut/valuation adjustment)

Liquidity regulation

The Group has reported its liquidity position against Individual Liquidity Guidance (ILG) provided by the PRA. The PRA defines both eligible liquidity pool assets and stress outflows against reported balances.

The Group also monitors its position against the CRD IV Liquidity Coverage Ratio (LCR) and the Basel III Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of at least six months and has been developed to promote a sustainable maturity structure of assets and liabilities.

In October 2014, the European Commission published a final Delegated Act for the LCR under the European CRD IV regime. The CRD IV requires phased compliance with the LCR standard from 1 October 2015 at a minimum of 60% increasing to 100% by January 2018. The methodology for estimating the LCR is based off the final published Delegated Act which becomes EU law in October 2015. The PRA released a consultation paper in November 2014 setting out the proposed new regime, requiring 80% compliance with the LCR standard from 1 October 2015.

In October 2014, the BCBS published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100%. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRD IV.

Based on the CRD IV and Basel III standards respectively, as at 31 December 2014, the Group had a surplus to both of these metrics with an estimated CRD IV LCR of 124% (2013: 96%) and an estimated Basel III NSFR of 102% (2013: 94%).

Comparing internal and regulatory liquidity stress tests

The LRA stress scenarios, the PRA ILG and the CRD IV LCR are all broadly comparable short term stress scenarios in which the adequacy of defined liquidity resources is assessed against contractual and contingent stress outflows. The PRA ILG and the CRD IV LCR stress tests provide an independent assessment of the Group's liquidity risk profile.

Stress Test	Barclays LRA	PRA ILG	CRD IV LCR	Basel III NSFR
Time Horizon	30 - 90 days	3 months	30 days	6+ months
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

As at 31 December 2014, the Group held eligible liquid assets in excess of 100% of stress requirements for all three LRA scenarios and the CRD IV LCR requirement.

Compliance with internal and regulatory stress tests

As at 31 December 2014	Barclays' LRA (one-month Barclays-specific requirement)[a] £bn	Estimated CRD IV LCR £bn
Total eligible liquidity pool	149	153
Asset inflows	7	20
Stress outflows		
Retail and commercial deposit outflows	(49)	(71)
Wholesale funding	(26)	(17)
Net secured funding	(12)	(6)
Derivatives	(7)	(10)
Contractual credit rating downgrade exposure	(13)	(13)
Drawdowns of loan commitments	(8)	(26)
Intraday	(12)	-
Total stress net cash flows	(120)	(123)
Surplus	29	30
Liquidity pool as a percentage of anticipated net cash flows	124%	124%
As at 31 December 2013	104%	96%

During 2014, the Group strengthened its liquidity position, building a larger surplus to its internal and regulatory requirements. This positions the Group well for potential rating changes as credit rating agencies assess sovereign support in Barclays Bank PLC credit ratings. The Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while considering risks to market funding conditions and its liquidity position. The continuous reassessment of these risks may lead to appropriate actions being taken with respect to sizing of the liquidity pool.

Note

a Of the three stress scenarios monitored as part of the LRA, the 30-day Barclays-specific scenario results in the lowest ratio at 124% (2013: 104%). This compares to 135% (2013: 127%) under the 90-day market-wide scenario, and 127% (2013: 112%) under the 30-day combined scenario.

Liquidity pool

The Group liquidity pool as at 31 December 2014 was £149bn (2013: £127bn). During 2014, the month-end liquidity pool ranged from £134bn to £156bn (2013: £127bn to £157bn), and the month-end average balance was £145bn (2013: £144bn). The liquidity pool is held unencumbered and is not used to support payment or clearing requirements. Such requirements are treated as part of our regular business funding. The liquidity pool is intended to offset stress outflows, and comprises the following cash and unencumbered assets.

Composition of the Group liquidity pool as at 31 December 2014

			Liquidity pool of which CRD IV LCR eligible[b]		2013
	Liquidity pool £bn	Liquidity pool of which PRA eligible[a] £bn	Level 1 £bn	Level 2A £bn	Liquidity pool
Cash and deposits with central banks[c]	**37**	**36**	**34**	**2**	43
Government bonds[d]					
AAA rated	73	72	73	-	52
AA+ to AA- rated	12	11	12	-	9
Other government bonds	-	-	-	-	1
Total government bonds	**85**	**83**	**85**	**-**	62
Other					
Supranational bonds and multilateral development banks	9	3	9	-	3
Agencies and agency mortgage-backed securities	11	-	5	5	10
Covered bonds (rated AA- and above)	3	-	3	-	6
Other	4	-	-	-	3
Total Other	**27**	**3**	**17**	**5**	22
Total as at 31 December 2014	**149**	**122**	**136**	**7**	
Total as at 31 December 2013	127	104	109	11	

The Group liquidity pool is well diversified by major currency and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD £bn	EUR £bn	GBP £bn	Other £bn	Total £bn
Liquidity pool as at 31 December 2014	**46**	**27**	**54**	**22**	**149**
Liquidity pool as at 31 December 2013	31	32	38	26	127

Management of the Group liquidity pool

The composition of the Group liquidity pool is efficiently managed. The maintenance of the liquidity pool increases the Group's costs as the interest expense paid on the liabilities used to fund the liquidity pool is greater than the interest income received on liquidity pool assets. This cost can be reduced by investing a greater portion of the Group liquidity pool in highly liquid assets other than cash and deposits with central banks. These assets primarily comprise highly rated government bonds, and their inclusion in the liquidity pool does not compromise the liquidity position of the Group.

The composition of the liquidity pool is subject to limits set by the Board, Treasury Committee and the independent credit risk and market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency, asset type and country. Given the incremental returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

The Group manages the liquidity pool on a centralised basis. As at 31 December 2014, 92% of the liquidity pool was located in The Bank (2013: 90%) and was available to meet liquidity needs across the Group. The residual liquidity pool is held predominantly within Barclays Capital Inc. (BCI). The portion of the liquidity pool outside of The Bank is held against entity-specific stressed outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Group.

Notes
a £122bn of the liquidity pool is PRA eligible as per BIPRU 12.7. In addition, there are £12bn of Level 2 assets available, as per PRA's announcement in August 2013 that certain assets specified by PRA as Level 2 assets can be used on a transitional basis.
b The LCR-eligible assets presented in this table represent only those assets which are also eligible for the Group liquidity pool and do not include any Level 2B assets as defined by CRD IV.
c Of which over 95% (2013: over 95%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
d Of which over 95% (2013: over 85%) are comprised of UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

Contingent liquidity

In addition to the Group liquidity pool, the Group has access to other unencumbered assets which provide a source of contingent liquidity. While these are not relied on in the Group's LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

In either a Barclays-specific or market-wide liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Group could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral pre-positioned at central banks and available to raise funding.

Funding structure and funding relationships

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Group's overall funding strategy is to develop a diversified funding base (both geographically and by type) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Group aims to align the sources and uses of funding. As such, retail and commercial customer loans and advances are largely funded by customer deposits, with the surplus funding the liquidity pool. Other assets, together with other loans and advances and unencumbered assets are funded by long-term wholesale debt and equity.

The majority of reverse repurchase agreements are matched by repurchase agreements. The liquidity pool is predominantly funded through wholesale markets. These funding relationships are summarised below:

Funding relationships

Assets[a]	2014 £bn	2013 £bn
Loans and advances to customers[b]	346	358
Group liquidity pool	149	127
Other assets	153	170
Reverse repurchase agreements and other similar secured lending[c]	271	340
Derivative financial instruments	439	349
Total assets	1,358	1,344

Liabilities[a]	2014 £bn	2013 £bn
Customer accounts[b]	366	368
< 1 Year wholesale funding	75	82
> 1 Year wholesale funding	96	103
Equity and other liabilities	112	106
Repurchase agreements and other similar secured borrowing[c]	271	340
Derivative financial instruments	438	345
Total liabilities and equity	1,358	1,344

Deposit funding (including BAGL) (audited)

Funding of loans and advances to customers	2014			2013
As at 31 December 2014	Loans and advances to customers £bn	Customer deposits £bn	Loan to deposit ratio %	Loan to deposit ratio %
Personal and Corporate Banking	217	299		
Barclaycard	37	7		
Africa Banking	35	35		
Non-Core retail	20	8		
Total Retail Funding	309	349	89	91
Investment Bank, Non-Core wholesale and Other	119	79		
Total	428	428	100	101

Notes

a BAGL Group balances other than customer loans and advances of £35bn and customer deposits of £35bn are included in other assets and liabilities.

b Excluding cash collateral and settlement balances.

c Comprised of reverse repurchase agreements that provide financing to customers collateralised by liquid securities on a short-term basis or are used to settle short-term inventory positions; repo financing of trading portfolio assets and matched cash collateral and settlement balances.

PCB, Barclaycard, Non-Core (Retail) and Africa Banking activities are largely funded with customer deposits. As at 31 December 2014, the loan to deposit ratio for these businesses was 89% (2013: 91%). The Group loan to deposit ratio as at 31 December 2014 was 100% (2013: 101%).

The excess of the Investment Bank's loans and advances over customer deposits is funded with long-term debt and equity. The Investment Bank does not rely on customer deposit funding from PCB.

As at 31 December 2014, £128bn (2013: £122bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits, there were £4bn (2013: £3bn) of other liabilities insured by governments.

Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers – numerically and by depositor type – helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group's operations and liquidity needs. The Group models the behaviour of both assets and liabilities to assess balance sheet funding gaps. The behavioural modelling approach reflects the forward-looking macroeconomic outlook and captures customer roll-over and optionality behaviour within a given asset or liability product. These behavioural maturities are used to determine funds transfer pricing interest rates at which businesses are rewarded and charged for sources and uses of funds.

Behavioural Maturity Profile (including BAGL)

				Behavioural maturity profile cash outflow/(inflow)			
	Loans and advances to customers	Customer deposits	Customer funding surplus/ (deficit)	Not more than one year	Over one year but not more than five years	More than five years	Total
As at 31 December 2014	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Personal and Corporate Banking	**217**	**299**	**82**	**19**	**3**	**60**	**82**
Barclaycard	**37**	**7**	**(30)**	**(10)**	**(10)**	**(10)**	**(30)**
Africa Banking	**35**	**35**	**-**	**2**	**(2)**	**-**	**-**
Non-core (Retail)	**20**	**8**	**(12)**	**-**	**(2)**	**(10)**	**(12)**
Total	**309**	**349**	**40**	**11**	**(11)**	**40**	**40**
As at 31 December 2013							
Personal and Corporate Banking	213	296	83	28	(10)	65	83
Barclaycard	32	5	(27)	(8)	(8)	(11)	(27)
Africa Banking	31	28	(3)	(1)	(2)	-	(3)
Non-Core (Retail)	42	17	(25)	1	(9)	(17)	(25)
Total	318	346	28	20	(29)	37	28

Each product has an associated behavioural profile, used in funds transfer pricing. These behavioural profiles represent our forward-looking expectation of the run-off profile of the given product based upon historical experience, current customer composition, and macroeconomic projections. The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched from a behavioural perspective.

Wholesale funding

Wholesale funding relationships are summarised below:

Assets	2014 £bn	2013 £bn	Liabilities	2014 £bn	2013 £bn
Trading portfolio assets	**37**	63	Repurchase agreements	**124**	196
Reverse repurchase agreements	**87**	133			
Reverse repurchase agreements	**45**	53	Trading portfolio liabilities	**45**	53
Derivative financial instruments	**440**	350	Derivative financial instruments	**439**	347
Liquidity pool	**109**	96	Less than 1 year wholesale debt	**75**	82
Other assets[a]	**122**	146	Greater than 1 year wholesale debt and equity	**157**	164

Repurchase agreements fund reverse repurchase agreements and trading portfolio assets. Trading portfolio liabilities are settled by the remainder of reverse repurchase agreements (see note 18 'offsetting financial assets and liabilities' for further detail on netting).

Derivative liabilities and assets are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

Wholesale debt, along with the surplus of customer deposits to loans and advances to customers, is used to fund the liquidity pool. Term wholesale debt and equity largely fund other assets.

Composition of wholesale funding

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a number of distribution channels and geographies, money markets, and repo markets. The Group has direct access to US, European and Asian capital markets through its global investment banking operations and long-term investors through its clients worldwide, and is an active participant in money markets. As a result, wholesale funding is well diversified by product, maturity, geography and major currency.

As at 31 December 2014, total wholesale funding outstanding (excluding repurchase agreements) was £171bn (2013: £186bn). £75bn (2013: £82bn) of wholesale funding matures in less than one year, of which £22bn (2013: £23bn)[a] relates to term funding. £96bn (2013: £104bn) of wholesale funding had a residual maturity of over one year.

As at 31 December 2014, outstanding wholesale funding comprised £33bn (2013: £35bn) of secured funding and £138bn (2013: £151bn) of unsecured funding.

In preparation for a Single Point of Entry resolution model, the Group has started to issue debt capital and term senior unsecured funding out of Barclays PLC, the holding company. The Group expects to refinance most debt capital and term senior unsecured debt out of Barclays PLC over time.

Note

a Predominantly available for sale investments, trading portfolio assets, financial assets designated at fair value and loans and advances to banks funded by greater than one-year wholesale debt and equity.

Maturity profile of wholesale funding[b]	Not more than one month £bn	Over one month but not more than three months £bn	Over three months but not more than six months £bn	Over six months but not more than nine months £bn	Over nine months but not more than one year £bn	Sub-total less than one year £bn	Over one year but not more than two years £bn	Over two years but not more than five years £bn	More than five years £bn	Total £bn
Barclays PLC										
Senior unsecured (Public benchmark)	-	-	-	-	-	-	-	1.3	0.8	2.1
Subordinated liabilities	-	-	-	-	-	-	-	-	0.8	0.8
Barclays Bank PLC										
Deposits from banks	9.2	5.7	0.9	0.5	0.3	16.6	0.2	0.1	0.2	17.1
Certificates of Deposit and Commercial Paper	0.8	5.6	7.8	6.0	4.0	24.2	0.6	2.0	0.6	27.4
Asset Backed Commercial Paper	1.0	4.4	0.2	-	-	5.6	-	-	-	5.6
Senior unsecured (Public benchmark)	-	2.0	0.7	1.1	-	3.8	2.7	7.9	5.1	19.5
Senior unsecured (Privately placed)[c]	0.6	1.8	3.3	3.8	2.0	11.5	7.2	13.3	12.6	44.6
Covered bonds/ABS	2.7	2.0	0.7	1.6	0.2	7.2	2.2	7.5	6.0	22.9
Subordinated liabilities	-	0.1	-	-	-	0.1	-	2.9	16.7	19.7
Other[d]	2.5	1.6	0.8	0.5	1.0	6.4	1.1	1.6	2.6	11.7
Total as at 31 December 2014	**16.8**	**23.2**	**14.4**	**13.5**	**7.5**	**75.4**	**14.0**	**36.6**	**45.4**	**171.4**
Of which secured	**5.3**	**7.8**	**1.7**	**1.9**	**0.3**	**17.0**	**2.7**	**7.6**	**6.0**	**33.3**
Of which unsecured	**11.5**	**15.4**	**12.7**	**11.6**	**7.2**	**58.4**	**11.3**	**29.0**	**39.4**	**138.1**
Total as at 31 December 2013	20.3	24.0	15.5	15.9	6.3	82.0	27.1	33.8	42.6	185.5
Of which secured	4.6	3.7	1.4	3.5	0.7	13.9	7.3	6.5	7.2	34.9
Of which unsecured	15.7	20.3	14.1	12.4	5.6	68.1	19.8	27.3	35.4	150.6

Outstanding wholesale funding includes £45bn (2013: £50bn) of privately placed senior unsecured notes in issue. These notes are issued through a variety of distribution channels including intermediaries and private banks. Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £74bn (2013: £45bn).

The average maturity of wholesale funding net of the liquidity pool was at least 105 months (2013: 69 months).

Notes
a Term funding maturities comprise public benchmark and privately placed senior unsecured notes, covered bonds/asset-backed securities (ABS) and subordinated debt where the original maturity of the instrument was more than one year.
b The composition of wholesale funds comprises the balance sheet reported Deposits from Banks, Financial liabilities at Fair Value, Debt Securities in Issue and Subordinated Liabilities, excluding cash collateral and settlement balances. It does not include collateral swaps, including participation in the Bank of England's Funding for Lending Scheme. Included within deposits from banks are £1bn of liabilities drawn in the European Central Bank's 3 year LTRO.
c Includes structured notes of £35bn, £9bn of which mature within one year.
d Primarily comprised of fair value deposits (£5bn) and secured financing of physical gold (£5bn).

Currency composition of wholesale debt
As at 31 December 2014, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding	USD	EUR	GBP	Other
	%	%	%	%
Deposits from banks	20	28	46	6
Certificates of deposits and commercial paper	45	44	10	1
Asset backed commercial paper	89	8	3	-
Senior unsecured	39	30	12	19
Covered bonds/ABS	26	47	27	-
Subordinated liabilities	40	19	41	-
Total as at 31 December 2014	**35**	**32**	**25**	**8**
Total as at 31 December 2013	35	36	19	10

To manage cross-currency refinancing risk the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities. Across wholesale funding, the composition of wholesale funding is materially unchanged.

Term financing

The Group issued £15bn (2013: £1bn) of term funding net of early redemptions during 2014. In addition, the Group raised £6bn through participation in the Bank of England's Funding for Lending Scheme. The Group has £23bn of term debt maturing in 2015 and £13bn maturing in 2016[a].

The Group expects to continue issuing public wholesale debt in 2015, in order to maintain a stable and diverse funding base by type, currency and distribution channel.

Liquidity management at BAGL Group (audited)

Liquidity risk is managed separately at BAGL Group due to local currency, funding and regulatory requirements.

In addition to the Group liquidity pool, as at 31 December 2014, BAGL Group held £7bn (2013: £4bn) of liquidity pool assets against BAGL-specific anticipated stressed outflows. The liquidity pool consists of South African government bonds and Treasury bills.

The BAGL loan to deposit ratio as at 31 December 2014 was 102% (2013: 103%).

As at 31 December 2014, BAGL had £9bn of wholesale funding outstanding (2013: £9bn), of which £5bn matures in less than 12 months (2013: £6bn).

Additional information on liquidity management at BAGL can be found in the Barclays Africa Group Annual Report.

Contractual maturity of financial assets and liabilities (audited)

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in other assets and other liabilities as the Group is not exposed to liquidity risk arising from them; any request for funds from creditors would be met by simultaneously liquidating or transferring the related investment.

Note
a Includes £1bn of bilateral secured funding in 2015 and £1bn in 2016.

Contractual maturity of financial assets and liabilities (including BAGL) (audited)

As at 31 December 2014 The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	39,466	229	-	-	-	-	-	-	-	-	39,695
Items in the course of collection from other banks	828	382	-	-	-	-	-	-	-	-	1,210
Trading portfolio assets	114,755	-	-	-	-	-	-	-	-	-	114,755
Financial assets designated at fair value	5,732	3,139	1,540	797	602	2,696	1,322	1,253	1,038	18,538	36,657
Derivative financial instruments	438,437	26	6	8	7	204	274	443	439	232	440,076
Loans and advances to banks	5,909	31,635	3,236	225	944	370	233	20	36	49	42,657
Loans and advances to customers	24,607	99,208	9,225	6,900	9,241	35,477	24,653	48,486	54,168	115,802	427,767
Reverse repurchase agreements and other similar secured lending	144	117,977	9,857	2,013	941	28	116	109	22	546	131,753
Available for sale financial investments	513	1,324	2,045	3,576	844	10,804	16,705	10,107	23,722	16,465	86,105
Other financial assets	-	1,500	-	-	-	180	-	-	-	-	1,680
Total financial assets	630,391	255,420	25,909	13,519	12,579	49,759	43,303	60,418	79,425	151,632	1,322,355
Other assets[a]											36,338
Total assets											1,358,693
Liabilities											
Deposits from banks	7,978	48,155	1,041	504	298	187	95	69	57	6	58,390
Items in the course of collection due to other banks	1,177	-	-	-	-	-	-	-	-	-	1,177
Customer accounts	317,598	86,626	7,284	5,442	3,245	4,208	494	1,228	719	1,024	427,868
Repurchase agreements and other similar secured borrowing	40	111,766	7,175	2,847	1,989	119	116	-	427	-	124,479
Trading portfolio liabilities	45,124	-	-	-	-	-	-	-	-	-	45,124
Financial liabilities designated at fair value	665	6,554	3,493	4,056	3,244	7,015	5,524	9,573	6,174	8,851	55,149
Derivative financial instruments	438,623	29	7	12	5	62	69	78	268	167	439,320
Debt securities in issue	10	19,075	11,146	9,712	4,791	7,568	10,560	10,350	11,376	1,511	86,099
Subordinated liabilities	-	236	48	15	-	37	1,259	1,947	11,469	6,674	21,685
Other financial liabilities	-	3,060	-	-	-	815	-	-	-	-	3,875
Total financial liabilities	811,215	275,501	30,194	22,588	13,572	20,011	18,117	23,245	30,490	18,233	1,263,166
Other liabilities											29,482
Total liabilities											1,292,648
Cumulative liquidity gap	(180,824)	(200,905)	(205,190)	(214,259)	(215,252)	(185,504)	(160,318)	(123,145)	(74,210)	59,189	66,045

Note
a Other assets include balances of £15,574m and Other liabilities include balances of £13,115m relating to amounts held for sale mainly in respect of the Spanish business. Please refer to Note 45 for details.

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2013 The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	38,602	7,085	-	-	-	-	-	-	-	-	45,687
Items in the course of collection from other banks	894	388	-	-	-	-	-	-	-	-	1,282
Trading portfolio assets	133,089	-	-	-	-	-	-	-	-	-	133,089
Financial assets designated at fair value	1,029	12,743	654	853	415	2,270	673	1,410	1,035	16,280	37,362
Derivative financial instruments	347,715	368	163	88	32	283	480	294	545	492	350,460
Loans and advances to banks	6,558	29,667	973	538	588	295	370	109	63	661	39,822
Loans and advances to customers	30,422	95,977	7,058	7,459	8,450	30,144	27,201	45,699	60,537	121,290	434,237
Reverse repurchase agreements and other similar secured lending	21	172,401	9,119	2,335	2,583	107	-	130	-	83	186,779
Available for sale financial investments	632	2,633	3,186	2,115	5,722	9,755	14,398	14,767	24,433	14,147	91,788
Other financial assets	-	1,693	-	-	-	305	-	-	-	-	1,998
Total financial assets	558,962	322,955	21,153	13,388	17,790	43,159	43,122	62,409	86,613	152,953	1,322,504
Other assets											21,697
Total assets											1,344,201
Liabilities											
Deposits from banks	7,005	41,412	738	1,112	426	4,658	111	137	-	16	55,615
Items in the course of collection due to other banks	1,037	322	-	-	-	-	-	-	-	-	1,359
Customer accounts	293,708	107,003	8,708	5,928	6,308	3,436	1,587	2,237	1,869	1,248	432,032
Repurchase agreements and other similar secured borrowing	76	189,401	4,371	556	914	1,378	17	35	-	-	196,748
Trading portfolio liabilities	53,464	-	-	-	-	-	-	-	-	-	53,464
Financial liabilities designated at fair value	636	8,215	5,257	4,712	3,425	11,107	6,527	10,138	6,678	6,396	63,091
Derivative financial instruments	345,845	11	11	13	6	48	157	208	583	236	347,118
Debt securities in issue	72	22,233	10,553	10,812	3,486	11,786	6,705	8,350	10,657	2,039	86,693
Subordinated liabilities	-	327	20	177	-	281	6	3,225	11,135	7,078	22,249
Other financial liabilities	-	4,210	-	-	-	1,478	-	-	-	-	5,688
Total financial liabilities	701,843	373,134	29,658	23,310	14,565	34,172	15,110	24,330	30,922	17,013	1,264,057
Other liabilities											16,924
Total liabilities											1,280,981
Cumulative liquidity gap	(142,881)	(193,060)	(201,565)	(211,487)	(208,262)	(199,275)	(171,263)	(133,184)	(77,493)	58,447	63,219

Risk performance

Funding risk - Liquidity

Contractual maturity of financial assets and liabilities (audited)

At 31 December 2014	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more that one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
The Bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	35,240	229	-	-	-	-	-	-	-	-	35,469
Items in the course of collection from other banks	801	-	-	-	-	-	-	-	-	-	801
Trading portfolio assets	49,076	-	-	-	-	-	-	-	-	-	49,076
Financial assets designated at fair value	138	4,995	1,378	745	956	6,372	2,208	2,351	3,071	18,653	40,867
Derivative financial instruments	424,979	37	7	7	3	193	279	431	430	199	426,565
Loans and advances to banks	5,219	29,435	5,369	3,017	2,899	4,197	3,380	3,831	69	22	57,438
Loans and advances to customers	40,675	112,588	10,395	7,915	9,703	23,913	19,552	51,546	43,794	109,733	429,814
Reverse repurchase agreements and other similar secured lending	7,037	82,912	8,230	1,745	1,265	14	387	473	215	546	102,824
Available for sale financial investments	16	1,007	1,089	3,341	599	10,395	15,733	9,327	22,102	14,981	78,590
Other financial assets	-	729	-	-	-	10	-	-	-	-	739
Total financial assets	563,181	231,932	26,468	16,770	15,425	45,094	41,539	67,959	69,681	144,134	1,222,183
Other assets											43,573
Total assets											1,265,756
Liabilities											
Deposits from banks	21,639	45,818	1,404	763	342	83	95	146	52	-	70,342
Items in the course of collection due to other banks	911	-	-	-	-	-	-	-	-	-	911
Customer accounts	279,296	91,559	7,007	7,051	4,130	9,219	9,478	9,678	1,723	5,993	425,134
Repurchase agreements and other similar secured borrowing	5,482	78,510	6,112	1,746	2,854	48	194	-	427	-	95,373
Trading portfolio liabilities	25,910	-	-	-	-	-	-	-	-	-	25,910
Financial liabilities designated at fair value	551	6,624	3,769	4,361	3,643	11,066	6,127	9,632	7,590	9,353	62,716
Derivative financial instruments	419,048	24	-	11	4	50	43	61	226	138	419,605
Debt securities in issue	6	10,068	9,085	8,022	3,995	5,942	8,786	7,339	9,308	1,220	63,771
Subordinated liabilities	-	98	49	-	-	-	1,099	1,722	11,415	6,468	20,851
Other financial liabilities	-	16,950	-	-	-	-	-	-	-	-	16,950
Total financial liabilities	752,843	249,651	27,426	21,954	14,968	26,408	25,578	28,579	30,741	23,172	1,201,563
Other liabilities											7,481
Total liabilities											1,209,044
Cumulative liquidity gap	(189,662)	(207,381)	(208,339)	(215,523)	(213,066)	(194,380)	(178,663)	(139,282)	(100,3425)	20,620	57,462

Contractual maturity of financial assets and liabilities (audited)

At 31 December 2013	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
The Bank	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	35,209	6,930	-	-	-	-	-	-	-	-	42,139
Items in the course of collection from other banks	782	210	-	-	-	-	-	-	-	-	992
Trading portfolio assets	66,212	-	-	-	-	-	-	-	-	-	66,212
Financial assets designated at fair value	430	42,794	2,343	2,692	1,629	3,256	4,396	3,218	3,464	16,399	80,621
Derivative financial instruments	342,879	367	159	80	24	252	438	283	536	416	345,434
Loans and advances to banks	5,679	27,902	2,053	3,838	2,321	3,323	2,446	3,277	133	678	51,650
Loans and advances to customers	41,863	154,629	7,340	7,442	14,858	21,840	22,177	39,477	47,689	105,268	462,583
Reverse repurchase agreements and other similar secured lending	306	132,418	6,070	2,102	1,418	168	-	130	-	83	142,695
Available for sale financial investments	13	1,439	2,028	681	5,421	9,068	13,993	13,699	22,935	12,995	82,272
Other financial assets	-	791	-	-	-	111	319	4,161	1,927	8,449	15,758
Total financial assets	493,373	367,480	19,993	16,835	25,671	38,018	43,769	64,245	76,684	144,288	1,290,356
Other assets											24,833
Total assets											1,315,189
Liabilities											
Deposits from banks	23,138	37,308	640	1,320	339	1,551	75	120	176	-	64,667
Items in the course of collection due to other banks	913	255	-	-	-	-	-	-	-	-	1,168
Customer accounts	265,661	175,260	7,555	5,948	6,835	8,885	4,883	11,623	7,233	3,376	497,259
Repurchase agreements and other similar secured borrowing	482	143,736	1,644	406	775	1,439	28	35	-	-	148,545
Trading portfolio liabilities	28,990	-	-	-	-	-	-	-	-	-	28,990
Financial liabilities designated at fair value	254	8,206	6,811	6,384	4,520	12,416	10,930	11,973	9,542	6,890	77,926
Derivative financial instruments	334,090	9	11	13	6	29	128	177	558	201	335,222
Debt securities in issue	8	11,806	8,902	8,993	2,157	7,756	5,223	7,121	9,631	1,215	62,812
Subordinated liabilities	-	-	-	-	-	145	-	2,863	11,103	6,871	20,982
Other financial liabilities	-	16,812	-	-	-	-	-	-	-	-	16,812
Total financial liabilities	653,536	393,392	25,563	23,064	14,632	32,221	21,267	33,912	38,243	18,553	1,254,383
Other liabilities											7,828
Total liabilities											1,262,211
Cumulative liquidity gap	(160,163)	(186,075)	(191,645)	(197,874)	(186,835)	(181,038)	(158,536)	(128,203)	(89,762)	35,973	52,978

Expected maturity dates do not differ significantly from the contract dates, except for:

- Trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of the Group's trading strategies.
- Retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group's operations and liquidity needs because of the broad base of customers - both numerically and by depositor type (see Behavioural maturity profile on page 108); and
- Financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities.

Contractual maturity of financial liabilities on an undiscounted basis (audited)
The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

The balances in the below table do not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them.

Contractual maturity of financial liabilities - undiscounted (audited)

As at 31 December 2014	On demand £m	Not more than three months £m	Over three months but not more than six months £m	over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
The Group									
Deposits from banks	7,978	48,155	1,042	804	287	75	62	29	58,432
Items in the course of collection due to other banks	1,177	-	-	-	-	-	-	-	1,177
Customer accounts	317,598	86,660	7,364	8,854	4,851	1,408	1,052	2,218	430,005
Repurchase agreements and other similar secured borrowing	40	111,769	7,178	4,837	236	-	428	-	124,488
Trading portfolio liabilities	45,124	-	-	-	-	-	-	-	45,124
Financial liabilities designated at fair value	665	6,561	3,508	7,378	12,854	10,285	7,170	14,273	62,694
Derivative financial instruments	438,623	30	7	17	137	85	314	341	439,554
Debt securities in issue	10	19,481	11,406	14,952	19,416	11,352	12,075	2,760	91,452
Subordinated liabilities	-	363	324	153	1,333	4,269	10,762	6,683	23,887
Other financial liabilities	-	3,060	-	-	815	-	-	-	3,785
Total financial liabilities	811,215	276,079	30,829	36,995	39,929	27,474	31,863	26,304	1,280,688
The Bank									
Deposits from banks	21,639	45,819	1,405	1,108	183	153	52	-	70,359
Items in the course of collection due to other banks	911	-	-	-	-	-	-	-	911
Customer accounts	279,296	91,563	7,012	11,203	18,739	11,229	1,831	6,488	427,361
Repurchase agreements and other similar secured borrowing	5,482	78,514	6,115	4,601	243	-	427	-	95,382
Trading portfolio liabilities	25,910	-	-	-	-	-	-	-	25,910
Financial liabilities designated at fair value	551	6,632	3,780	8,078	17,588	10,323	8,607	14,619	70,178
Derivative financial instruments	419,048	24	-	15	94	61	237	194	419,673
Debt securities in issue	6	10,457	9,286	12,372	15,640	8,068	9,522	1,454	66,805
Subordinated liabilities	-	223	326	137	1,098	3,987	10,545	6,468	22,784
Other financial liabilities	-	16,950	-	-	-	-	-	-	16,950
Total financial liabilities	752,843	250,182	27,924	37,514	53,585	33,821	31,221	29,223	1,216,313

Contractual maturity of financial liabilities - undiscounted (audited)

At 31 December 2013	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
The Group									
Deposits from banks	7,005	41,966	739	999	4,832	124	-	70	55,735
Items in the course of collection due to other banks	1,037	333	-	-	-	-	-	-	1,370
Customer accounts	293,708	107,090	8,747	12,316	5,317	2,858	2,574	2,503	435,113
Reverse repurchase agreements and other similar secured lending	76	189,401	4,375	1,470	1,395	36	-	-	196,753
Trading portfolio liabilities	53,464	-	-	-	-	-	-	-	53,464
Financial liabilities designated at fair value	636	8,259	5,115	8,285	18,128	10,909	7,978	12,799	72,109
Derivative financial instruments	345,845	12	13	20	219	231	716	530	347,586
Debt securities in issue	72	22,741	10,793	14,799	19,562	9,630	11,638	3,175	92,410
Subordinated liabilities	-	631	404	433	2,154	4,928	12,528	7,143	28,221
Other financial liabilities	-	4,210	-	-	1,478	-	-	-	5,688
Total financial liabilities	701,843	374,643	30,186	38,322	53,085	28,716	35,434	26,220	1,288,449
The Bank									
Deposits from banks	23,138	37,310	640	1,659	1,626	148	212	-	64,733
Items in the course of collection due to other banks	913	255	-	-	-	-	-	-	1,168
Customer accounts	265,661	178,733	7,928	12,895	17,337	8,141	8,625	3,377	502,697
Reverse repurchase agreements and other similar secured lending	482	143,750	1,644	1,181	1,468	36	-	-	148,561
Trading portfolio liabilities	28,990	-	-	-	-	-	-	-	28,990
Financial liabilities designated at fair value	254	8,247	6,811	11,140	23,833	12,930	11,374	13,681	88,270
Derivative financial instruments	334,090	12	13	19	164	189	669	367	335,523
Debt securities in issue	8	12,294	9,108	11,576	13,743	8,209	10,068	1,537	66,543
Subordinated liabilities	-	-	-	248	-	4,439	13,096	8,927	26,710
Other financial liabilities	-	16,812	-	-	-	-	-	-	16,812
Total financial liabilities	653,536	397,413	26,144	38,718	58,171	34,092	44,044	27,889	1,280,007

Maturity of off balance sheet commitments received and given (audited)
The table below presents the maturity split of the Group's off balance sheet commitments received and given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

Maturity analysis of off-balance sheet commitments received

The Group (including BAGL)	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than 1 year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2014											
Guarantees, letters of credit and credit insurance	6,571	60	37	38	39	152	138	203	65	-	7,303
Forward starting repos	-	10,778	-	-	-	-	-	-	-	-	10,778
Total off balance sheet commitments received	6,571	10,838	37	38	39	152	138	203	65	-	18,081
As at 31 December 2013											
Guarantees, letters of credit and credit insurance	10,114	46	46	45	45	174	168	302	154	-	11,094
Forward starting repos	-	14,334	-	-	-	-	-	-	-	-	14,334
Total off balance sheet commitments received	10,114	14,380	46	45	45	174	168	302	154	-	25,428

Maturity analysis of off-balance sheet commitments given (including BAGL) (audited)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than 1 year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2014											
Contingent liabilities	17,303	1,770	352	162	102	410	55	83	1,037	49	21,323
Documentary credits and other short term trade related transactions	869	75	13	-	19	115	-	-	-	-	1,091
Forward Starting reverse repurchase agreements	-	13,735	-	121	-	-	-	-	-	-	13,856
Standby facilities, credit lines and other commitments	262,539	4,045	1,722	844	646	3,638	877	1,846	137	20	276,314
Total off balance sheet commitments given	280,711	19,625	2,087	1,127	767	4,163	932	1,929	1,174	69	312,584
As at 31 December 2013											
Contingent liabilities	17,873	630	437	233	283	558	478	138	208	346	21,184
Documentary credits and other short term trade related transactions	504	84	62	7	35	88	-	-	-	-	780
Forward Starting reverse repo	-	19,936	-	-	-	-	-	-	-	-	19,936
Standby facilities, credit lines and other commitments	247,045	1,922	203	620	1,100	1,332	777	1,405	397	54	254,855
Total off balance sheet commitments given	265,422	22,572	702	860	1,418	1,978	1,255	1,543	605	400	296,755

Maturity analysis of off-balance sheet commitments received[a]

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2014									
Guarantees, letters of credit and credit insurance	15,512	42	35	70	266	186	58	-	16,169
Forward starting repurchase agreements	-	10,087	-	-	-	-	-	-	10,087
Total off balance sheet commitments received	15,512	10,129	35	70	266	186	58	-	26,256
As at 31 December 2013									
Guarantees, letters of credit and credit insurance	67,646	46	46	90	342	302	154	-	68,626
Forward starting repurchase agreements	-	11,268	-	-	-	-	-	-	11,268
Total off balance sheet commitments received	67,646	11,314	46	90	342	302	154	-	79,894

Maturity analysis of off-balance sheet commitments given (audited)[a]

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2014									
Contingent liabilities	20,149	1,457	265	209	422	79	65	28	22,674
Forward starting reverse repurchase agreements	772	61	6	-	115	-	-	-	954
Documentary credits and other short term trade related transactions	-	11,291	-	121	-	-	-	-	11,412
Standby facilities, credit lines and other commitments	213,108	2,510	830	933	1,669	1,384	86	15	220,535
Total off balance sheet commitments given	234,029	15,319	1,101	1,263	2,206	1,463	151	43	255,575
As at 31 December 2013									
Contingent liabilities	18,176	504	307	418	954	129	204	68	20,760
Documentary credits and other short term trade related transactions	393	38	34	23	82	-	-	-	570
Forward starting reverse repurchase agreements	-	11,048	-	-	-	-	-	-	11,048
Standby facilities, credit lines and other commitments	200,551	1,788	109	799	1,718	1,001	238	49	206,253
Total off balance sheet commitments given	219,120	13,378	450	1,240	2,754	1,130	442	117	238,631

Note
a The presentation of the tables for off balance sheet commitments received and given has been enhanced in line with the Enhanced Disclosure Taskforce recommendations.

Risk performance

Operational risk

Analysis of operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.

This section provides an analysis of the Group's operational risk profile, including events which have had a significant impact in 2014

Improvements despite material historic litigation issues

£1,270m

of charges for PPI provisions

£1,250m

of charges for the ongoing investigations and litigation relating to Foreign Exchange

85%

of the Group's net reportable operational risk events had a loss value of £50,000 or less

75%

of events are due to external fraud

Reduction in the number of recorded incidents recorded in the period.

For the purposes of risk reporting, conduct risk remediation provisions have been included within this operational risk section.

Conduct risk is a separate principal risk and is covered more fully on page 129 and130.

Risk review

Risk performance

Operational risk

Operational risk is defined as any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

All disclosures in this section (pages 121-122) are unaudited unless otherwise stated

Overview

Operational risks are inherent in all the Group's business activities and are typical of any large enterprise. It is not cost-effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Small losses from operational risks are expected to occur and are accepted as part of the normal course of business. More material losses are less frequent and the Group seeks to reduce the likelihood of these in accordance with its risk appetite.

The Operational Principal Risk comprises the following Key Risks: cyber security risk, external suppliers, financial reporting, fraud, information, legal, payments, people, premises and security, taxation, technology and transaction operations. For definitions of these key risks see page 57 . In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk.

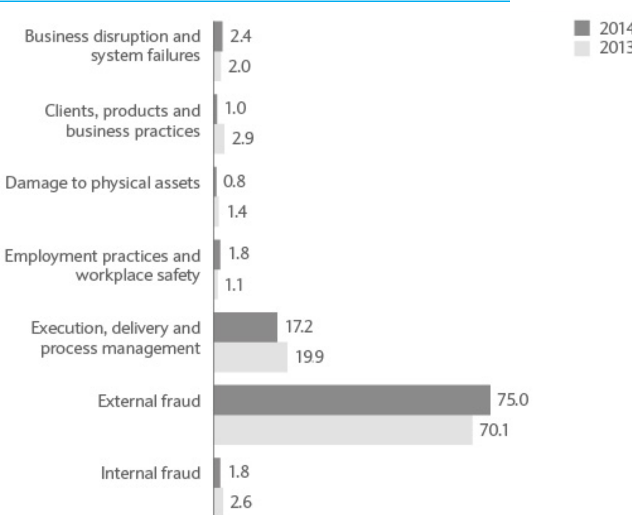
This section provides an analysis of the Group's operational risk profile, including events which have had a significant impact in 2014.

Summary of performance in the period

During 2014[a], there was a reduction in total operational risk losses. Total number of recorded incidents fell due to a reduction in the number of significant loss events for external fraud and execution delivery and process management.

Operational risk losses in 2014 were materially comprised of further provisions for PPI (£1,270m) and a provision for ongoing investigations and litigation relating to Foreign Exchange (£1,250m).

Operational risk events by risk category
%of total risk events by count



Operational risk profile

Within operational risk a high proportion of risk events have a low associated financial cost and a very small proportion of operational risk events will have a material impact on the financial results of the Group. In 2014 85.3% of the Group's net reportable operational risk events had a loss value of £50,000 or less (2013:81.8%) and accounted for only 1.6% (2013: 1.8%) of the Group's total net loss impact.

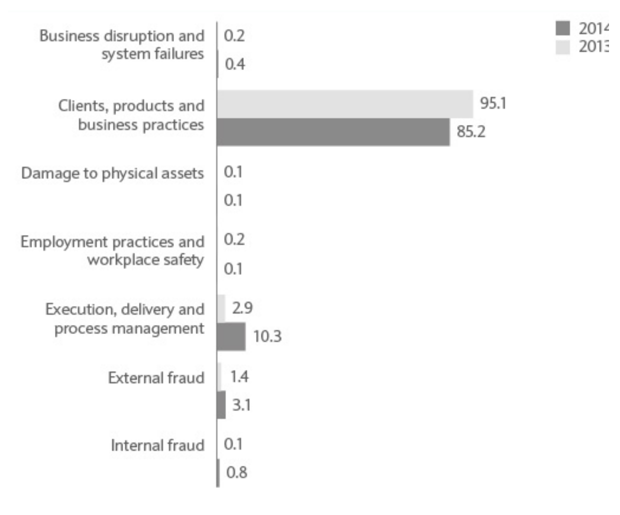
The analysis below presents the Group's operational risk events by category:

- The proportion of losses by amount within the clients, products and business practices category remains the driver of the operational risk profile at 95.1% (2013: 85.2%) and is heavily impacted by provisions for PPI, and the ongoing investigations and litigation into Foreign Exchange.
- Execution, delivery and process management impacts reduced to 2.9% in 2014 (2013: 10.3%). These events are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. These are often fully or partially recovered, resulting in low value net losses.
- External fraud (75.0%) is the category with the highest frequency of events where high volume, low value events are also consistent with industry experience, driven by debit and credit card fraud. The proportion of events of this type has increased although the actual volume has in fact decreased; this is due to the greater reduction in the volume of execution, delivery and process management events.

The Group's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review from the Operational Risk & Control Committee. External fraud and technology are highlighted as key operational risk exposures. External fraud has increased driven by the higher number of fraud events, particularly in credit card portfolios, and business growth, whereas for technology there is an ongoing programme of work to improve controls, through efficiency and automation, and a focus on infrastructure resilience. Cyber security risk continues to be an area of attention given the increasing sophistication and scope of potential cyber-attack. Risks to technology and cyber security change rapidly and require continued focus and investment.

For further information see Risk Management section (page 58)

Operational risk events by risk category
%of total risk events by value



Note
a During 2014 the Group moved its operational risk reporting of events to align with the financial impact of the event rather than being based on date of sign-off in the system of record. 2013 figures have been re-stated on this basis and due to timing difference between date of financial impact and recording of events some movement of prior year events will be expected.

Analysis of conduct and reputation risks

Conduct Risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities

Reputation Risk is the risk of damage to Barclays' brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical

This section details Barclays' conduct and reputation risk profile and provides information on the key 2014 risk events and risk mitigation actions Barclays has taken. These risks were deemed Principal Risks in 2013 to increase management focus and strengthen governance.

Key metrics

5.3/10 on the Conduct Reputation Balanced Scorecard Measure

Driven by:

- Focussing on conduct and reputation to ensure we provide suitable products and services for customers and clients
- Embedding conduct risk in our strategy setting and decision making processes
- Improving our focus on customer outcomes and putting customers and market integrity at the heart of our business
- Learning lessons from the past and attempting to improve management of conduct risk in the future

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

All disclosures in this section (page 124) are unaudited unless otherwise stated

Conduct risk

Doing the right thing in the right way and providing suitable products and services for customers and clients is central to Barclays' wider strategy of being the Go-To bank. Barclays is committed to Group-wide changes to business practices, governance and mindset and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates.

As part of the Transform initiatives, the Conduct Risk Programme has been leading this change across the Group. Conduct Risk was re-categorised as a Principal Risk in 2013 and is supported by seven Key Risk Frameworks (KRF) which were issued during 2014. The KRF articulate expectations for achieving good customer outcomes and protecting market integrity.

Summary of performance in the period
Conduct risk management continues to mature as businesses become more adept at considering potential conduct risks within their existing business models and as part of strategy development. Throughout 2014 conduct risks were raised by businesses for consideration by the Board Conduct, Operational and Reputation Risk Committee (BCORR). These include conduct risks associated with business growth strategies, the expansion of digital propositions, increasing cyber crime and the restructure of the bank, including exiting markets and migrating customers. BCORR has reviewed the risks raised and whether the management actions proposed are appropriate to ensure conduct risks were effectively managed. The Committee also reviewed the nature and scope of the Conduct Risk training provided to staff and its suitability for supporting the cultural change Barclays is undertaking.

In 2014, all businesses undertook conduct risk assessments to evaluate how strategy and business models could generate conduct risks for customers and markets and to identify actions that should be taken.

Increasing the awareness of all staff of the importance of good customer outcomes and protecting market integrity has been a priority. During 2014, over 95% of Barclays staff successfully completed e-learning and there have been a number of business specific training and awareness events.

As a result of increased awareness and early consideration of conduct risk in the business, a number of actions have been taken to improve customer outcomes including:

- Outcomes for clients impacted by the creation of Barclays Non-Core;
- The overdraft charges on UK current accounts have been revised, with increased clarity on terms and pricing, providing customers with greater control over their borrowing and a reduction in Barclays' revenues from unauthorised borrowing;
- A new UK mortgage product was not launched because of potential conduct risks; and
  - A fixed-rate lending product was created for SME customers; this was a simplified product with transparent risks and benefits and fair pricing, including appropriate controls on marketing and sales;

Whilst the above actions seek to reduce the future levels of conduct risk where appropriate, Barclays is also looking to put things right with regard to its historic transactions with customers. During 2014 Barclays incepted redress programmes for customers including:

- Remediating customers where paperwork was not correct under the Consumer Credit Act;
- Barclays will be apologising and making refunds to some business customers, where a fixed interest rate was charged beyond the set fixed rate period, where this fixed rate exceeded the floating rate that customers could have been charged; and
- A redress agreement with Affinion International Ltd and 11 banks and card issuers, including Barclays, to compensate customers for issues identified with the way that a feature of the card security product was sold to customers. Notifications to affected customers commenced in January 2015.

The Group continued to incur the significant costs of conduct matters and additional charges of £1,513m were recognised for customer redress including £1,270m for the cost of PPI remediation. Barclays also continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Investigations in respect of various conduct issues related to FX remain ongoing and related class actions have been filed in US Courts. As at 31 December 2014 a provision of £1,250m has been recognised for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. Details in respect of the status of such investigations and related litigation matters are included in the Legal, Competition and Regulatory Matters note on page 229. Resolution of these matters remains a necessary and important part of delivering the Group's strategy, but there are early signs that we are driving better outcomes for customers from a more thoughtful consideration of our customers' needs.

Conduct Reputation measure
To aid monitoring progress in the management of conduct, a 'Conduct Reputation' measure is included within the Balance Scorecard. The conduct measure is developed through a conduct and reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers across key geographies (UK, Europe, Africa, the US and Asia). Barclays' 2014 mean score remained stable at 5.3 (2013: 5.2) with minor improvement in all five components of the Index (which are: delivering value for money for customers/clients, can be trusted, treat staff well at all levels of the business, have high quality products and services, and operate openly and transparently). Progress towards the 2018 target of 6.5 is slower than desired as the impact of legacy issues act as a drag on the benefit of actions to improve management of conduct.

Reputation risk is defined as damage to Barclays' brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical.

All disclosures in this section (pages 125-126) are unaudited unless otherwise stated

Reputation risk

Through the Transform initiative, Barclays has developed formal governance and standards around reputation risk to ensure that the Group is able to manage and mitigate related risks proactively and on an informed basis.

The Reputation Key Risk Framework outlines the processes and actions required of the business. These include regular and forward looking reviews of current and emerging reputation risks so that a topical and comprehensive reputation risk profile of the organisation can be maintained. The external reputation environment is monitored via "horizon scanning" and validated via stakeholder dialogue conducted across a broad range of opinion formers. This process identifies priority themes and issues that stakeholders consider are impacting, or are likely to impact, the reputation of Barclays and our peers.

Summary of performance in the period
The following key themes were consistently identified during the 2014 horizon scanning and stakeholder dialogue and were reported to the Group Reputation Committee.

Litigation, investigations and culture change
Ongoing concerns about incidences of past conduct, corporate culture and litigation and regulatory investigations in the banking sector
Failure to act in accordance with rules and regulations, has a cumulative damaging impact on Barclays' and the banking sector's reputation and licence to operate. Barclays' brand continues to be adversely affected by new and ongoing investigations into instances of past conduct. These reinforce negative stakeholder perceptions and impair the Bank's ability to rebuild trust. They also detract from the positive impact achieved by transformative work across the bank to deliver cultural and behavioural change.

Living Barclays' values is at the heart of this transformation. It is critical to the success of the Transform plan that stakeholders are confident that Barclays' acts with honesty and integrity. Where there is wrongdoing on the part of individuals, the values require remedial action to be quickly and decisively taken and, when there is a case to answer with regulators, responsibility and sanctions are accepted and lessons are learnt.

During 2014, following investigations:

- The Group was fined by the FCA for breaches of its rules in relation to certain systems and controls relating to the Gold Fixing;
- Barclays was fined for breaching rules governing the protection of client's custody assets; and
- Several banks have reached settlements with the FCA and the US Commodity Futures Trading Commission (CFTC) with respect to the foreign exchange trading. The Group is continuing to engage with our regulators and authorities with the objective of achieving a resolution in due course.

Transparency
A demand for greater transparency and openness in bank decision-making generally
Operating openly and transparently is widely acknowledged as one of the most important reputation drivers for business. The Group is committed to being an open and transparent organisation and continues to work towards this long-term goal. The following examples demonstrate steps taken in 2014.

- The Balanced Scorecard approach was cascaded down throughout the organisation. It is integral to how individual and business performance is assessed and rewarded and the Group reports on progress annually so that stakeholders can hold the bank to account.
- Barclays published a Country Snapshot Report in response to the Europe-wide CRD IV requirement to disclose 2013 turnover and employee numbers for all countries of operation. Barclays also adopted early the additional requirements to publish data on profit, tax paid and subsidies received in each country alongside a brief explanation of the business undertaken.
- To aid transparency in the Group's engagement with policymakers, responses to government consultations and associated position papers are now published on the Group website.
- Barclays fully implemented the Enhanced Disclosure Task Force (EDTF) 32 recommendations for improving bank risk disclosures.
- Barclays' won the inaugural Building Public Trust Award for corporate governance. The Building Public Trust Awards were created by PwC and the judges considered the Group's reporting combined technical excellence with an unusual level of insight and described openly how governance is being applied to previously problematic areas.

Remuneration
Ongoing concerns around executive remuneration
Remuneration levels continued to be a source of reputation risk in 2014 from the broader banking sector and Barclays'-own perspectives. The Group is committed to paying at levels required to attract and retain good people, while not paying more than we judge to be necessary, and to delivering a greater share of income generated to shareholders.

Climate change
Concerns that the finance sector should take more account of climate change impacts (positive and negative) in investment and lending decisions

The impact of climate change is an important long-term environmental and societal issue of widespread public, political and corporate concern. It is a source of risk, including reputational risk, evidenced by the interest of a range of stakeholder groups in the environmental and social risk criteria considered by banks when providing financial services to environmentally sensitive clients and sectors.

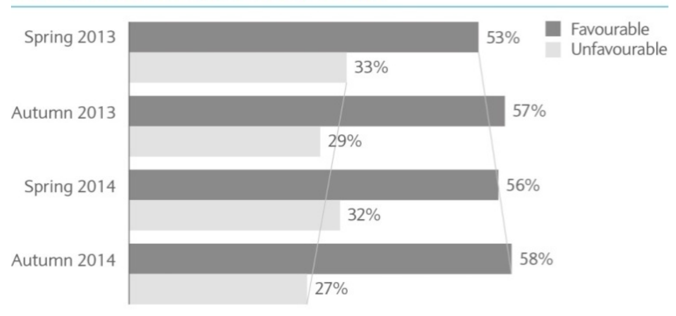
Banks also play a pivotal role in enabling the flow of capital towards climate change mitigation and adaptation. Green Bonds continued to grow as a way of financing environmental projects and during 2014 Barclays:

- Was a signatory to the Green Bond Principles and also launched the Green Bond Index in partnership with MSCI Inc;
- Has been an active underwriter on a variety of Green Bond transactions for corporate, supranational and municipal issuers; and has supported the sector by committing to invest a minimum of £1bn in Green Bonds by November 2015 to form part of our liquid asset buffer.

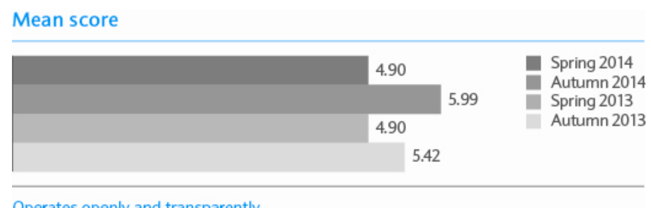
Reputation tracking

In 2013 the Group commissioned YouGov, an independent market research agency, to undertake a broad ranging and comprehensive global corporate reputation tracking study. This survey generates a number of key ‘dashboard measures’ for the Group of which favourability (towards named banks) is the primary measure. Understanding of the Group’s reputation is used in wide-ranging applications from supporting corporate communications planning to measuring performance in key areas and benchmarking the Group’s reputation against peers. The surveys are conducted with critical opinion formers (including politicians, media, business and NGOs) across key geographies (UK, Europe, Africa, the US and Asia).

Favourability towards Barclays:



(Source: YouGov Barclays’ reputation tracker)



Operates openly and transparently

Supervision and Regulation

Supervision and regulation

Supervision of the Group

The Group's operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business. These apply to business operations, affect financial returns, include reserve and reporting requirements and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, among others, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions. They also reflect requirements imposed directly by, or derived from, EU legislation.

In the UK, the Bank of England has responsibility for monitoring the UK financial system as a whole. The day-to-day regulation and supervision of the Group is divided between the Prudential Regulation Authority (PRA) – which is established as part of the Bank of England – and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the Bank of England has significant influence on the prudential requirements that may be imposed on the banking system through powers of direction and recommendation. The FPC has direction powers over sectoral capital requirements which it can set in relation to exposures to specific sectors judged to pose a risk to the financial system as a whole. The government has also proposed to make the FPC responsible for the Basel III countercyclical capital buffer, introduced in the EU under the Capital Requirements Directive and Regulation (collectively known as CRD IV).

The Financial Services and Markets Act 2000 (as amended)(FSMA) remains the principal statute under which financial institutions are regulated in the UK. Barclays Bank PLC is authorised under FSMA to carry on a range of regulated activities within the UK. It is also authorised and subject to solo and consolidated prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA's continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The regulation and supervision of conduct matters is the responsibility of the FCA. FCA regulation of the Group is carried out through a combination of continuous assessment over rolling two-year periods; regular thematic and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead; and responding to crystallised risks, seeking to ensure remediation as appropriate.

Global Regulatory developments

The regulatory change generated by the financial crisis is having and will continue to have a substantial impact on all financial institutions. Regulatory change is being pursued at a number of levels; globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), regionally through the European Union and nationally, especially in the UK and US. Further changes to prudential requirements and further refinements to the definitions of capital and liquid assets may affect the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings. Similarly, increased requirements in relation to capital markets activities and to market conduct requirements may affect the Group's planned activities and could increase costs and thereby contribute to adverse impacts on the Group's earnings.

The programme of reform of the global regulatory framework that was agreed by G20 Heads of Government in April 2009 has continued to be taken forward during 2014.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, G20 Heads of Government adopted FSB proposals to reform the regulation of globally systematically important financial institutions (G-SIFIs). A key element of this programme is that G-SIFIs should be capable of being resolved without recourse to taxpayer support. Barclays has been designated a G-SIFI by the FSB. G-SIFIs will be subject to a number of requirements, including additional loss absorption capacity above that required by Basel III standards (see below). The surcharges rise in increments from 1% to 2.5% of risk-weighted assets (with an empty category of 3.5% for institutions that increase the extent of the systemic risk they pose which is intended to discourage institutions from developing their business in a way that heightens their systemic nature). This additional buffer must be met with common equity.

In its November 2014 list of G-SIFIs, the FSB confirmed Barclays position in a category that will require it to meet a 2% surcharge. The additional loss absorbency requirements will apply to those financial institutions identified in November 2014 as globally systemically important and will be phased in starting from January 2016, with full implementation by January 2019. G-SIFIs must also meet the higher supervisory expectations for data aggregation capabilities by January 2016. In the EU the requirements for a systemic risk buffer will be implemented through the CRD.

The BCBS issued the final guidelines on Basel III capital and liquidity standards in June 2011, with revisions to counterparty credit risk in July and November 2011. Regulatory liquidity revisions were agreed in January 2013 to the definitions of high quality liquid assets and net cash outflows for the purpose of calculating the Liquidity Coverage Ratio, as well as establishing a timetable for phasing-in the standard from January 2016. Amendments to the Basel III leverage ratio and liquidity frameworks were issued in January 2014. The requirements of Basel III as a whole are subject to a number of transitional provisions that run to the end of 2018. The Group is, however, primarily subject to the EU's implementation of the Basel III standard through CRD IV (see opposite).

The BCBS also maintains a number of active work streams that will affect the Group. These include a fundamental review of the trading book where a second consultation on enhanced capital standards was issued in October 2013 and further work on large exposures. The Committee also continues to focus on the consistency of risk weighting of assets and explaining the variations between banks. The final standard for measuring and controlling large exposures were published by the Basel Committee in April 2014 to take effect in 2019. Also in April 2014, the Basel Committee published the final standard for calculating regulatory capital for banks' exposure to central counterparties (CCPs). In conjunction with the International Organization of Securities Commissions, the BCBS issued enhanced standards for margin requirements for non-centrally cleared derivatives in September 2013. The BCBS also issued risk management guidelines related to anti-money laundering and terrorist financing in January 2014. In October 2014, the BCBS published a consultation on a revised standardised approach for measuring operational risk.

In November 2014 the FSB issued a consultative document which set out its proposals to enhance the loss-absorbing capacity of global systemically important banks (GSIBs), such that there is sufficient loss absorbing and recapitalisation capacity available in

resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. The FSB proposes to achieve this by setting a new minimum requirement for "total loss absorbing capacity" (TLAC). A specific minimum amount of TLAC of between 16% and 20% of a GSIB's risk-weighted assets and at least twice the Basel III Tier 1 leverage ratio would have to be met. The proposal states that GSIBs will not be expected to meet TLAC requirements before 1 January 2019. Comments on the consultative document were due in February 2015, and the FSB is expected to finalize its proposal in 2015.

Also in November 2014 Barclays adhered to a protocol which was developed by the International Swaps and Derivatives Association (ISDA) in coordination with the FSB to support cross-border resolution and reduce systemic risk. By adhering to this protocol Barclays is able, in ISDA Master Agreements and related credit support agreements entered into with other adherents, to opt in to different resolution regimes such that cross-default and direct default rights that would otherwise arise under the terms of such agreements would be stayed temporarily (and in some circumstances overridden) on the resolution of one of the parties.

European Union developments

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) has had responsibility for the supervision of the most significant credit institutions, financial holding companies or mixed financial holding companies within the Eurozone since November 2014. The ECB may extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities.

Notwithstanding the new responsibilities of the ECB, the European Banking Authority (EBA), along with the other European Supervisory Authorities, remains charged with the development of a single rulebook for the EU as a whole and with enhancing co-operation between national supervisory authorities. The European Securities Markets Authority (ESMA) has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. The progressive reduction of national discretion on the part of national regulatory authorities within the EU may lead to the elimination of prudential arrangements that have been agreed with those authorities. This may serve to increase or decrease the amount of capital and other resources that the Group is required to hold. The overall effect is not clear and may only become evident over a number of years. The EBA and ESMA each have the power to mediate between and override national authorities under certain circumstances. Responsibility for day to day supervision remains with national authorities and for banks, like the Group, that are incorporated in countries that will not participate in the single supervisory mechanism, is expected to remain so.

Basel III and (from 2016) the capital surcharge for systemic institutions have been implemented in the EU by CRD IV. The provisions of CRD IV either entered into force automatically on, or had to be implemented in member states by, 1 January 2014. Much of the ongoing implementation is expected to be done through binding technical standards being developed by the EBA, that are intended to ensure a harmonised application of rules through the EU which are still largely in the process of being developed and adopted.

A significant addition to the EU legislative framework for financial institutions has been the Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The BRRD is intended to implement many of the requirements of the FSB's "Key Attributes of Effective Resolution Regimes for Financial Institutions". The BRRD was formally passed into EU law in April 2014. All of the provisions of the BRRD had to be implemented in the law of EU Member States by 1 January 2015 except for those relating to bail-in which will have to be implemented in Member States by 1 January 2016.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of senior unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also stipulates that firms will need a minimum percentage of liabilities in a form that allows them to be subject to bail-in (which will have to be co-ordinated with the FSB's TLAC proposals mentioned above). The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonised set of resolution tools across the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal also envisages that national deposit guarantee schemes may be able to fulfil this function (see directly below).

The Directive on Deposit Guarantee Schemes was recast and replaced by a new directive which has been in force since July 2014. The directive provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. This would be a significant change for UK banks where levies are currently raised as needed after failure. The funds of national deposit guarantee scheme are to total 0.8% of the covered deposits of its members by the date 10 years after the entry into force of the recast directive.

In relation to both resolution funds and the funds required by the Directive on Deposit Guarantee Schemes, there may be scope for the UK to use the Bank Levy to meet pre-funding obligations, although whether this will happen and the manner in which this might operate remains unclear.

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the group recommended the mandatory separation of proprietary trading and other high-risk trading activities from other banking activities. The European Commission issued proposals to implement these recommendations in January 2014. These proposals would apply to

G-SIFIs and envisage, among other things: (i) a ban on proprietary trading in financial instruments and commodities; (ii) giving supervisors the power and, in certain instances, the obligation to require the transfer of other trading activities deemed to be "high risk" to separate legal trading entities within the group; and (iii) rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group. Contemporaneously, the European Commission also adopted proposals to enhance the transparency of shadow banking, especially in relation to securities financing transactions. These proposals have still yet to be considered formally by the European Parliament and by the Council. Their impact, if they are adopted, remains to be determined.

The European Market Infrastructure Regulation (EMIR) has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market. These requirements have come into force progressively through 2013 and 2014, although some requirements are still to be brought in. When it is fully force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives, to; report specified details of every derivative contract that they enter to a trade repository; implement new risk management standards for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. EMIR has potential operational and financial impacts on the Group, including collateral requirements. Lower capital requirements for cleared trades are only available if the central counterparty through which the trade is cleared is recognised as a "qualifying central counterparty" which has been authorised or recognised under EMIR (in accordance with binding technical standards).

Proposals to amend the Markets in Financial Instruments Directive (known as MiFID II) were agreed in January 2014. These amendments take the form of a directive and a regulation and will affect many of the investment markets in which the Group operates and the instruments in which it trades, and how it transacts with market counterparties and other customers. Changes to the MiFID regime include the introduction of a new type of trading venue (the organised trading facility), to capture non-equity trading that falls outside the current regime. Investor protections have been strengthened, and new curbs imposed on high frequency and commodity trading. Pre-and post-trade transparency has been increased, and a new regime for third country firms introduced. The changes also include new requirements for non-discriminatory access to trading venues, central counterparties, and benchmarks, and harmonised supervisory powers and sanctions across the EU. Implementation is not expected until late 2016 and many of the provisions of MiFID II and its accompanying regulation will be implemented by means of technical standards to be drafted by ESMA. Some of the impacts on the Group will not be clear until these technical standards have been adopted.

Structural reform of banking groups

In addition to providing for the bail-in stabilisation power referred to above, the Banking Reform Act requires, amongst other things: (i) the separation of the retail and SME deposit-taking activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which will not be permitted to undertake a range of activities (so called ring-fencing); (ii) the increase of the loss-absorbing capacity of ring-fenced banks and UK headquartered global systemically important banks to levels higher than required under CRD IV and (iii) preference to deposits protected under the Financial Services Compensation Scheme if a bank enters insolvency.

The Banking Reform Act also implements key recommendations of the Parliamentary Commission on Banking Standards. Recommendations that have been so implemented include: (i) the establishment of a reserve power for the PRA to enforce full separation of UK banks under certain circumstances; (ii) the creation of a "senior managers" regime for senior individuals in the banking and investment banking sectors to ensure better accountability for decisions made; (iii) the establishment of a criminal offence of causing a financial institution to fail; and (iv) the establishment of a regulator for payment systems.

The Banking Reform Act is primarily an enabling statute which provides HM Treasury with the requisite powers to implement the policy underlying the legislation through secondary legislation. Secondary legislation relating to the ring-fencing of banks has now been passed. Parts of the secondary legislation became effective on 1 January 2015 and the rest will come into effect on 1 January 2019 by which date UK banks will be required to be compliant with the structural reform requirements.

Regulation in the United Kingdom

Recent developments in banking law and regulation in the UK have been dominated by legislation designed to ring-fence the retail and SME deposit-taking business of large banks. The content and the impact of this legislation are outlined above. The Banking Reform Act put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. It is expected that rules will be consulted on and made by the PRA and FCA during 2015 and 2016 which will further determine how ring-fenced banks will be permitted to operate.

In addition to, and complementing an EU-wide stress testing exercise conducted on a sample of EU banks by the European Banking Authority, and in response to recommendations from the FPC, the Bank of England conducted a variant of the EU-wide stress test in 2014. The 'UK variant' test explored particular UK macroeconomic vulnerabilities facing the UK banking system. Key parameters of the test — including the design of the UK elements of the stress scenario — were designed by the Bank of England and approved by the FPC and the PRA. Also responding to an FPC recommendation, the Bank of England and PRA have developed an approach to annual stress testing of the UK banking system and the individual institutions within it. The first such exercise took place in 2014.

Both the PRA and the FCA have continued to develop and apply a more assertive approach to supervision and the application of existing standards. This may include application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution of matters of conduct. In December 2013, the PRA published its requirements to implement the new European capital regime, clarifying key policy issues that affect the minimum level of Common Equity Tier 1 (CET1) capital which banks need to maintain. The PRA has required banks to meet a 4.5% Pillar 1 CET1 requirement since 1 January 2015, which is up from 4% in 2014. Similarly, the required Pillar 1 Tier 1 capital ratio has been 6% since 1 January 2015, an increase from the previous level of 5.5%. The PRA has also required UK banks to bring CET1 in line with the end-point definition from 1 January 2014 rather than benefiting from transitional arrangements. Additionally, the PRA has expected eight major UK banks and building societies including Barclays, to meet a 7% CET1 capital ratio and a 3% Tier 1 leverage ratio (after taking into account adjustments to risk-weighted assets and CET1 capital deemed necessary by the PRA) since 1 January 2014, except where – as in the case for Barclays – the PRA has agreed a plan with the firm to meet the standards over a longer time frame. Barclays agreed with the PRA that it would meet this requirement by end-June 2014 at the latest and now meets this requirement.

The FCA has retained an approach to enforcement based on credible deterrence that has continued to see significant growth in the size of regulatory fines. The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. This may impact both the incidence of conduct costs and increase the cost of remediation. On 1 April 2014 the FCA took over the regulation of consumer credit in the UK. This is likely to lead to a regulatory regime for consumer credit which is considerably more intensive and intrusive than was the case when consumer credit was regulated by the Office of Fair Trading.

In June 2014 the Fair and Effective Markets Review was established by the Chancellor of the Exchequer. The aim of this review will be to conduct a forward-looking assessment of the way wholesale financial markets operate, and propose solutions in order to restore trust in those markets in the wake of a number of recent high profile abuses, and to influence the international debate on trading practices. In connection with the review, a consultation was launched in October 2014 examining what needs to be done to reinforce confidence in the fairness and effectiveness of the Fixed Income, Currency and Commodities markets. Representatives from the PRA, the Bank of England, the FCA and HM Treasury are taking part in the review and the final recommendations are due to be presented in June 2015.

In July 2014 the FCA consulted on new accountability mechanisms for individuals working in banks, including the introduction of a new "Senior Managers Regime" (aimed at a limited number of individuals with senior management responsibilities within a firm) and a "Certification Regime" (aimed at assessing and monitoring the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or any of its customers). This represents the implementation of recommendations made by the Parliamentary Committee on Banking Standards in this area.

Resolution of UK banking groups

The Banking Act 2009 (the Banking Act) provides a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK, in consultation with the PRA and HM Treasury as appropriate. Under the Banking Act, the Bank of England is given powers to: (i) make share transfer instruments pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser; and (ii) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or a 'bridge bank', which is a company wholly owned by the Bank of England. In addition, under the Banking Act HM Treasury is given the power to take a bank into temporary public ownership by making one or more share transfer orders in which the transferee is a nominee of HM Treasury or a company wholly owned by HM Treasury. A share transfer instrument or share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. Certain of these powers also extend to companies within the same group as a UK bank.

The Banking Act also gives the authorities powers to override events of default or termination rights that might otherwise be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable in the context of both share transfer orders and property appropriation.

The resolution powers described above have recently been supplemented with a 'bail-in' power introduced under the Banking Reform Act. This power allows for the cancellation or modification of one or more liabilities (with the exception of "excluded liabilities"). Excluded liabilities include (amongst other things): deposits protected under a deposit insurance scheme, secured liabilities (to the extent that they are secured), client assets and assets with an original maturity of less than seven days which are owed to a credit institution or investment firm. The Bank of England's new bail-in powers were brought into force with effect from 1 January 2015. Measures specifying the minimum amount of liabilities eligible for bail-in which a bank must hold will come into effect in 2016. From 20 February 2015 UK banks and their parents will be required to include in debt instruments, issued by them under the law of a non-EEA country, terms under which the relevant creditor recognises that the liability is subject to the exercise of bail-in powers by the Bank of England. Similar terms will be required in contracts governing other liabilities of UK banks and their parents if those liabilities are governed by the law of a non-EEA country, are not excluded liabilities under the Banking Act 2009 and are issued, entered into or arise after 31 December 2015.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

The Financial Services Act 2010, among other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management. The Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements that may have created consumer detriment.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the authorised firm in question which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In addition to establishing the FPC, PRA and FCA, the Financial Services Act 2012 among other things clarifies responsibilities between HM Treasury and the Bank of England in the event of a financial crisis by giving the Chancellor of the Exchequer powers to direct the Bank of England where public funds are at risk and there is a serious threat to financial stability. The Financial Services Act 2012 also establishes the objectives and accountabilities of the FPC, PRA and FCA; amends the conditions which need to be met by a firm before it can be authorised; gives the FPC, PRA and FCA additional powers, including powers of direction over unregulated parent undertakings (such as Barclays PLC) where this is necessary to ensure effective consolidated supervision of the Group; and a power for the FCA to make temporary product intervention rules for a maximum period of six months, if necessary without consultation. The Financial Services Act 2013 also created a new criminal offence relating to the making of a false or misleading statement, or the creation of a false or misleading impression, in connection with the setting of a benchmark.

Compensation schemes

Banks, insurance companies and other financial institutions in the UK are subject to a single compensation scheme (the Financial

Services Compensation Scheme – FSCS) which operates when an authorised firm is unable or is likely to be unable to meet claims made against it by its customers because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the EEA are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group's results.

Influence of European legislation

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays' operations in Europe are authorised and regulated by a combination of both home and host regulators.

Regulation in Africa

Barclays' operations in South Africa, including Barclays Africa Group Limited, are supervised and regulated mainly by the South African Reserve Bank (SARB), the Financial Services Board (SAFSB) as well as the Department of Trade and Industry (DTI). The SARB oversees the banking industry and follows a risk-based approach to supervision, whilst the SAFSB oversees financial services such as insurance and investment business and focuses on enhancing consumer protection and regulating market conduct. The DTI regulates consumer credit through the National Credit Act (NCA) 2005, as well as other aspects of consumer protection not regulated under the jurisdiction of the SAFSB through the Consumer Protection Act (CPA) 2008. It is intended that regulatory responsibilities in South Africa will in future be divided between the SARB which will be responsible for prudential regulation and the SAFSB will be responsible for matters of market conduct. The transition to 'twin peaks' regulation will commence in 2015. Barclays' operations in other African countries are primarily supervised and regulated by the central banks in the jurisdictions where Barclays has a banking presence. In some African countries, the conduct of Barclays' operations and the non-banking activities are also regulated by financial market authorities.

Regulation in the United States

In the United States, Barclays PLC, Barclays Bank PLC and their US subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). This legislation regulates the activities of Barclays, including its US banking subsidiaries and the US branches of Barclays Bank PLC, as well as imposing prudential restrictions, such as limits on extensions of credit by the Barclays Bank PLC's US branches and the US banking subsidiaries to a single borrower and to affiliates. The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the Board of Governors of the Federal Reserve System (FRB) and, as applicable, the New York State Department of Financial Services and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Federal Deposit Insurance Corporation (FDIC), the Delaware Office of the State Bank Commissioner and the Consumer Financial Protection Bureau. The deposits of Barclays Bank Delaware are insured by the FDIC. Barclays Wealth Trustees (US) NA is an uninsured non-depository trust company chartered and supervised by the Office of the Comptroller of the Currency. The licensing authority of each US branch of Barclays Bank PLC has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses or to revoke or suspend such licence. Such circumstances generally include violations of law, unsafe business practices and insolvency.

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB, which exercises umbrella supervisory authority over Barclays US operations. Barclays is required to implement by July 2016 a US intermediate holding company (IHC) which will hold substantially all of Barclays' US subsidiaries and assets (including Barclays Capital Inc. and Barclays Bank Delaware, other than Barclays' US branches and certain other assets and subsidiaries). This IHC will also be a US bank holding company and generally regulated as such under the BHC Act. As part of this supervision, the IHC will also generally be subject to the enhanced prudential supervision requirements under the DFA as US bank holding companies of similar size, including US Basel III-based regulatory capital and leverage, liquidity stress-testing and risk management requirements. Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may generally engage in a broader range of financial and related activities, including underwriting and dealing in all types of securities, than are permitted to registered bank holding companies that do not maintain financial holding company status. Financial holding companies such as Barclays PLC and Barclays Bank PLC are required to meet or exceed certain capital ratios and be deemed to be 'well managed', and Barclays Bank Delaware and Barclays Wealth Trustees (US) NA are each required to meet certain capital requirements and be deemed to be 'well managed'. In addition, Barclays Bank Delaware must have at least a 'satisfactory' rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements, are allotted a period of time in which to restore capital levels or the management or CRA rating. Should Barclays PLC or Barclays Bank PLC fail to meet the above requirements, during the allotted period of time they could be prohibited from engaging in new types of financial activities or making certain types of acquisitions in the US. If the capital level or rating is not restored, the Group may ultimately be required by the FRB to cease certain activities in the United States. More generally, Barclays' US activities and operations may be subject to other requirements and restrictions by the FRB under its supervisory authority, including with respect to safety and soundness.

Under the Federal Deposit Insurance Act, as amended by the DFA, Barclays is required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require Barclays to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

A major focus of US government policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution.

Barclays' US securities broker/dealer, investment advisory and investment banking operations are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under the US federal and state securities laws. Similarly, Barclays US commodity futures and options-related operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs.

The credit card activities of the Group in the US are subject to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 which prohibits certain pricing and marketing practices for consumer credit card accounts.

The DFA became law in July 2010. Although many of the DFA rules have been adopted and implemented, a number of rules have not yet been adopted, or have been adopted but not fully implemented. In addition, the rules that have been adopted and implemented have, for the most part, only recently become effective and their impact, in many cases, cannot yet be fully evaluated. Therefore, the full scale of the DFA's impact on the Group continues to remain unclear. In addition, market practices and structures may change in response to the requirements of the DFA in ways that are difficult to predict but that could impact Barclays business. Nonetheless, certain provisions of the DFA are particularly likely to have a significant effect on the Group, including:

- *Structural Reform*: On 18 February 2014, the FRB issued a final rule implementing certain enhanced prudential standards of Section 165 of the DFA for certain foreign banking organisations, such as Barclays.

- The Rule's specific requirements depend on the amount of assets of the foreign banking organisation both inside and outside the United States, with the most stringent requirements imposed on foreign banking organizations with over $50bn in US non-branch assets. Barclays is subject to the most stringent requirements of the rule, including the requirement to create a US intermediate holding company (IHC) structure to hold its US banking and non-banking subsidiaries. The IHC will be subject to supervision and regulation by the FRB as if it were a US bank holding company of comparable size. Barclays Bank PLC's US branches will be subject to certain separate requirements, including with respect to liquidity.

- The consolidated IHC will be subject to a number of additional supervisory and prudential requirements, including (i) FRB regulatory capital requirements and leverage limits; (ii) mandatory stress testing of capital levels by the FRB and submission of a capital plan to the FRB; (iii) supervisory approval of and limitations on capital distributions by the IHC to Barclays Bank PLC; (iv) additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC (and also, separately, for Barclays Bank PLC's US branch network), and to maintain a 30-day buffer of highly liquid assets; (v) other liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB and maintenance of an independent function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays' combined US operations; and (vi) overall risk management requirements, including a US risk committee and a US chief risk officer.

- *Restrictions on proprietary trading and fund-related activities*: In December 2013, the relevant US regulatory agencies, including the FRB, the FDIC, the SEC and the CFTC, finalised the rule implementing the requirements of Section 619 of the DFA - the so-called 'Volcker Rule'. The Volcker Rule, once fully effective, will prohibit banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates from undertaking certain 'proprietary trading' activities (but will allow activities such as underwriting, market making and risk-mitigation hedging) and will limit the sponsorship of, and investment in, private equity funds (including non-conforming real estate and credit funds) and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain exceptions and exemptions, including those listed above as well as exemptions applicable to transactions and investments occurring solely outside of the United States. The rule will also require Barclays to develop an extensive compliance and monitoring programme (both inside and outside of the United States), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and it is therefore expected that compliance costs will increase. The final rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it. Subject entities are generally required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance program by July 2015 (with certain provisions subject to possible extensions). More specifically, in December 2014, the FRB extended the compliance period through July 2016 for investments in and relationships with covered funds that were in place prior to 31 December, 2013, and indicated that it intends to further extend the compliance period through July 2017.

- *Resolution plans*: The DFA requires bank holding companies with total consolidated assets of $50bn or more to submit to the FRB and the FDIC, and regularly update, a plan for 'rapid and orderly' resolution to be used if the bank holding company or any of its material subsidiaries experiences material financial distress or failure. Non-US banking organisations that are treated as bank holding companies under US law, such as Barclays, are required to submit such plans with respect to their US operations if they have more than $50bn in US non-bank assets. As required, Barclays submitted its most recent annual US resolution plan to the US regulators on 1 July 2014.

- *Regulation of derivatives markets*: Among the changes mandated by the DFA is a requirement that many types of derivatives that used to be traded in the over-the counter markets be traded on an exchange or swap execution facility and centrally cleared through a regulated clearing house. In addition, many participants in these markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or with the SEC as 'security-based swap dealers' or 'major security-based swap participants' and be subject to CFTC and SEC regulation and oversight. Barclays Bank PLC has registered as a swap dealer. Entities required to register are subject to business conduct, record-keeping and reporting requirements and will be subject to capital and margin requirements. In addition, the CFTC, pursuant to the DFA, has proposed rules on position limits on derivatives on physical commodities. Once adopted and implemented, these rules will limit the size of positions that can be held by an entity, or a group of entities under common ownership or control, in futures and over-the-counter derivatives, subject to certain exemptions. These rules could restrict trading activity, reducing trading opportunities and market liquidity and potentially increasing the cost of hedging transactions and the volatility of the relevant markets. It is also possible that registration,

execution, clearing and compliance requirements as well as other additional regulations (certain of which still are not final), and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets. Barclays Bank PLC and its subsidiaries and affiliates may be exposed to these effects whether or not these subsidiaries are required to register in the capacities described. The new regulation of the derivative markets could adversely affect the business of Barclays Bank PLC and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities.

- *Risk retention requirements for securitisations*: The US federal banking agencies were required by the DFA to develop rules whereby, subject to certain exceptions, any sponsor of an asset-backed security (ABS) transaction must retain, generally, not less than five percent of the credit risk of any asset that the sponsor, through the issuance of ABS, transfers, sells or conveys to a third party. The rule was adopted in October 2014, and becomes effective one year after publication in the federal register for residential mortgage-backed securitisations and two years after publication for all other securitisation types. It is largely in line with expectations but will have some impact on the participation by the Group's US operations in such transactions.

- *Consumer Financial Protection Bureau (CFPB)*: The CFPB's mission is to protect consumers of financial products including credit card and deposit customers. The CFPB has the authority to examine and take enforcement action against any US bank with over $10bn in total assets, such as Barclays Bank Delaware, with respect to its compliance with Federal laws and regulations regarding the provision of consumer financial services and with respect to 'unfair, deceptive or abusive acts and practices.' The CFPB has initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements and commitments to modify business practices.

- *Liquidity Coverage Ratio in the US:* During 2014, the US Federal bank regulatory agencies, including the FRB, issued final rules implementing the U.S. Liquidity Coverage Ratio that are generally consistent with the Basel Committee's framework, but with certain modifications, which include accelerated transitional provisions and more stringent requirements related to both the range of assets that qualify as high-quality liquid assets and expected cash outflow assumptions for certain types of funding. While the US Liquidity Coverage Ratio does not currently apply to Barclays or the IHC, the FRB has indicated it is considering applying the US Liquidity Coverage Ratio to the IHC in the future.

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Financial Review

A review of the performance of Barclays Bank Group, including the key performance indicators, and our businesses' contribution to the overall performance of The Group.

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Financial review
Key performance indicators

Financial KPIs

The financial KPIs outlined below set out the way in which the performance of Barclays Bank Group has been measured during 2014.

Definition	Why it is important and how we performed	Performance metric
Total income Defined as total income net of insurance claims. Adjusted income excludes adjusting items for movements in own credit, the gains on US Lehman acquisition assets and the Education, Social Housing and Local Authority (ESHLA) valuation revision.	Total income is a key indicator of financial performance to many of Barclays' stakeholders and income growth is a key execution priority for Barclays' management. Adjusted total income decreased 8% to £25,775m due to challenging economic conditions and the continuing low interest rate environment.	Adjusted 2014 - £25,775m 2013 - £27,915m Statutory 2014 - £25,335m 2013 - £27,954m
Operating expenses Defined as total operating expenses. Adjusted operating expenses exclude provisions for PPI and interest rate hedging redress, provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment.	Barclays views operating expenses as a key strategic battleground for banks in the next decade. Those who actively manage costs and control them effectively will gain a strong competitive advantage. Adjusted operating expenses decreased 9% to £18,063m including costs to achieve Transform of £1,165m (2013: £1,209m), litigation and conduct charges of £449m (2013: £441m) and UK bank levy of £462m (2013: £504m).	Adjusted 2014 - £18,063m 2013 - £19,895m Statutory 2014 - £20,423m 2013 - £21,974m
Profit before tax Profit before tax and adjusted profit before tax are the two primary profitability measures used by management to assess performance. Profit before tax is stated in accordance with International Financial Reporting Standards and represents total income less impairment charges and operating expenses. Adjusted profit before tax excludes adjusting items for movements in own credit, the gains on US Lehman acquisition assets, provisions for PPI and interest rate hedging redress, goodwill impairment, provision relating to Foreign Exchange, the loss on the announced sale of the Spanish business and the ESHLA valuation revision.	Profit before tax is a key indicator of financial performance to many of our stakeholders. Adjusted profit before tax is presented to provide a consistent basis for comparing business performance between periods. Adjusted profit before tax increased 13% to £5,555m.	Adjusted 2014 - £5,555m 2013 - £4,925m Statutory 2014 - £2,309m 2013 - £2,885m

Key performance indicators

Definition	Why it is important and how we performed	Performance metric
Cost: income ratio The cost: income ratio is calculated as operating expenses divided by total income net of insurance claims. The adjusted cost: income ratio excludes adjusting items for movements in own credit, the gains on US Lehman acquisition assets, provisions for PPI and interest rate hedging redress, goodwill impairment, provision relating to Foreign Exchange, and the ESHLA valuation revision.	This is a measure management uses to assess the productivity of the business operations. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income. The adjusted cost to income ratio decreased to 70% (2013: 71%).	Adjusted 2014 – 70% 2013 – 71% Statutory 2014 – 81% 2013 – 79%
Loan loss rate The loan loss rate is quoted in basis points and represents total loan impairment charge divided by gross loans and advances to customers and banks held at amortised cost as at the balance sheet date.	The granting of credit is one of Barclays major sources of income, however, also one of its most significant risks. The loan loss rate is an indicator of the cost of granting credit. The loan loss rate decreased to 46bps (2013: 64bps) reflecting a 29% reduction in credit impairment charges to £2,168m, with a £732m reduction in Non-Core to £168m and an 8% reduction in the Core business to £2,000m.	2014 – 46 bps 2013 – 64 bps

Income statement commentary

2014 compared to 2013

Statutory profit before tax decreased to £2,309m (2013: £2,885m). Adjusted profit before tax increased 13% to £5,555m.

Statutory total income net of insurance claims decreased 9% to £25,335m including adjusting items for an own credit gain of £34m (2013: loss of £220m), a £461m (2013: £259m) gain on the US Lehman acquisition assets and a valuation revision of £935m (2013: £nil) relating to changes in discount rate applied in the valuation methodology in the ESHLA loan portfolio held at fair value. Adjusted total income net of insurance claims decreased 8% to £25,775m reflecting a 54% reduction in BNC following assets and securities run-down, and business disposals, a 12% reduction in the Investment Bank, driven by a decrease in the Markets business, particularly Macro, and a 9% reduction in Africa Banking, due to adverse currency movements, partially offset by growth in Barclaycard and PCB.

Net interest income increased 4% to £12,138m, with higher net interest income in PCB, the Investment Bank and Barclaycard, partially offset by reductions in Africa Banking, Head Office and BNC. Net interest income for PCB, Barclaycard and Africa Banking increased 4% to £11,435m driven by strong savings income growth in PCB, and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements.

Credit impairment charges improved 29% to £2,168m, with a loan loss rate of 46bps (2013: 64bps). This reflected the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio, and improved performance in Europe within BNC. Within the Core business there were lower impairments in PCB due to the improving UK economic environment, particularly impacting Corporate Banking which benefitted from one-off releases and lower defaults from large UK Corporate clients, and reduced impairments in the Africa Banking South Africa mortgages portfolio.

As a result, statutory net operating income for the Group decreased 7% to £23,167m. Net adjusted operating income excluding movements in own credit, the gains on US Lehman acquisition assets and the ESHLA valuation revision decreased 5% to £23,607m.

Statutory operating expenses reduced 7% to £20,423m. This includes adjusting items for an additional PPI redress provision of £1,270m resulting in a full year net charge of £1,110m (2013: £2,000m) in relation to PPI and interest rate hedging redress, a £1,250m (2013: £nil) provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment of £nil (2013: £79m). Adjusted operating expenses decreased 9% to £18,063m, driven by savings from Transform programmes, including a 5% reduction in headcount and currency movements. Total compensation costs decreased 8% to £8,891m, with the Investment Bank reducing 9% to £3,620m, reflecting reduced headcount, and lower deferred and current year bonus charges. Costs to achieve Transform were £1,165m (2013: £1,209m) and the UK bank levy was £462m (2013: £504m).

The statutory cost: income ratio increased to 81% (2013: 79%). The adjusted cost: income ratio excluding movements in own credit, the gains on US Lehman acquisition assets, provisions for PPI and interest rate hedging redress, the provision for ongoing investigations and litigation relating to Foreign Exchange, the ESHLA valuation revision and goodwill impairment decreased to 70% (2013: 71%).

Statutory other net expense increased to £435m (2013: £24m) including an adjusting item for a loss on the announced sale of the Spanish business of £446m, which completed on 2 January 2015. In addition, accumulated currency translation reserve losses of approximately £100m will be recognised on completion in Q115.

The tax charge was £1,455m (2013: £1,577m) on statutory profit before tax of £2,309m (2013: £2,885m), representing an effective tax rate of 63.0% (2013: 54.7%). The effective tax rate on adjusted profit before tax decreased to 30.9% (2013: 40.0%). 2013 included a charge of £440m relating to the write-down of deferred tax assets in Spain.

Balance sheet commentary

Total assets

Total assets increased £14bn to £1,359bn.

Cash and balances at central banks and items in the course of collection from other banks decreased £6bn to £41bn, as the cash contribution to the Group liquidity pool was reduced.

Trading portfolio assets decreased £18bn to £115bn due to a reduction in debt securities and other eligible bills as trading activity in the Investment Bank and reduced positions in BNC were exited. This was partially offset by an increase in equity securities and traded loans.

Financial assets designated at fair value decreased £1bn to £38bn reflecting decreases in equity securities, partially offset by increases in loans and advances at fair value, due to fair value movements, and increased debt securities relating to acquisitions.

Derivative financial instrument assets increased £90bn to £440bn, consistent with the movement in derivative financial instrument liabilities, which increased £92bn to £439bn, driven by an increase in interest rate derivatives of £78bn, reflecting a reduction in the major forward interest rates, and an increase in foreign exchange derivatives of £14bn due to strengthening of USD against major currencies.

Available for sale investments decreased £6bn to £86bn primarily driven by the exiting of positions in BNC.

Total loans and advances decreased £4bn to £470bn due to £7bn growth in PCB and £5bn growth in Barclaycard, offset by the £13bn reclassification of loans to other assets relating to the Spanish business which is held ford for sale and a £4bn decrease in BNC driven by a run off of assets in Europe retail.

Reverse repurchase agreements and other similar secured lending decreased £55bn to £132bn primarily driven by lower matched book trading due to balance sheet deleveraging.

Total liabilities

Total liabilities increased £12bn to £1,293bn.

Deposits from banks increased £3bn to £60bn primarily driven by an £8bn increase in cash collateral due to higher derivative marked to market offset by a £5bn decrease as a result of the reclassification of the Spanish business to other liabilities.

Customer accounts decreased £4bn to £428bn as a result of the reclassification of £8bn in relation to the Spanish business to other liabilities and £9bn reduction in settlement balances. These decreases were partially offset by a £9bn increase in cash collateral balances due to higher derivative balances and £5bn growth within PCB and Barclaycard.

Trading portfolio liabilities decreased £8bn to £45bn primarily due to reductions in debt securities and other eligible bills following assets and securities run-down, and business disposals. Further reductions in US treasuries and Euro bond positions were driven by client demand. These reductions were partially offset by increased equity securities.

Financial liabilities designated at fair value decreased £8bn to £57bn primarily reflecting trade maturities, buybacks and unwinding of existing notes due to reduced funding requirements.

Derivative financial instrument liabilities increased £92bn to £439bn in line with the increase in derivative financial instrument assets.

Debt securities in issue decreased £1bn to £86bn due to the non-renewal of commercial paper, partially offset by increased issuance of certificates of deposit.

Subordinated liabilities decreased £1bn to £22bn due to redemptions of fixed and floating rate subordinated notes, Reserve Capital Instruments and Tier One Notes, partially offset by the issuance of subordinated notes and fair value hedge movements.

Repurchase agreements and other similar secured borrowings decreased £72bn to £124bn primarily driven by lower matched book trading due to balance sheet deleveraging and from lower financing requirements as a result of a decrease in long positions.

Shareholders' equity

Total shareholders' equity increased £2.8bn to £66.0bn.

Share capital and share premium remained stable at £14.5bn (2013: £14.5bn). Other equity instruments increased by £2.3bn to £4.4bn due to the issuance of equity accounted Additional Tier 1 (AT1) securities to investors in exchange for the cancellation of preference shares and subordinated debt instruments.

The available for sale reserve increased £0.4bn to £0.6bn driven by £5.3bn of gains from changes in the fair value on government bonds held in the liquidity pool, partially offset by £4.1bn of losses from related hedging, and £0.6bn of net gains transferred to net profit.

The cash flow hedging reserve increased £1.5bn to £1.8bn driven by £2.7bn of gains in the fair value of interest rate swaps held for hedging purposes as forward interest rates decreased, partially offset by £0.7bn of tax gains transferred to net profit and £0.4bn of tax.

The currency translation reserve increased to a debit balance of £0.6bn largely due to the strengthening of USD against the GBP.

Non-controlling interests increased marginally to £2.3bn (2013: £2.2bn) due to profit after tax of £0.2bn, offset by dividends paid of £0.2bn.

Analysis of results by business

Segmental analysis (audited)

Analysis of adjusted results by business

	Personal and Corporate Banking £m	Barclaycard £m	Africa Banking £m	Investment Bank[b] £m	Head Office £m	Barclays Core £m	Barclays Non-Core £m	Group adjusted results £m
For the year ended 31 December 2014								
Total income net of insurance claims	8,828	4,356	3,664	7,581	296	24,725	1,050	25,775
Credit impairment charges and other provisions	(482)	(1,183)	(349)	14	-	(2,000)	(168)	(2,168)
Net operating income	8,346	3,173	3,315	7,595	296	22,725	882	23,607
Operating expenses	(5,005)	(1,727)	(2,246)	(5,633)	(117)	(14,728)	(1,708)	(16,436)
UK bank levy	(70)	(29)	(45)	(218)	(9)	(371)	(91)	(462)
Costs to achieve Transform	(400)	(118)	(51)	(374)	(10)	(953)	(212)	(1,165)
Other income/(losses)[a]	14	40	11	-	(3)	62	(51)	11
Profit/(loss) before tax from continuing operations	2,885	1,339	984	1,370	157	6,735	(1,180)	5,555
Total assets (£bn)	285.0	41.3	55.5	455.7	49.8	887.3	471.5	1,358.7
For the year ended 31 December 2013								
Total income net of insurance claims	8,723	4,103	4,039	8,612	145	25,622	2,293	27,915
Credit impairment charges and other provisions	(621)	(1,096)	(479)	22	3	(2,171)	(900)	(3,071)
Net operating income	8,102	3,007	3,560	8,634	148	23,451	1,393	24,844
Operating expenses	(5,460)	(1,786)	(2,451)	(6,172)	(115)	(15,984)	(2,198)	(18,182)
UK bank levy	(66)	(22)	(42)	(236)	(29)	(395)	(109)	(504)
Costs to achieve Transform	(384)	(49)	(26)	(190)	(22)	(671)	(538)	(1,209)
Other income/(losses)[a]	41	33	8	-	4	86	(110)	(24)
Profit/(loss) before tax from continuing operations	2,233	1,183	1,049	2,036	(14)	6,487	(1,562)	4,925
Total assets (£bn)	278.5	34.4	54.9	438.0	27.2	833.0	511.2	1,344.2

Adjusted results reconciliation

For the year ended	Group adjusted results	Adjusting items	Group statutory results	Group adjusted results	Adjusting items	Group statutory results
	31 December 2014			31 December 2013		
Total income net of insurance claims	25,775	(440)	25,335	27,915	39	27,954
Credit impairment charges and other provisions	(2,168)	-	(2,168)	(3,071)	-	(3,071)
Net operating income	23,607	(440)	23,167	24,844	39	24,883
Operating expenses	(16,436)	(2,360)	(18,796)	(18,182)	(2,079)	(20,261)
UK bank levy	(462)	-	(462)	(504)	-	(504)
Costs to achieve Transform	(1,165)	-	(1,165)	(1,209)	-	(1,209)
Other income/(losses)[a]	11	(446)	(435)	(24)	-	(24)
Profit/(loss) before tax from continuing operations	5,555	(3,246)	2,309	4,925	(2,040)	2,885

Adjusted profit reconciliation

	2014 £m	2013 £m
Adjusted profit before tax	5,555	4,925
Own credit	34	(220)
Goodwill impairment	-	(79)
Provisions for PPI and interest rate hedging redress	(1,110)	(2,000)
Gains on US Lehman acquisition assets	461	259
Provision for ongoing investigations and litigation relating to Foreign Exchange	(1,250)	-
Loss on announced sale of the Spanish business	(446)	-
ESHLA valuation revision	(935)	-
Statutory profit before tax	2,309	2,885

Notes

a Other income/(losses) represents the share of post-tax results of associates and joint ventures, profit or (loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

b 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. December 2013 US Lehman acquisition assets and RWAs of £1.6bn have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

Analysis of results by business

Income by geographic region (audited)

	Adjusted		Statutory	
	2014 £m	2013 £m	2014 £m	2013 £m
Continuing operations				
UK[a]	**12,404**	11,700	**11,503**	11,480
Europe	**2,896**	4,019	**2,896**	4,019
Americas[b]	**5,547**	6,775	**6,008**	7,034
Africa and Middle East	**4,152**	4,137	**4,152**	4,137
Asia	**776**	1,284	**776**	1,284
Total	**25,775**	27,915	**25,335**	27,954

Statutory income from individual countries which represent more than 5% of total income (audited)[c]

	2014 £m	2013 £m
Continuing operations		
UK	**11,503**	11,480
US	**5,866**	6,760
South Africa	**2,915**	2,884

Notes
a UK adjusted income excludes the impact of an own credit gain of £34m (2013: loss £220m) and ESHLA valuation revision of £935m (2013: £nil).
b Americas adjusted income excludes the gains on US Lehman acquisition assets of £461m (2013: £259m) and gain on disposal of the investment in BlackRock, Inc. of £nil (2013: £nil).
c Total income net of insurance claims based on counterparty location. Income from each single external customer does not amount to 10% or greater of the Group's total income net of insurance claims.

Barclays Core

The Group's activities have been resegmented into Core and Non-Core business units as part of the Group strategy update announced in May 2014. The Core business is the future of Barclays and consists of the following five business areas.

- **Personal and Corporate Banking** (PCB) comprises personal banking, mortgages, wealth & investment management, and corporate banking. Through these businesses we serve the needs of our customers and clients in the UK and in selected international markets. Managing these businesses together helps to drive product and customer segment capabilities as well as cost synergies through platform integration and leveraging expertise, particularly within digital channels.

- **Barclaycard** is an international payments services provider for consumer and business customers including credit cards and consumer lending.

- The **Africa Banking** business is managed under three primary businesses: Retail and Business Banking (RBB); Wealth, Investment Management and Insurance (WIMI); Corporate and Investment Banking (CIB) as well as an Africa Head Office function.

- The **Investment Bank** now consists of origination-led and returns-focused markets and banking businesses.

Head Office comprises head office and central support functions, businesses in transition and consolidation adjustments.

	2014 £m	2013 £m
Income statement information		
Total income net of insurance claims	**24,725**	25,622
Credit impairment charges and other provisions	**(2,000)**	(2,171)
Net operating income	**22,725**	23,451
Operating expenses	**(14,728)**	(15,984)
UK bank levy	**(371)**	(395)
Costs to achieve Transform	**(953)**	(671)
Total operating expenses	**(16,052)**	(17,050)
Other net income	**62**	86
Profit before tax	**6,735**	6,487
Key facts		
Number of employees (full time equivalent)	**123,400**	129,700
Performance measures		
Cost: income ratio	**65%**	67%
Loan loss rate (bps)	**49**	55

Personal and Corporate Banking

£8,828m
total income

£2,885m
profit before tax

2014 compared to 2013

Profit before tax increased 29% to £2,885m driven by 3% growth in Personal income, lower impairment due to the improving economic environment in the UK, and the continued reduction in operating expenses due to progress on the Transform strategy. This resulted in a 2.2% increase in return on average equity to 11.9%. In Personal, income increased £119m alongside significant cost reductions, with the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels. Corporate increased both loans and deposits, and Wealth undertook a substantial reorganisation to reduce the number of target markets while simplifying operations.

Total income increased 1% to £8,828m. Personal income increased 3% to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income. Corporate income was broadly in line at £3,592m (2013: £3,620m), with balance growth in both lending and deposits, offset by margin compression. Wealth income was broadly in line at £1,077m (2013: £1,063m) driven by growth in the UK business, offset by client and market exits as part of the reorganisations in the US and EU businesses, and lower fee income.

Net interest income increased 7% to £6,298m driven by lending and deposit growth and margin improvement. Net interest margin improved 9bps to 3.00% primarily due to the launch of a revised overdraft proposition, which recognises the majority of overdraft income as net interest income as opposed to fee income, and higher savings margins within Personal and Wealth. These factors were partially offset by lower Corporate deposit margins.

Net fee and commission income reduced 10% to £2,443m due to the launch of the revised overdraft proposition and lower transactional income in Wealth.

Credit impairment charges improved 22% to £482m and the loan loss rate reduced 7bps to 21bps due to the improving economic environment in the UK, particularly impacting Corporate which benefited from one-off releases and lower defaults from large UK Corporate clients.

Total operating expenses reduced 7% to £5,475m reflecting savings realised from Transform programmes relating to restructuring of the branch network and technology improvements to increase automation.

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth.

Total assets increased 2% to £285.0bn driven by the growth in loans and advances to customers.

Customer deposits increased to £299.2bn (2013: £295.9bn).

	2014 £m	2013 £m
Income statement information		
Net interest income	**6,298**	5,893
Net fee and commission income	**2,443**	2,723
Other income	**87**	107
Total income	**8,828**	8,723
Credit impairment charges and other provisions	**(482)**	(621)
Net operating income	**8,346**	8,102
Operating expenses	**(5,005)**	(5,460)
UK bank levy	**(70)**	(66)
Costs to achieve Transform	**(400)**	(384)
Total operating expenses	**(5,475)**	(5,910)
Other net income	**14**	41
Profit before tax	**2,885**	2,233
Balance sheet information		
Loans and advances to customers at amortised cost	**£217.0bn**	£212.2bn
Total assets	**£285.0bn**	£278.5bn
Customer deposits	**£299.2bn**	£295.9bn
Key facts		
Average LTV of mortgage lending[a]	**52%**	56%
Average LTV of new mortgage lending[a]	**65%**	64%
Number of branches	**1,488**	1,560
Number of employees (full time equivalent)	**45,600**	50,100
Performance measures		
Cost: income ratio	**62%**	68%
Loan loss rate (bps)	**21**	28

Note

a Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.

Barclaycard

£4,356m
total income

£1,339m
profit before tax

2014 compared to 2013

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 30m (2013: 26m) and asset growth across all geographies generating a 6% increase in income. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43% (2013: 45%). The business focus on risk management is reflected in stable 30-day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%).

Total income increased 6% to £4,356m reflecting growth in the UK consumer and merchant, Germany and US businesses, partially offset by depreciation of average USD against GBP.

Net interest income increased 8% to £3,044m driven by volume growth. Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, particularly in the US, partially offset by lower funding costs.

Net fee and commission income increased 2% to £1,286m due to growth in payment volumes.

Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance. Delinquency rates remained broadly stable and the loan loss rate reduced 24bps to 308bps.

Total operating expenses increased 1% to £1,874m driven by higher costs to achieve Transform of £118m (2013: £49m), partially offset by depreciation of average USD against GBP, VAT refunds and savings from Transform programmes, including insourcing of services, consolidation of sites and digitalisation.

Loans and advances to customers increased 16% to £36.6bn reflecting growth across all geographies, including the impact of promotional offers and the acquisition of portfolios in the US.

Total assets increased 20% to £41.3bn due to the increase in loans and advances to customers.

Customer deposits increased 43% to £7.3bn driven by the deposits funding strategy in the US.

	2014 £m	2013 £m
Income Statement Information		
Net interest income	3,044	2,829
Net fee and commission income	1,286	1,256
Other income	26	18
Total income	4,356	4,103
Credit impairment charges and other provisions	(1,183)	(1,096)
Net operating income	3,173	3,007
Operating expenses	(1,727)	(1,786)
UK bank levy	(29)	(22)
Costs to achieve Transform	(118)	(49)
Total operating expenses	(1,874)	(1,857)
Other net income	40	33
Profit before tax	1,339	1,183
Balance sheet information		
Loans and advances to customers at amortised cost	£36.6bn	£31.5bn
Total assets	£41.3bn	£34.4bn
Customer deposits	£7.3bn	£5.1bn
Key facts		
30 days arrears rates - UK cards	2.5%	2.4%
30 days arrears rates - US cards	2.1%	2.1%
Number of employees (full time equivalent)	12,200	11,000
Performance measures		
Cost: income ratio	43%	45%
Loan loss rate (bps)	308	332

Africa Banking

£3,664m
total income net of insurance claims

£984m
profit before tax

2014 compared to 2013

On a reported basis[a], total income net of insurance claims decreased 9% to £3,664m and profit before tax decreased 6% to £984m. Based on average rates, the ZAR depreciated against GBP by 18% in 2014. The deterioration was a significant contributor to the movement in the reported results of Africa Banking. The discussion of business performance below is based on results on a constant currency basis[b] unless otherwise stated.

Profit before tax increased 13% to £984m, reflecting good growth in Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB). CIB experienced strong income growth, driven by the corporate banking business outside South Africa, and improved investment banking trading performance across Africa. Continued progress was made on the RBB South Africa turnaround strategy, with increased net fee and commission income growth in the second half of the year, and Wealth, Investment Management and Insurance (WIMI) delivered strong growth outside South Africa due to expansion initiatives.

Total income net of insurance claims increased 7% to £3,664m.

Net interest income increased 9% to £2,093m, primarily driven by higher average loans and advances to customers in CIB and growth in customer deposits in RBB in South Africa. Net interest margin on a reported basis[a] increased 14bps to 5.95% following the rise in the South African benchmark interest rate and the favourable impact of higher deposit margins, partially offset by lower rates outside South Africa.

Net fee and commission income increased 2% to £1,086m mainly reflecting increased RBB transactions in South Africa.

Credit impairment charges decreased 14% to £349m and on a reported basis the loan loss rate improved 35bps to 93bps, driven by reduced impairments in the South Africa mortgages portfolio and business banking, partially offset by increased impairments in the card portfolio.

Total operating expenses increased 8% to £2,342m largely reflecting inflationary increases, resulting in higher staff costs, and increased investment spend on key initiatives, including higher costs to achieve Transform of £51m (2013: £23m), partially offset by savings from Transform programmes.

Loans and advances to customers increased 5% to £35.2bn primarily driven by strong corporate banking growth across Africa in CIB and limited growth in RBB, mainly due to a modest reduction in the South Africa mortgages portfolio.

Total assets increased 5% to £55.5bn due to the increase in loans and advances to customers.

Customer deposits increased 5% to £35.0bn reflecting strong growth in the South African RBB business.

Note
a Reported basis represents results in GBP using actual exchange rates.
b Constant currency results are calculated by converting ZAR results into GBP using the average 2014 exchange rate for the income statement and the closing 2014 exchange rate for the balance sheet to elimate the impact of movement in exchange rate between the two period.

	2014 £m	2013 £m	Constant currency[a] 2014 £m	Constant currency[a] 2013 £m
Income statement information				
Net interest income	**2,093**	2,245	**2,093**	1,912
Net fee and commission income	**1,086**	1,254	**1,086**	1,067
Net trading income	**250**	260	**250**	219
Net premiums from insurance contracts	**337**	374	**337**	316
Other income	**68**	91	**68**	78
Total income	**3,834**	4,224	**3,834**	3,592
Net claims and benefits incurred under insurance contracts	**(170)**	(185)	**(170)**	(157)
Total income net of insurance claims	**3,664**	4,039	**3,664**	3,435
Credit impairment charges and other provisions	**(349)**	(479)	**(349)**	(406)
Net operating income	**3,315**	3,560	**3,315**	3,029
Operating expenses	**(2,246)**	(2,451)	**(2,246)**	(2,098)
UK bank levy	**(45)**	(42)	**(45)**	(42)
Costs to achieve Transform	**(51)**	(26)	**(51)**	(23)
Total operating expenses	**(2,342)**	(2,519)	**(2,342)**	(2,163)
Other net income	**11**	8	**11**	7
Profit before tax	**984**	1,049	**984**	873
Balance sheet information				
Loans and advances to customers at amortised cost	**£35.2bn**	£34.9bn	**£35.2bn**	£33.6bn
Total assets	**£55.5bn**	£54.9bn	**£55.5bn**	£52.8bn
Customer deposits	**£35.0bn**	£34.6bn	**£35.0bn**	£33.3bn

Key facts		
Average LTV of mortgage portfolio[b]	**59.9%**	62.3%
Average LTV of new mortgage lending[b]	**74.8%**	74.9%
Number of distribution points	**1,349**	1,396
Number of employees (full time equivalent)	**45,000**	45,900
ZAR/£ - Period end	**18.03**	17.37
ZAR/£ - Average	**17.84**	15.10
Performance measures		
Cost: income ratio	**64%**	62%
Loan loss rate (bps)	**93**	128

Note
a Constant currency results are calculated by converting ZAR results into GBP using the average 2014 exchange rate for the income statement and the closing 2014 exchange rate for the balance sheet to eliminate the impact of movement in exchange rate between the two period.
b Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis for South Africa.

Analysis of results by business

Investment Bank

£7,581m
total income

£1,370m
profit before tax

2014 compared to 2013

Profit before tax decreased 33% to £1,370m. The Investment Bank continues to make progress on its origination-led strategy, building on leading positions in its home markets of the UK and US, while driving cost savings and RWA efficiencies. The business is focused on a simpler product set in Markets, which will enable it to build on existing strengths and adapt to regulatory developments. The business continued to execute this strategy despite difficult market-making conditions and continued low levels of activity. This has particularly impacted credit and interest rate products, resulting in an income decline across the Markets businesses. This decline was partially offset by improved banking performance and significant cost reductions as a result of savings from Transform programmes.

Total income decreased 12% to £7,581m, including the impact of depreciation of average USD against GBP. Banking income increased 1% to £2,542m. Investment Banking fee income decreased 3% to £2,125m driven by lower debt underwriting fees, partially offset by higher financial advisory and equity underwriting fees. Lending income increased to £417m (2013: £325m) due to lower fair value losses on hedges and higher net interest and fee income.

Markets income decreased 18% to £5,019m. Credit decreased 17% to £1,044m driven by reduced volatility and client activity, with lower income in distressed credit, US high yield and US high grade products. Equities decreased 12% to £2,025m due to declines in cash equities and equity derivatives, reflecting lower client volumes, partially offset by higher income in equity financing. Macro decreased 24% to £1,950m reflecting subdued client activity in rates and lower volatility in currency markets in the first half of the year.

Net credit impairment release of £14m (2013: £22m) arose from a number of single name exposures.

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs to £3,620m, savings from Transform programmes, including business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased costs to achieve Transform of £374m (2013: £190m) and litigation and conduct charges.

Loans and advances to customers and banks increased 2% to £106.3bn driven by an increase in cash collateral and lending, partially offset by a reduction in settlement balances due to reduced activity.

Derivative financial instrument assets and liabilities increased 40% to £152.6bn and 38% to £160.6bn respectively, driven by decreases in predominantly GBP, USD and EUR forward interest rates, and strengthening of USD against major currencies.

Reverse repurchase agreements and other similar secured lending decreased 18% to £64.3bn due to decreased match book trading and funding requirements.

Total assets increased 4% to £455.7bn due to an increase in derivative financial instrument assets, partially offset by a decrease in reverse repurchase agreements and other similar secured lending, and financial assets at fair value.

	2014 £m	2013[a] £m
Income statement information		
Net interest income	647	393
Net fee and commission income	3,101	3,253
Net trading income	3,714	4,964
Net investment income	119	2
Total income	7,581	8,612
Credit impairment releases and other provisions	14	22
Net operating income	7,595	8,634
Operating expenses	(5,633)	(6,172)
UK bank levy	(218)	(236)
Costs to achieve Transform	(374)	(190)
Total operating expenses	(6,225)	(6,598)
Profit before tax	1,370	2,036
Balance sheet information		
Loans and advances to banks and customers at amortised cost[b]	£106.3bn	£104.5bn
Trading portfolio assets	£94.8bn	£96.6bn
Derivative financial instrument assets	£152.6bn	£108.7bn
Derivative financial instrument liabilities	£160.6bn	£116.6bn
Reverse repurchase agreements and other similar secured lending	£64.3bn	£78.2bn
Total assets[a]	£455.7bn	£438.0bn
Key facts		
Number of employees (full time equivalent)	20,500	22,600
Performance measures		
Cost: income ratio	82%	77%
Analysis of total income		
Investment banking fees	2,125	2,181
Lending	417	325
Banking	2,542	2,506
Credit	1,044	1,257
Equities	2,025	2,292
Macro	1,950	2,580
Markets	5,019	6,129
Banking and Markets	7,561	8,635
Other[a]	20	(23)
Total income	7,581	8,612

Notes

a 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. In addition, December 2013 US Lehman acquisition assets and RWAs of £1.6bn have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

b As at 31 December 2014 loans and advances included £86.4bn (2013: £84.1bn) of loans and advances to customers (including settlement balances of £25.8bn (2013: £33.2bn) and cash collateral of £32.2bn (2013: £25.6bn)) and loans and advances to banks of £19.9bn (2013: £20.4bn) (including settlement balances of £2.7bn (2013: £4.4bn) and cash collateral of £6.9bn (2013: £6.4bn)).

Head Office

2014 compared to 2013

Profit before tax of £157m improved from a loss of £14m in 2013.

Net operating income increased to £296m (2013: £148m) predominantly due to net gains of £88m from foreign exchange recycling arising from the restructure of group subsidiaries.

Total operating expenses decreased £30m to £136m mainly due to a reduction in UK bank levy to £9m (2013: £29m), the non-recurrence of costs associated with the Salz Review and the establishment of the Transform programme in the prior year, partially offset by increased litigation and conduct charges.

Total assets increased £22.6bn to £49.8bn reflecting an increase in the Group liquidity pool assets.

	2014 £m	2013[a] £m
Income statement information		
Total income	**296**	145
Credit impairment releases and other provisions	**-**	3
Net operating income	**296**	148
Operating expenses	**(117)**	(115)
UK bank levy	**(9)**	(29)
Cost to achieve Transform	**(10)**	(22)
Total operating expenses	**(136)**	(166)
Other net (expense)/income	**(3)**	4
Profit/(loss) before tax	**157**	(14)
Balance sheet information		
Total assets[a]	**£49.8bn**	£27.2bn
Key facts		
Number of employees (full time equivalent)	**100**	100

Note
a US Lehman acquisition assets and RWAs for December 2013 of £1.6bn have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

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Barclays Non-Core

£1,360m
total income

£1,180m
loss before tax

Barclays Non-Core (BNC) groups together businesses and assets that are no longer strategically attractive to Barclays and are being managed under three broad categories:

- Businesses, including all of Europe Retail;
- Securities and Loans, incorporating Investment Bank portfolio assets and the UK corporate long dated fixed rate loans portfolio; and
- Derivatives, including the traded legacy derivatives portfolio.

2014 compared to 2013

Loss before tax reduced 24% to £1,180m as Barclays Non-Core (BNC) made good progress in exiting and running-down certain businesses and securities during 2014. This drove a £34.6bn reduction in RWAs, making substantial progress towards the BNC target reductions as outlined in the Group Strategy Update on 8 May 2014.

Total income net of insurance claims reduced 54% to £1,050m. Businesses income reduced 27% to £1,101m due to the sale and run-down of legacy portfolio assets and the rationalisation of product offerings within the European retail business. Securities and Loans income reduced 82% to £117m primarily driven by the active run-down of securities, fair value losses on wholesale loan portfolios and the non-recurrence of prior year favourable market movements on certain securitised products, partially offset by a £119m gain on the sale of the UAE retail banking portfolio. Derivatives income reduced £321m to an expense of £168m reflecting the funding costs of the traded legacy derivatives portfolio and the non-recurrence of fair value gains in the prior year.

Credit impairment charges improved 81% to £168m due to the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio as a result of confirmation on Spanish government subsidies in the renewable energy sector, and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio.

Total operating expenses improved 29% to £2,011m reflecting savings from Transform programmes, including lower headcount and the results of the previously announced European retail restructuring. In addition, costs to achieve Transform reduced 61% to £212m.

Loans and advances to banks and customers reduced 22% to £63.9bn due to a £12.9bn reclassification of loans relating to the Spanish business, which was held for sale, and a reduction in Europe retail driven by a run-off of assets.

Trading portfolio assets reduced 48% to £15.9bn due to the sale and run-down of legacy portfolio assets.

Derivative financial instrument assets and liabilities increased 19% to £285.4bn and 21% to £277.1bn respectively, driven by decreases in major forward interest rates.

Total assets decreased 8% to £471.5bn with reduced reverse repurchase agreements and other similar secured lending, and trading portfolio assets, due to the run-down of legacy portfolio assets, offset by an increase in derivative financial instrument assets. BCBS 270 leverage exposure reduced to £277bn.

	2014 £m	2013 £m
Income statement information		
Net interest income	**214**	307
Net fee and commission income	**466**	383
Net trading income	**120**	1,327
Net investment income	**164**	302
Net premiums from insurance contracts	**290**	306
Other income/(expense)	**106**	(8)
Total income	**1,360**	2,617
Net claims and benefits incurred under insurance contracts	**(310)**	(324)
Total income net of insurance claims	**1,050**	2,293
Credit impairment charges and other provisions	**(168)**	(900)
Net operating income	**882**	1,393
Operating expenses	**(1,708)**	(2,198)
UK bank levy	**(91)**	(109)
Costs to achieve Transform	**(212)**	(538)
Total operating expenses	**(2,011)**	(2,845)
Other net (expense)/income	**(51)**	(110)
(Loss)/profit before tax	**(1,180)**	(1,562)
Balance sheet information		
Loans and advances to banks and customers at amortised cost[a]	**£63.9bn**	£81.9bn
Loans and advances to customers at fair value	**£18.7bn**	£17.6bn
Trading portfolio assets	**£15.9bn**	£30.7bn
Derivative financial instrument assets	**£285.4bn**	£239.3bn
Derivative financial instrument liabilities	**£277.1bn**	£228.3bn
Reverse repurchase agreements and other similar secured lending	**£49.3bn**	£104.7bn
Total assets	**£471.5bn**	£511.2bn
Customer deposits	**£21.6bn**	£29.3bn
Key facts		
Number of employees (full time equivalent)	8,900	9,900
Performance measures		
Loan loss rate (bps)	**31**	107
Analysis of total income		
Businesses	**1,101**	1,498
Securities and Loans	**117**	642
Derivatives	**(168)**	153
Total income	**1,050**	2,293

Note
a As at 31 December 2014 loans and advances included £51.6bn (2013: £70.8bn) of loans and advances to customers (including settlement balances of £1.6bn (2013: £2.6bn) and cash collateral of £22.1bn (2013: £14.5bn)) and loans and advances to banks of £12.3bn (2013: £11.1bn) (including settlement balances of £0.3bn (2013: £0.8bn) and cash collateral of £11.3bn (2013: £9.5bn)).

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Presentation of information

Barclays Bank PLC is a public limited company, registered in England under company number 1026167. The bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on the 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985 the Bank was registered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

Barclays approach to disclosures

The Group aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continue to support the recommendations and guidance made by the Enhanced Disclosure Taskforce (EDTF). The EDTF was formed by the Financial Stability Board with a remit to broaden and deepen the risk disclosures of global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has fully adopted the recommendations across the Annual Report and Pillar 3 report.

In line with the Financial Reporting Council's guidance on Clear and Concise reporting, for 2014 Barclays has focused reporting on material items and sought to reorganise information to aid users understanding.

It is Barclays view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement with the banking sector. Barclays are committed to engaging with a published Code for Financial Reporting Disclosure (the Code). The Code sets out five disclosure principles with supporting guidance which states that UK banks will:

- Provide high quality, meaningful and decision-useful disclosures;
- Review and enhance their financial instrument disclosures for key areas of interest;
- Assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance;
- Seek to enhance the comparability of financial statement disclosures across the UK banking sector; and
- Clearly differentiate in their annual reports between information that is audited and information that is unaudited.

British Bankers' Association (BBA) Code for Financial Reporting Disclosure

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2014 Annual Report and Accounts in compliance with the Code.

Statutory Accounts

The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 162 to167 along with the accounts of Barclays Bank PLC itself on pages 162 to 167. The accounting policies on pages 168 to 170 and the Notes commencing on page 171 apply equally to both sets of accounts unless otherwise stated.

Differences between Barclays Bank PLC and the Parent Company - Barclays PLC

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC, which is the Group's ultimate parent company. The business activities of Barclays Bank PLC Group and Barclays PLC Group are fundamentally the same as the only difference is the holding company, Barclays PLC. Reporting differences between Barclays Bank PLC and Barclays PLC are driven by the holding company and resulting differences in funding structures. The significant differences are described below.

Instrument Type	Barclays PLC £m	Barclays Bank PLC £m	Primary reason for difference
Preference shares	-	5,846	Preference shares and capital notes issued by Barclays Bank PLC are included within share capital in Barclays Bank PLC, and presented as non-controlling interests in the financial statements of Barclays PLC Group.
Other shareholders' equity	-	485	
Non-controlling interests (NCI)	6,391	2,251	
Treasury shares	(84)	-	Barclays PLC shares held for the purposes of employee share schemes and for trading are recognised as available for sale investments and trading portfolio assets respectively within Barclays Bank PLC. Barclays PLC deducts these treasury shares from shareholders' equity.
Capital Redemption Reserve (CRR)	394	24	Arising from the redemption or exchange of Barclays PLC or Barclays Bank PLC shares respectively.

Presentation of information

Barclays Bank PLC Preference Share Exchange and Repurchase
During Q2 2014 Barclays Bank PLC preference shares with a total book value of £1.5bn were repurchased by Barclays Bank PLC as part of an overall exchange of those preference shares (together with subordinated debt instruments with a nominal value of £0.6bn), for three issuances of Barclays PLC Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with principal amounts of $1.2bn, €1.1bn and £0.7bn. Upon completion of the exercise, Barclays Bank PLC repurchased the preference shares for cash, funded from retained earnings, at a fair value of £1.7bn. In accordance with capital maintenance rules in the Companies Act 2006, a Capital Redemption Reserve (CRR) of £16m equal to the preference share capital nominal translated at current exchange rates was established in Barclays Bank PLC. As the preference shares are presented as NCI in the financial statements of Barclays PLC, the exchange resulted in a reduction in NCI for Barclays PLC.

Barclays Bank PLC Preference Share Redemption
During Q4 2014 Barclays Bank PLC preference shares with a total book value of £0.7bn were redeemed on their first call date. The cash redemption of the preference shares by Barclays Bank PLC at a fair value of £0.8bn was funded from retained earnings. In accordance with capital maintenance rules in the Companies Act 2006, a Capital Redemption Reserve (CRR) of £8m equal to the preference share capital nominal translated at current exchange rates was established in Barclays Bank PLC. As the preference shares are presented as NCI in the financial statements of Barclays PLC, the exchange resulted in a reduction in NCI for Barclays PLC.

Barclays Bank PLC Contingent Capital Notes (CCNs)
The Group issued two series of contingent capital notes (CCNs). These were both issued by Barclays Bank PLC and pay interest and principal to the holder unless the consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) of Barclays PLC falls below 7%, in which case they are cancelled from the consolidated perspective. The coupon payable on the CCNs is higher than a market rate of interest for a similar note without this risk.

The accounting for these instruments differs between the consolidated financial statements of Barclays PLC and Barclays Bank PLC as follows:

- In the case of the 7.675% CCN issuance, the cancellation is effected by an automatic legal transfer from the holder to Barclays PLC. In these circumstances, Barclays Bank PLC remains liable to Barclays PLC. Barclays Bank PLC does not benefit from the cancellation feature although it pays a higher than market rate for a similar note, and therefore the initial fair value of the note recognised was higher than par. The difference between fair value and par is amortised to the income statement over time.
- In the case of the 7.75% CCN issuance, the cancellation is directly effected in Barclays Bank PLC. For Barclays Bank PLC, the cancellation feature is separately valued from the host liability (see accounting policy in Note 14 on page182) as an embedded derivative with changes in fair value reported in the income statement. The initial fair value of the host liability recognised was higher than par by the amount of the initial fair value of the derivative and the difference is amortised to the income statement over time.

Independent Auditors’ report

Independent Auditors’ report to the members of Barclays Bank PLC

Report on the financial statements

Our opinion
In our opinion:

- Barclays Bank PLC’s group financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of The Group’s and of the parent company’s affairs as at 31 December 2014 and of The Group’s profit and The Group’s and the parent company’s cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited
Barclays Bank PLC’s financial statements comprise:

- The consolidated and parent company balance sheets as at 31 December 2014;
- The consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- The consolidated and parent company cash flow statements for the year then ended;
- The consolidated and parent company statements of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors’ remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors’ remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit
Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities for accounts set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Ratcliffe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2015

Notes
a The maintenance and integrity of the Barclays website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
b Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Registered Public Accounting Firm's report

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Barclays Bank PLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements present fairly, in all material respects, the financial position of Barclays Bank PLC ("the Bank") and its subsidiaries as at 31 December 2014 and 31 December 2013, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 44 to the consolidated financial statements, the Bank changed the manner in which it offsets certain financial instruments in 2014.

PricewaterhouseCoopers LLP
London, United Kingdom
2 March 2015

Consolidated financial statements
Consolidated income statement

For the year ended 31 December	Notes	The Group 2014 £m	2013 £m
Continuing operations			
Interest income	3	17,369	18,315
Interest expense	3	(5,231)	(6,662)
Net interest income		12,138	11,653
Fee and commission income	4	9,850	10,500
Fee and commission expense	4	(1,662)	(1,748)
Net fee and commission income		8,188	8,752
Net trading income	5	3,310	6,548
Net investment income	6	1,328	680
Net premiums from insurance contracts		669	732
Other income		182	98
Total income		25,815	28,463
Net claims and benefits incurred on insurance contracts		(480)	(509)
Total income net of insurance claims		25,335	27,954
Credit impairment charges and other credit provisions	7	(2,168)	(3,071)
Net operating income		23,167	24,883
Staff costs	33	(11,005)	(12,155)
Infrastructure costs	8	(3,443)	(3,531)
Administration and general expenses	8	(3,615)	(4,288)
Provision for PPI redress	26	(1,270)	(1,350)
Provision for interest rate hedging products redress	26	160	(650)
Provision relating to foreign exchange	26	(1,250)	-
Operating expenses		(20,423)	(21,974)
Share of post-tax results of associates and joint ventures		36	(56)
(Loss)/profit on disposal of subsidiaries, associates and joint ventures	9	(471)	6
Gain on acquisitions		-	26
Profit before tax		2,309	2,885
Tax	10	(1,455)	(1,577)
Profit after tax		854	1,308
Attributable to:			
Equity holders of the parent		528	963
Non-controlling interests	32	326	345
Profit after tax		854	1,308

The Board of Directors approved the financial statements set out on pages 162 to 282 on 2 March 2015.

Note
As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented.

Consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December	The Group 2014 £m	2013 £m
Profit after tax	**854**	1,308
Other comprehensive income/(loss) from continuing operations:		
Currency translation reserve		
Currency translation differences	**486**	(1,767)
Available for sale reserve		
Net gains/(losses) from changes in fair value	**5,346**	(2,730)
Net gains transferred to net profit on disposal	**(619)**	(145)
Net (gains)/losses transferred to net profit due to impairment	**(31)**	(7)
Net (gains)/losses transferred to net profit due to fair value hedging	**(4,074)**	2,376
Changes in insurance liabilities	**(94)**	28
Tax	**(102)**	100
Cash flow hedging reserve		
Net gains/(losses) from changes in fair value	**2,687**	(1,914)
Net gains transferred to net profit	**(767)**	(547)
Tax	**(380)**	571
		-
Other	**(19)**	(37)
Total comprehensive income/(loss) that may be recycled to profit and loss	**2,433**	(4,072)
Other comprehensive income/(loss) not recycled to profit or loss:		
Retirement benefit remeasurements	**268**	(512)
Deferred tax	**(63)**	(3)
Other comprehensive income/(loss) for the year	**2,638**	(4,587)
Total comprehensive income/(loss) for the year	**3,492**	(3,279)
Attributable to:		
Equity holders of the parent	**3,245**	(2,979)
Non-controlling interests	**247**	(300)
	3,492	(3,279)

Consolidated financial statements

Consolidated balance sheet

		The Group			The Bank		
		31 December 2014	31 December 2013[a]	1 January 2013[a]	31 December 2014	31 December 2013[a]	1 January 2013[a]
As at	Notes	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances at central banks		**39,695**	45,687	86,191	**35,469**	42,139	81,996
Items in the course of collection from other banks		**1,210**	1,282	1,473	**801**	992	1,076
Trading portfolio assets	12	**114,755**	133,089	146,352	**49,076**	66,212	74,719
Financial assets designated at fair value	13	**38,300**	38,968	46,629	**40,867**	80,621	82,237
Derivative financial instruments	14	**440,076**	350,460	485,140	**426,565**	345,434	485,186
Available for sale investments	15	**86,105**	91,788	75,133	**78,590**	82,272	61,753
Loans and advances to banks	19	**42,657**	39,822	42,208	**57,438**	51,650	52,512
Loans and advances to customers	19	**427,767**	434,237	430,601	**429,814**	462,583	477,488
Reverse repurchase agreements and other similar secured lending	21	**131,753**	186,779	176,522	**102,824**	142,695	138,580
Prepayments, accrued income and other assets		**3,604**	3,919	4,077	**16,529**	16,685	12,020
Investments in associates and joint ventures	38	**711**	653	633	**193**	182	174
Investment in subsidiaries		**-**	-	-	**18,345**	14,374	14,718
Property, plant and equipment	22	**3,786**	4,216	5,754	**1,601**	1,724	1,906
Goodwill and intangible assets	23	**8,180**	7,685	7,915	**4,945**	4,806	4,564
Current tax assets	10	**334**	181	252	**-**	84	119
Deferred tax assets	10	**4,130**	4,807	3,559	**2,079**	2,736	1,654
Retirement benefit assets	35	**56**	133	53	**-**	-	-
Non current assets classified as held for disposal	45	**15,574**	495	285	**620**	-	-
Total assets		**1,358,693**	1,344,201	1,512,777	**1,265,756**	1,315,189	1,490,702
Liabilities							
Deposits from banks		**58,390**	55,615	77,345	**70,342**	64,667	84,073
Items in the course of collection due to other banks		**1,177**	1,359	1,587	**911**	1,168	1,231
Customer accounts		**427,868**	432,032	390,917	**425,134**	497,259	484,408
Repurchase agreements and other similar secured borrowing	21	**124,479**	196,748	217,178	**95,373**	148,545	151,444
Trading portfolio liabilities	12	**45,124**	53,464	44,794	**25,910**	28,990	30,105
Financial liabilities designated at fair value	16	**56,972**	64,796	78,561	**62,716**	77,926	91,376
Derivative financial instruments	14	**439,320**	347,118	480,987	**419,605**	335,223	475,866
Debt securities in issue		**86,099**	86,693	119,525	**63,771**	62,812	85,172
Subordinated liabilities	29	**21,685**	22,249	24,422	**20,851**	20,982	22,941
Accruals, deferred income and other liabilities	25	**11,432**	13,673	12,532	**18,649**	19,042	14,997
Provisions	26	**4,135**	3,886	2,766	**3,790**	3,313	2,405
Current tax liabilities	10	**1,023**	1,042	617	**395**	520	304
Deferred tax liabilities	10	**255**	348	341	**13**	176	69
Retirement benefit liabilities	35	**1,574**	1,958	1,282	**1,309**	1,588	1,011
Liabilities included in disposal groups classified as held for sale	45	**13,115**	-	-	**275**	-	-
Total liabilities		**1,292,648**	1,280,981	1,452,854	**1,209,044**	1,262,211	1,445,402
Total equity							
Called up share capital and share premium	30	**14,472**	14,494	14,494	**14,472**	14,494	14,494
Other equity instruments	30	**4,350**	2,078	-	**4,350**	2,078	-
Other reserves	31	**2,322**	(233)	3,329	**2,372**	79	2,653
Retained earnings		**42,650**	44,670	39,244	**35,518**	36,327	28,153
Total equity excluding non-controlling interests[a]		**63,794**	61,009	57,067	**56,712**	52,978	45,300
Non-controlling interests	32	**2,251**	2,211	2,856	**-**	-	-
Total equity		**66,045**	63,220	59,923	**56,712**	52,978	45,300
Total liabilities and equity		**1,358,693**	1,344,201	1,512,777	**1,265,756**	1,315,189	1,490,702

The Board of Directors approved the financial statements on pages 162 to 282 on 2 March 2015.

Sir David Walker
Group Chairman

Antony Jenkins
Group Chief Executive

Tushar Morzaria
Group Finance Director

Note
a The prior year has been restated to reflect the adoption of IAS 32 (revised) standard.
b As permitted by section 408 of the Companies Act 2006 an income statement for the parent company has not been presented. Included in shareholders' equity excluding non-controlling interests for 'The Bank' is a profit after tax for the year ended 31 December 2014 of £1,488m (2013: £3,407m).

Consolidated financial statements

Statement of changes in equity

The Group	Called up share capital and share premium[a] £m	Other equity instruments[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other reserves and other shareholders' equity[b] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2014	**14,494**	**2,078**	**151**	**273**	**(1,142)**	**485**	**44,670**	**61,009**	**2,211**	**63,220**
Profit after tax	-	250	-	-	-	-	278	528	326	854
Currency translation movements	-	-	-	-	560	-	-	560	(74)	486
Available for sale investments	-	-	427		-	-	-	427	(1)	426
Cash flow hedges	-	-	-	1,544	-	-	-	1,544	(4)	1,540
Pension remeasurement	-	-	-		-	-	205	205	-	205
Other	-	-	-		-	-	(19)	(19)	-	(19)
Total comprehensive income for the year	-	250	427	1,544	560	-	464	3,245	247	3,492
Buyback and issue of equity instruments	(15)	2,272	-	-	-	16	(1,683)	590	-	590
Redemption of preference shares	(7)	-	-	-	-	8	(792)	(791)	-	(791)
Other equity instruments coupons paid	-	(250)	-	-	-	-	54	(196)	-	(196)
Equity settled share schemes	-	-	-	-	-	-	693	693	-	693
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(866)	(866)	-	(866)
Dividends on ordinary shares	-	-	-	-	-	-	(821)	(821)	(190)	(1,011)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	(441)	(441)	-	(441)
Capital contribution from Barclays PLC	-	-	-	-	-	-	1,412	1,412	-	1,412
Other reserve movements	-	-	-	-	-	-	(40)	(40)	(17)	(57)
Balance as at 31 December 2014	**14,472**	**4,350**	**578**	**1,817**	**(582)**	**509**	**42,650**	**63,794**	**2,251**	**66,045**

The Group	Called up share capital and share premium[a] £m	Other equity instruments[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other reserves and other shareholders' equity[b] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2013	14,494	-	526	2,099	59	645	39,244	57,067	2,856	59,923
Profit after tax	-	-	-	-	-	-	963	963	345	1,308
Currency translation movements	-	-	-	-	(1,201)	-	-	(1,201)	(566)	(1,767)
Available for sale investments	-	-	(375)	-	-	-	-	(375)	(3)	(378)
Cash flow hedges	-	-	-	(1,826)	-	-	-	(1,826)	(64)	(1,890)
Pension remeasurement	-	-	-	-	-	-	(503)	(503)	(12)	(515)
Other	-	-	-	-	-	-	(37)	(37)	-	(37)
Total comprehensive (loss)/ income for the year	-	-	(375)	(1,826)	(1,201)	-	423	(2,979)	(300)	(3,279)
Issue of other equity instruments	-	2,078	-	-	-	-	-	2,078	-	2,078
Equity settled share schemes	-	-	-	-	-	-	689	689	-	689
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(1,047)	(1,047)	-	(1,047)
Dividends on ordinary shares	-	-	-	-	-	-	(734)	(734)	(342)	(1,076)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	(471)	(471)	-	(471)
Redemption of capital instruments	-	-	-	-	-	(100)	-	(100)	-	(100)
Capital contribution from Barclays PLC	-	-	-	-	-	-	6,553	6,553	-	6,553
Other reserve movements	-	-	-	-	-	(60)	13	(47)	(3)	(50)
Balance as at 31 December 2013	14,494	2,078	151	273	(1,142)	485	44,670	61,009	2,211	63,220

Notes
a For further details refer to Note 30
b For further details refer to Note 31

Consolidated financial statements

Statement of changes in equity

The Bank	Called up share capital and share premium[a]	Other equity instruments[a]	Available for sale reserve[b]	Cash flow hedging reserve[b]	Currency translation reserve[b]	Other reserves and other shareholders' equity	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2014	**14,494**	**2,078**	**(12)**	**254**	**(712)**	**549**	**36,327**	**52,978**
Profit after tax	-	250	-	-	-	-	1,238	1,488
Currency translation movements	-	-	-	-	342	-	-	342
Available for sale investments	-	-	374	-	-	-	-	374
Cash flow hedges	-	-	-	1,553	-	-	-	1,553
Pension remeasurement	-	-	-	-	-	-	239	239
Other	-	-	-	-	-	-	7	7
Total comprehensive income for the year	-	250	374	1,553	342	-	1,484	4,003
Buyback and issue of other equity instruments	(15)	2,272	-	-	-	16	(1,683)	590
Redemption of preference shares	(7)	-	-	-	-	8	(792)	(791)
Other equity instruments coupons paid	-	(250)	-	-	-	-	54	(196)
Equity settled share schemes	-	-	-	-	-	-	117	117
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(128)	(128)
Dividends on ordinary shares	-	-	-	-	-	-	(821)	(821)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	(443)	(443)
Capital contribution from Barclays PLC	-	-	-	-	-	-	1,412	1,412
Other reserve movements	-	-	-	-	-	-	(9)	(9)
Balance as at 31 December 2014	**14,472**	**4,350**	**362**	**1,807**	**(370)**	**573**	**35,518**	**56,712**
Balance as at 1 January 2013	14,494	-	474	2,008	(539)	710	28,153	45,300
Profit after tax	-	-	-	-	-	-	3,407	3,407
Currency translation movements	-	-	-	-	(173)	-	-	(173)
Available for sale investments	-	-	(486)	-	-	-	-	(486)
Cash flow hedges	-	-	-	(1,754)	-	-	-	(1,754)
Pension remeasurement	-	-	-	-	-	-	(698)	(698)
Other	-	-	-	-	-	-	(45)	(45)
Total comprehensive (loss)/income for the year	-	-	(486)	(1,754)	(173)	-	2,664	251
Issue of other equity instruments	-	2,078	-	-	-	-	-	2,078
Equity settled share schemes	-	-	-	-	-	-	117	117
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(91)	(91)
Dividends paid	-	-	-	-	-	-	(1,242)	(1,242)
Capital contribution from Barclays PLC	-	-	-	-	-	-	6,553	6,553
Redemption of capital instruments	-	-	-	-	-	(100)	-	(100)
Other reserve movements	-	-	-	-	-	(61)	173	112
Balance as at 31 December 2013	14,494	2,078	(12)	254	(712)	549	36,327	52,978

Notes
a For further details refer to Note 30
b For further details refer to Note 31

Consolidated financial statements

Consolidated cash flow statement

For the year ended 31 December	The Group 2014 £m	The Group 2013 £m	The Bank 2014 £m	The Bank 2013 £m
Continuing operations				
Reconciliation of profit before tax to net cash flows from operating activities:				
Profit before tax	**2,309**	2,885	**1.557**	3,291
Adjustment for non-cash items:				
Allowance for impairment	**2,168**	3,071	**1,220**	2,405
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**1,279**	1,276	**646**	647
Other provisions, including pensions	**3,600**	3,673	**3,240**	3,072
Net profit on disposal of investments and property, plant and equipment	**(620)**	(145)	**-**	(93)
Other non-cash movements	**(1,699)**	(2,162)	**(829)**	(2,798)
Changes in operating assets and liabilities				
Net decrease/(increase) in loans and advances to banks and customers	**3,538**	(3,906)	**26,680**	10,930
Net decrease/(increase) in reverse repurchase agreements and other similar lending	**55,021**	(10,264)	**39,871**	(4,115)
Net (decrease) in deposits and debt securities in issue	**(1,983)**	(13,447)	**(65,491)**	(28,915)
Net (decrease) in repurchase agreements and other similar borrowing	**(72,269)**	(20,430)	**(53,172)**	(2,899)
Net decrease/(increase) in derivative financial instruments	**2,586**	811	**3,251**	(890)
Net decrease in trading assets	**18,350**	13,423	**17,152**	8,359
Net (decrease)/increase in trading liabilities	**(8,340)**	8,670	**(3,080)**	(1,115)
Net (increase)/decrease in financial investments	**(7,156)**	(6,114)	**24,544**	(11,535)
Net (increase)/decrease in other assets	**(14,694)**	125	**(273)**	(4,582)
Net increase/(decrease) in other liabilities	**7,409**	(1,190)	**(3,096)**	1,883
Corporate income tax paid	**(1,590)**	(1,558)	**(82)**	(1)
Net cash from operating activities	**(12,091)**	(25,282)	**(7,862)**	(26,356)
Purchase of available for sale investments	**(108,639)**	(92,024)	**(102,210)**	(88,204)
Proceeds from sale or redemption of available for sale investments	**120,843**	69,474	**110,437**	64,333
Purchase of property, plant and equipment	**(657)**	(737)	**(310)**	(365)
Net (increase)/decrease in investment in subsidiaries	**-**	-	**(3,409)**	144
Other cash flows associated with investing activities	**(886)**	632	**(442)**	(322)
Net cash from investing activities	**10,661**	(22,655)	**4,066**	(24,424)
Dividends paid	**(1,452)**	(1,547)	**(1,264)**	(1,242)
Proceeds of borrowings and issuance of subordinated debt	**826**	700	**773**	652
Repayments of borrowings and redemption of subordinated debt	**(1,100)**	(1,424)	**(833)**	(1,291)
Net redemption of shares and other equity instruments	**(1,100)**	2,078	**(1,100)**	2,078
Capital contribution from Barclays PLC	**1,412**	6,553	**1,412**	6,553
Net redemption of shares issued to non-controlling interests	**-**	(100)	**-**	-
Net redemption of other equity instruments	**-**	-	**-**	(100)
Net cash from financing activities	**(1,414)**	6,260	**(1,012)**	6,650
Effect of exchange rates on cash and cash equivalents	**(431)**	198	**(819)**	1,484
Net (decrease) in cash and cash equivalents	**(3,275)**	(41,479)	**(5,627)**	(42,646)
Cash and cash equivalents at beginning of year	**81,754**	123,233	**66,355**	109,001
Cash and cash equivalents at end of year	**78,479**	81,754	**60,728**	66,355
Cash and cash equivalents comprise:				
Cash and balances at central banks	**39,695**	45,687	**35,469**	42,139
Loans and advances to banks with original maturity less than three months	**36,282**	35,259	**24,543**	23,749
Available for sale treasury and other eligible bills with original maturity less than three months	**2,322**	644	**536**	303
Trading portfolio assets with original maturity less than three months	**180**	164	**180**	164
	78,479	81,754	**60,728**	66,355

Interest received by the Group was £22,384m (2013: £23,387m) and interest paid by the Group was £9,251m (2013: £10,656m). Interest received by the Bank was £15,299m (2013: £18,982m) and interest paid by the Bank was £6,387m (2013: £9,534m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,448m at 31 December 2014 (2013: £4,722m). The Bank was required to maintain balances with central banks and other regulatory authorities of £680m (2013: £192m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Notes to the financial statements
For the year ended 31December 2014

This section describes Barclays' significant accounting policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, the applicable accounting policy and/or critical accounting estimate is contained within the relevant note.

1 Significant accounting policies

1. Reporting entity
These financial statements are prepared for Barclays Bank PLC and its subsidiaries (the Barclays Bank PLC Group or the Group) under Section 399 of the Companies Act 2006. The Group is a major global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.

Barclays Bank PLC is a public limited company, incorporated and domiciled in England and Wales having a registered office in England and is the holding company of the Group.

2. Compliance with International Financial Reporting Standards
The consolidated financial statements of the Group, and the individual financial statements of Barclays Bank PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation
The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays Bank PLC.

4. Accounting policies
Barclays prepares financial statements in accordance with IFRS. The Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays applies IFRS 10 *Consolidated Financial Statements*.

The consolidated financial statements combine the financial statements of Barclays Bank PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank PLC has control. The Group has control over another entity when the Group has all of the following:
1) power over the relevant activities of the investee, for example through voting or other rights;
2) exposure to, or rights to, variable returns from its involvement with the investee; and
3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Details of the principal subsidiaries are given in Note 36.

(ii) Foreign currency translation

The Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions and balances in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement.

The Group's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside the UK may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Sterling operations are translated at the closing rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in currency translation reserves within equity. These are transferred to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

As the consolidated financial statements include partnerships where the Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

(iii) Financial assets and liabilities

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement* the recognition, classification and measurement, and derecognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting.

Recognition

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at fair value or amortised cost depending on the Group's intention toward the assets and the nature of the assets and liabilities, mainly determined by their contractual terms.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Group's policies for determining the fair values of the assets and liabilities are set out in Note 17.

Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Critical accounting estimates and judgements

Transactions in which the Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity or prepayment rates.

(iv) Issued debt and equity instruments

The Group applies IAS 32, *Financial Instruments: Presentation,* to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

5. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except where new standards and amendments to IFRS effective as of 1 January 2014 have resulted in changes in accounting policy. The only new amended standard that had a material impact on Barclays accounting policies was IAS 32, *Amendments to Offsetting Financial Assets and Financial Liabilities* which clarified the circumstances in which netting is permitted, in particular what constitutes a currently legally enforceable right of set-off and the circumstances in which gross settlement systems may be considered equivalent to net settlement.

The effect of the adoption of these new or amended standards on The Group's and The Bank's financial position, performance and cash flows is disclosed on page 276. All relevant comparatives have been revised to reflect these changes.

6. Future accounting developments

There have been and are expected to be a number of significant changes to the Group's financial reporting after 2014 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

In 2014, the IASB issued IFRS 9, *Financial Instruments* which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. It will lead to significant changes in the accounting for financial instruments. The key changes relate to:

- Financial assets: Financial assets will be held at either fair value or amortised cost, except for equity investments not held for trading and certain debt instruments, which may be held at fair value through other comprehensive income;
- Financial liabilities: Gains and losses arising from changes in own credit on non-derivative financial liabilities designated at fair value through profit or loss will be excluded from the income statement and instead taken to other comprehensive income;
- Impairment: Credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss will be reflected in impairment allowances; and
- Hedge accounting: Hedge accounting will be more closely aligned with financial risk management.

Adoption is not mandatory until periods beginning on or after 1 January 2018.The standard has not been endorsed by the EU. At this stage, it is not possible to determine the potential financial impacts of adoption on the Group.

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard will establish a more systematic approach for revenue measurement and recognition. Adoption is not mandatory until periods beginning on or after 1 January 2017. The standard has not been endorsed by the EU. Adoption of the standard is not expected to have a significant impact.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue a new standard on insurance contracts. The Group will consider the financial impacts of these new standards as they are finalised.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

	Page		Page
Credit impairment charges and other provisions	173	Fair value of financial instruments	189
Income taxes	176	Provisions	226
Available for sale assets	188	Retirement benefit obligations	253

7 Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication, certain disclosures required under IFRS have been included within the Risk management section as follows:

- Segmental reporting on pages 141 to 152
- Credit risk management, on pages 49 to 50, including exposures to selected countries.
- Market risk, on pages 51 to 52;
- Funding risk - capital, on pages 54 to 55; and
- Funding risk - liquidity, on page 56.

Notes to the financial statements

Performance

The notes included in this section focus on the results and performance of the Group. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here.

2 Segmental reporting

Presentation of segmental reporting

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments.* Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's-length basis, with intra-segment revenue and costs are eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

The Group's activities have been resegmented into Core and Non-Core business units as part of the Group strategy update announced in May 2014. Comparatives have also been updated. The Core business consists of Personal and Corporate Banking (PCB), Barclaycard, Africa Banking, Investment Bank and Head Office, Barclays Non-Core (BNC) groups together businesses and assets that are no longer strategically attractive to Barclays.

An analysis of The Group's performance by business segment and income by geographic segment is included on pages 141 and 142. Further details on each of the new segment is provided on pages 143 to 152.

3 Net interest income

Accounting for interest income and expense

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement.* Interest income on loans and advances at amortised cost, available for sale debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), in the normal course of business there are no individual estimates that are material to the results or financial position.

	2014 £m	2013 £m
Cash and balances with central banks	**193**	219
Available for sale investments	**1,615**	1,804
Loans and advances to banks	**452**	468
Loans and advances to customers	**14,677**	15,613
Other	**432**	211
Interest income	**17,369**	18,315
Deposits from banks	**(204)**	(201)
Customer accounts	**(1,434)**	(2,602)
Debt securities in issue	**(1,915)**	(2,177)
Subordinated liabilities	**(1,611)**	(1,572)
Other	**(67)**	(110)
Interest expense	**(5,231)**	(6,662)
Net interest income	**12,138**	11,653

Interest income includes £153m (2013: £179m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements and hedging activity. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity. Included in net interest income is hedge ineffectiveness as detailed on page 180 in the Barclays PLC Annual Report.

Net interest income increased by 4% to £12,138m driven by improvements in PCB savings margins and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements and the sale and run-down of assets in BNC. Interest income decreased by 5% to £17,369m driven by a reduction in income from loans and advances to customers which fell 6% to £14,677m. Interest expense reduced 21% to £5,231m, driven by a reduction in interest on customer accounts of £1,168m to £1,454m.

4 Net fee and commission income

Accounting for net fee and commission income

The Group applies IAS 18 *Revenue*. Fees and commissions charged for services provided or received by the Group are recognised as the services are provided, for example on completion of the underlying transaction.

	2014 £m	2013 £m
Banking, investment management and credit related fees and commissions	9,695	10,332
Foreign exchange commission	155	168
Fee and commission income	9,850	10,500
Fee and commission expense	(1,662)	(1,748)
Net fee and commission income	8,188	8,752

Net fee and commission income decreased by £564m to £8,188m. This was driven by lower fees as a result of decreased debt underwriting fees and declines in cash commissions reflecting lower client volumes in the Investment Bank. Further decreases were caused by the launch of the revised PCB overdraft proposition, which recognises the majority of the overdraft income as net interest income as opposed to fee income, and adverse currency movements in Africa Banking. These movements were partly offset by increases in Barclaycard driven by growth in payment volumes.

5 Net trading income

Accounting for net trading income

In accordance with IAS 39, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through profit or loss. See Note 16 Financial liabilities designated at fair value.

	2014 £m	2013 £m
Trading income	3,276	6,768
Own credit gains/(losses)	34	(220)
Net trading income	3,310	6,548

Included within net trading income were losses of £1,051m (2013: £914m gain) on financial assets designated at fair value and losses of £65m (2013: £684m loss) on financial liabilities designated at fair value.

Net trading income decreased 49% to £3,310m, primarily reflecting a £2,557m decrease in trading income, as lower volatility and subdued trading activity combined with tighter spreads reduced income across a number of businesses. Disposals and running down of certain Non Core businesses and the £935m fair value reduction on the ESHLA portfolio (see Note 17 for further details) also contributed to the lower income. This was offset partially by a £254m favourable variance in own credit gains/losses.

6 Net investment income

Accounting for net investment income

Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income are set out in Note 15 Available for sale investments and Note 13 Financial assets designated at fair value.

	2014 £m	2013 £m
Net gain from disposal of available for sale investments	620	145
Dividend income	9	14
Net gain from financial instruments designated at fair value	233	203
Other investment income	466	318
Net investment income	1,328	680

Net investment income increased by £648m to £1,328m. This was largely driven by an increase in disposals of available for sale investments due to favourable market conditions and increases in other investment income as a result of greater certainty regarding the recoverability of certain assets not yet received from the 2008 US Lehman acquisition (2014: £461m gain; 2013: £259m gain).

7 Credit impairment charges and other provisions

Accounting for the impairment of financial assets

Loans and other assets held at amortised cost

In accordance with IAS 39, the Group assesses at each balance sheet date whether there is objective evidence that loan assets or available for sale financial investments (debt or equity) will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- Becoming aware of significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Group's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

Available for sale financial assets

Impairment of available for sale debt instruments
Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the AFS reserve is removed from reserves and recognised in the income statement. This may be reversed if there is evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments
Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the AFS reserve is removed from reserves and recognised in the income statement.

Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Critical accounting estimates and judgements

The calculation of the impairment involves the use of judgement, based on the Group's experience of managing credit risk.

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for these retail portfolios is £1,892m (2013: £2,161m) and amounts to 86% (2013: 71%) of the total impairment charge on loans and advances.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to wholesale portfolios is £312m (2013: £901m) and amounts to 14% (2013: 29%) of the total impairment charge on loans and advances. Further information on impairment allowances and related credit information is set out within the Risk review.

	2014 £m	2013 £m
New and increased impairment allowances	**3,230**	3,929
Releases	**(809)**	(683)
Recoveries	**(221)**	(201)
Impairment charges on loans and advances	**2,200**	3,045
Provision charges/(releases) for undrawn contractually committed facilities and guarantees provided	**4**	17
Loan impairment	**2,204**	3,062
Available for sale investment	**(31)**	1
Reverse repurchase agreements	**(5)**	8
Credit impairment charges and other provisions	**2,168**	3,071

More information on the impairment assessment and the measurement of credit losses is included on page s 115 to 118 in Barclays PLC 2014 Pillar 3 report.

Loan impairment fell 28% to £2,204m, reflecting lower impairment in BNC , PCB, and Africa partially offset by higher charges in Barclaycard.

8 Operating expenses

Accounting for staff costs

The Group applies IAS 19 Employee benefits in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

Deferred cash bonus awards and deferred share bonus awards are made to employees to incentivise performance over the vesting period. To receive payment under an award, employees must provide service over the vesting period, typically three years from the grant date. The period over which the expense for deferred cash and share bonus awards is recognised is based upon the common understanding between the employee and the Group and the terms and conditions of the award. The Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest as this is the period over which the employees understand that they must provide service in order to receive awards. The table on page 85 in the Barclays PLC Annual Report details the relevant award dates, payment dates and the period in which the income statement charge arises for bonuses. No expense has been recognised in 2014 for the deferred bonuses that will be granted in March 2015, as they are dependent upon future performance rather than performance during 2014.

The accounting policies for share based payments, and pensions and other post retirement benefits are included in Note 34 and Note 35 respectively.

	2014 £m	2013 £m
Infrastructure costs		
Property and equipment	**1,570**	1,610
Depreciation of property, plant and equipment	**585**	647
Operating lease rentals	**594**	645
Amortisation of intangible assets	**522**	480
Impairment of property, equipment and intangible assets	**172**	149
Total infrastructure costs	**3,443**	3,531
Administration and general costs		
Consultancy, legal and professional fees	**1,104**	1,260
Subscriptions, publications, stationery and communications	**842**	869
Marketing, advertising and sponsorship	**558**	583
Travel and accommodation	**213**	307
UK bank levy	**462**	504
Goodwill impairment	**-**	79
Other administration and general expenses	**436**	686
Total administration and general costs	**3,615**	4,288
Staff costs	**11,005**	12,155
Provision for PPI and interest rate hedging redress	**1,110**	2,000
Provision for ongoing investigation and litigation relating to Foreign Exchange	**1,250**	-
Operating expenses	**20,423**	21,974

Operating expenses have reduced by 7% to £20,423m, primarily driven by savings from Transform programmes, including a 5% reduction in headcount and currency movements, lower charges for PPI and interest rate hedging, reduced IT and infrastructure spend and non-occurrence of various provisions raised last year. This was partially offset by the charge of £1,250m (2013: £nil) for ongoing investigations and litigation relating to Foreign Exchange.

The impact of the Transform cost reduction programmes have driven savings across infrastructure and administration costs. Staff costs have decreased by 9% to £11,005m reflecting a 5% net reduction in headcount and reductions in incentive awards granted

For further details on staff costs please refer to Note 33.

9 Profit /(loss) on disposal of subsidiaries, associates and joint ventures

During the year, the loss on disposal of subsidiaries, associates, and joint ventures was £471m (2013: gain of £6m), principally relating to announced disposal of Spanish entities. Please refer to Note 45 Non-current assets held for sale and associated liabilities.

10 Tax

Accounting for income taxes

Barclays applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits is recognised as an expense in the period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

	2014 £m	2013 £m
Current tax charge		
Current year	**1,448**	2,031
Adjustment for prior years	**(19)**	156
	1,429	2,187
Deferred tax charge/(credit)		
Current year	**92**	(96)
Adjustment for prior years	**(66)**	(514)
	26	(610)
Tax charge	**1,455**	1,577

Tax relating to each component of other comprehensive income can be found in the consolidated statement of comprehensive income which additionally includes within Other a tax charge of £19m (2013: £37m charge) principally relating to share based payments in 2014 and the UK rate change in 2013.

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard UK corporation tax rate to the Group's profit before tax.

	2014 £m	2013 £m
Profit before tax from continuing operations	**2,309**	2,885
Tax charge based on the standard UK corporation tax rate of 21.5% (2013: 23.25%)	**496**	671
Effect of non-UK profits/losses at statutory tax rates different from the UK statutory tax rate	**171**	267
Non-creditable taxes	**329**	559
Non-taxable gains and income	**(282)**	(234)
Share based payments	**21**	(13)
Changes in recognition and measurement of deferred tax assets	**(183)**	409
Change in tax rates	**8**	(155)
Non-deductible impairment charges, loss on disposals and UK bank levy	**333**	118
Other items including non-deductible expenses	**647**	313
Adjustments for prior years	**(85)**	(358)
Tax charge	**1,455**	1,577
Effective tax rate	**63.0%**	54.7%

Current tax assets and liabilities
Movements on current assets and liabilities were as follows:

	The Group		The Bank	
	2014 £m	2013 £m	2014 £m	2013 £m
Assets	181	252	84	119
Liabilities	(1,042)	(617)	(520)	(304)
As at 1 January	(861)	(365)	(436)	(185)
Income statement	(1,429)	(2,187)	(6)	(220)
Other comprehensive income	(1)	(5)	(4)	(33)
Corporate income tax paid	1,590	1,558	82	1
Other movements	12	138	(31)	1
	(689)	(861)	(395)	(436)
Assets	334	181	-	84
Liabilities	(1,023)	(1,042)	(395)	(520)
As at 31 December	(689)	(861)	(395)	(436)

Deferred tax assets and liabilities
The deferred tax amounts on the balance sheet were as follows:

	The Group		The Bank	
	2014 £m	2013 £m	2014 £m	2013 £m
Barclays Group US Inc. (BGUS) tax group	1,588	1,449	-	-
US Branch of Barclays Bank PLC (US Branch)	1,591	1,362	1,591	1,362
UK tax group	461	1,171	243	1,151
Spanish tax group	54	353	54	66
Other	436	472	191	157
Deferred tax asset	4,130	4,807	2,079	2,736
Deferred tax liability	(255)	(348)	(13)	(176)
Net deferred tax	3,875	4,459	2,066	2,560

US deferred tax assets in BGUS and the US Branch
The deferred tax asset in BGUS of £1,588m (2013: £1,449m) includes £348m (2013: £156m) relating to tax losses and the deferred tax asset in the US Branch of £1,591m (2013: £1,362m) includes £479m (2013: £408m) relating to tax losses. Under US tax rules losses can be carried forward and offset against profits for a period of 20 years. The losses first arose in 2007 and therefore any unused amounts may begin to expire in 2028. The remaining balances relate primarily to temporary differences for which there is no time limit on recovery. The US Branch deferred tax asset is stated net of a measurement for UK tax because Barclays Bank PLC is subject to UK tax on the profits of its non-UK branches.

The BGUS tax losses are projected to be fully utilised in 2016 and the US Branch losses in 2018. A 20% reduction in forecast profits of either BGUS or the US Branch would not extend the recovery period.

UK tax group deferred tax asset
The deferred tax asset in the UK tax group of £461m (2013: £1,171m) includes £245m (2013: £499m) relating to tax losses and tax credits. Tax losses and tax credits can be carried forward indefinitely in the UK. The remaining balance relates to other temporary differences. Based on profit forecasts, it is probable that there will be sufficient future taxable profits available against which the temporary differences, losses and tax credits will be utilised.

Spanish tax group deferred tax asset
The reduction to £54m (2013: £353m) reflects a reclassification of deferred tax assets relating to the Spanish business which was held for sale. The remaining deferred tax assets relate to retained businesses and are not dependent on future profitability.

Other deferred tax assets
The deferred tax asset of £436m (2013: £472m) in other entities within the Group includes £243m (2013: £172m) relating to tax losses carried forward.

Of the deferred tax asset of £436m (2013: £472m), an amount of £140m (2013: £114m) relates to entities which have suffered a loss in either the current or prior year. Recognition is based on profit forecasts which indicate that it is probable that the entities will have future taxable profits against which the losses and temporary differences can be utilised.

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

The Group	Fixed asset timing differences	Available for sale investments	Cash flow hedges	Retirement benefit obligations	Loan impairment allowance	Other provisions	Tax losses carried forward	Share based payments and deferred compensation	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets	1,525	53	5	490	376	360	1,235	762	1,103	5,909
Liabilities	(761)	(61)	(87)	(9)	-	-	-	-	(532)	(1,450)
At 1 January 2014	764	(8)	(82)	481	376	360	1,235	762	571	4,459
Income statement	172	84	(1)	(54)	70	(87)	4	(40)	(174)	(26)
Other comprehensive income	-	(104)	(380)	(63)	-	-	-	(10)	(6)	(563)
Other movements	51	11	4	(43)	(270)	(40)	76	17	199	5
	987	(17)	(459)	321	176	233	1,315	729	590	3,875
Assets	1,542	18	5	321	176	233	1,315	729	951	5,290
Liabilities	(555)	(35)	(464)	-	-	-	-	-	(361)	(1,415)
At 31 December 2014	987	(17)	(459)	321	176	233	1,315	729	590	3,875
Assets	158	61	53	542	457	105	1,636	858	1,186	5,056
Liabilities	(225)	(67)	(714)	(1)	-	-	-	-	(831)	(1,838)
At 1 January 2013	(67)	(6)	(661)	541	457	105	1,636	858	355	3,218
Income statement	904	(12)	-	(66)	(74)	270	(400)	(45)	33	610
Other comprehensive income	-	(17)	571	(5)	-	-	122	(33)	(1)	637
Other movements	(73)	27	8	11	(7)	(15)	(123)	(18)	184	(6)
	764	(8)	(82)	481	376	360	1,235	762	571	4,459
Assets	1,525	53	5	490	376	360	1,235	762	1,103	5,909
Liabilities	(761)	(61)	(87)	(9)	-	-	-	-	(532)	(1,450)
At 31 December 2013	764	(8)	(82)	481	376	360	1,235	762	571	4,459

The Bank	Fixed asset timing differences	Available for sale investments	Cash flow hedges	Retirement benefit obligations	Loan impairment allowance	Other provisions	Tax losses carried forward	Share based payments and deferred compensation	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets	1,462	8	5	412	162	45	973	64	346	3,477
Liabilities	(665)	(22)	(72)	(12)	-	-	-	-	(146)	(917)
At 1 January 2014	797	(14)	(67)	400	162	45	973	64	200	2,560
Income statement	81	101	-	(45)	(33)	15	(172)	14	(17)	(56)
Other comprehensive income	-	(93)	(382)	(98)	-	-	-	(1)	(6)	(580)
Other movements	44	-	(2)	(1)	(10)	2	34	(1)	76	142
	922	(6)	(451)	256	119	62	835	76	253	2,066
Assets	1,259	1	5	256	119	62	835	76	521	3,134
Liabilities	(337)	(7)	(456)	-	-	-	-	-	(268)	(1,068)
At 31 December 2014	922	(6)	(451)	256	119	62	835	76	253	2,066
Assets	89	11	54	416	216	22	1,355	105	305	2,573
Liabilities	(64)	(28)	(644)	-	-	-	-	-	(252)	(988)
At 1 January 2013	25	(17)	(590)	416	216	22	1,355	105	53	1,585
Income statement	844	2	-	(46)	(51)	13	(245)	(31)	(151)	335
Other comprehensive income	-	-	523	31	-	-	122	(6)	(4)	666
Other movements	(72)	1	-	(1)	(3)	10	(259)	(4)	302	(26)
	797	(14)	(67)	400	162	45	973	64	200	2,560
Assets	1,462	8	5	412	162	45	973	64	346	3,477
Liabilities	(665)	(22)	(72)	(12)	-	-	-	-	(146)	(917)
At 31 December 2013	797	(14)	(67)	400	162	45	973	64	200	2,560

Other movements include deferred tax amounts relating to acquisitions, disposals and exchange gains and losses.

The amount of deferred tax liability expected to be settled after more than 12 months for The Group is £1,123m (2013: £916m) and for The Bank is £649m (2013: £776m). The amount of deferred tax asset expected to be recovered after more than 12 months for The Group is £4,845m (2013: £4,943m) and for The Bank is £2,859m (2013: £3,024m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

For The Group, deferred tax assets have not been recognised in respect of gross deductible temporary differences of £2,332m (2013: £1,096m), gross tax losses of £9,764m (2013: £10,897m) which includes capital losses of £3,522m (2013: £3,465m), and unused tax credits of £405m (2013: £245m). Tax losses of £341m (2013: £245m) expire within 5 years, £18m (2013: £93m) expire within 6 to10 years, £812m (2013: £1,043m) expire within 11 to 20 years and £8,593m (2013: £9,516m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which The Group can utilise benefits.

For The Bank, deferred tax assets have not been recognised in respect of gross deductible temporary differences of £2,091m (2013: £483m), gross tax losses of £4,557m (2013: £4,231m) which includes capital losses of £3,521 m (2013: £3,144m), and unused tax credits of £402m (2013: £211m). Tax losses of £231m (2013: £111m) expire within 5 years, £7m (2013: £nil) expire within 6 to10 years, £798m (2013: £940m) expire within 11 to 20 years and £3,521m (2013: £3,179m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which The Bank can utilise benefits.

Deferred tax is not recognised in respect of the Group's investments in subsidiaries, branches and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to determine the amount of income taxes that would be payable were such temporary differences to reverse.

Critical accounting estimates and judgements

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open tax returns with various tax authorities with whom we are in active dialogue. Liabilities relating to these open and judgemental matters are based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

Deferred tax assets have been recognised based on business profit forecasts. Further detail on the recognition of deferred tax assets are provided on pages 177-179 in the deferred tax assets and liabilities section of this tax note.

11 Dividends on ordinary shares

Ordinary dividends were paid to enable Barclays PLC to fund its dividend to shareholders.

The 2014 financial statements include £821m (2013: £734m) of dividends paid. This includes the final dividend declared in relation to 2013 of £512m (2013: £373m) and interim dividends of £309m (2013: £361m) , resulting in interim dividends of 13p (2013: 15p) per ordinary share and a total dividend for the year of 35p (2013: 31p) per ordinary share paid during the year.

Dividends paid on the 4.75% €100 preference shares amounted to £394.46 per share (2013: £412.32). Dividends paid on the 4.875% €100 preference shares amounted to £385.81 per share (2013: £410.72). Dividends paid on the 6.0% £100 preference shares amounted to £600.00 per share (2013: £600.00). Dividends paid on the 6.278% US$100 preference shares amounted to £383.45 per share (2013: £391.96). Dividends paid on the 6.625% US$0.25 preference shares amounted to £1.02 per share (2013: £1.06). Dividends paid on the 7.1% US$0.25 preference shares amounted to £1.09 per share (2013: £1.13). Dividends paid on the 7.75% US$0.25 preference shares amounted to £1.19 per share (2013: £1.24). Dividends paid on the 8.125% US$0.25 preference shares amounted to £1.25 per share (2013: £1.30).

Dividends paid on preference shares amounted to £441m (2013: £471m). Dividends paid on other equity instruments amounted to £252m (2013: £4m). For further detail on other equity instruments, please refer to Note 30.

The notes included in this section focus on assets and liabilities the Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arms length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimated based on available market data. Detail regarding the Group's approach to managing market risk can be found on pages 51 to 52.

12 Trading portfolio

Accounting for trading portfolio assets and liabilities

In accordance with IAS 39, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Debt securities and other eligible bills	**66,035**	84,580	**39,406**	54,402
Equity securities	**44,576**	42,659	**5,640**	6,077
Traded loans	**2,693**	1,647	**2,692**	1,647
Commodities	**1,451**	4,203	**1,338**	4,086
Trading portfolio assets	**114,755**	133,089	**49,076**	66,212
Debt securities and other eligible bills	**(28,739)**	(40,445)	**(17,028)**	(26,084)
Equity securities	**(16,022)**	(12,947)	**(8,522)**	(2,837)
Commodities	**(363)**	(72)	**(360)**	(69)
Trading portfolio liabilities	**(45,124)**	(53,464)	**(25,910)**	(28,990)

13 Financial assets designated at fair value

Accounting for financial assets designated at fair value

In accordance with IAS 39, financial assets may be designated at fair value, with gains and losses taken to the income statement in net trading income (Note 5) and net investment income (Note 6). The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (Note 14 Derivative financial instruments).

The details on how the fair value amounts are arrived for financial assets designated at fair value are described in fair value of assets and liabilities (Note 17).

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Loans and advances	**20,198**	18,695	**23,541**	18,338
Debt securities	**4,448**	842	**13,729**	58,059
Equity securities	**6,306**	11,824	**3**	28
Reverse repurchase agreements	**5,236**	5,323	**3,324**	3,709
Customers' assets held under investment contracts	**1,643**	1,606	**-**	-
Other financial assets	**469**	678	**270**	487
Financial assets designated at fair value	**38,300**	38,968	**40,867**	80,621

Credit risk of loans and advances designated at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value due to credit risk and the cumulative changes in fair value since initial recognition together with the amount by which related credit derivatives mitigate this risk:

	The Group						The Bank					
	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception		Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk[a]	**20,198**	18,695	**(112)**	158	**(828)**	(511)	**23,541**	18,338	**(109)**	84	**(811)**	(384)
Value mitigated by related credit derivatives[a]	**359**	268	**-**	(14)	**18**	131	**359**	268	**-**	(14)	**18**	131

Note

a The balances of 2013 have been revised to better reflect the credit risk disclosures relating to loans and advances at fair value and credit derivatives.

14 Derivative financial instruments

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect The Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group applies IAS 39. All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a stand-alone contract, would have had met the definition of a derivative. These are separated from the host and accounted for in the same way as a derivative.

Hedge accounting

The Group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

The Group's net investments in foreign operations, including monetary items accounted for as part of the net investment, are hedged for foreign currency risks using both derivatives and foreign currency borrowings. Hedges of net investments are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is being recognised directly in other comprehensive income and the ineffective portion being recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation, or other reductions in the Group's investment in the operation.

Commodity derivatives

The Group's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, oil and oil-related products, power and natural gas.

The Group's total derivative asset and liability position as reported on the balance sheet is as follows:

	The Group			The Bank		
		Fair value			Fair value	
	Notional contract amount	Assets	Liabilities	Notional contract amount	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2014						
Total derivative assets/(liabilities) held for trading	**32,624,342**	**438,437**	**(438,623)**	**29,212,188**	**424,979**	**(419,048)**
Total derivative assets/(liabilities) held for risk management	**268,448**	**1,639**	**(697)**	**269,235**	**1,586**	**(557)**
Derivative assets/(liabilities)	**32,892,790**	**440,076**	**(439,320)**	**29,481,423**	**426,565**	**(419,605)**
Year ended 31 December 2013						
Total derivative assets/(liabilities) held for trading	41,983,266	347,715	(345,845)	39,019,755	342,879	(334,090)
Total derivative assets/(liabilities) held for risk management	303,645	2,745	(1,273)	277,202	2,555	(1,133)
Derivative assets/(liabilities)	42,286,911	350,460	(347,118)	39,296,957	345,434	(335,223)

The fair value of derivative assets increased by 26% to £440bn driven by increase in interest rate derivatives of £78bn reflecting reduction in the major interest rate forward curves and an increase in foreign exchange derivatives of £14bn due to strengthening of USD against major currencies. Information on further netting of derivative financial instruments is included within Note 18 Offsetting financial assets and financial liabilities.

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are discussed in the Risk management section in the Barclays Pillar 3 Report on page 1 35.Trading derivatives are managed within the Group's market risk management policies, which are outlined on pages 51 to 52.

The fair values and notional amounts of derivatives held for trading are set out in the following table:

Derivatives held for trading	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2014						
Foreign exchange derivatives						
Forward foreign exchange	1,684,832	31,883	(34,611)	1,662,324	31,678	(34,412)
Currency swaps	1,109,795	32,209	(33,919)	1,099,070	31,885	(33,675)
OTC options bought and sold	895,226	10,267	(10,665)	894,788	10,250	(10,664)
OTC derivatives	3,689,853	74,359	(79,195)	3,656,182	73,813	(78,751)
Foreign exchange derivatives cleared by central counterparty	11,382	56	(70)	11,382	56	(70)
Exchange traded futures and options – bought and sold	57,623	18	(16)	45,667	2	-
Foreign exchange derivatives	3,758,858	74,433	(79,281)	3,713,231	73,871	(78,821)
Interest rate derivatives						
Interest rate swaps	5,779,015	209,962	(200,096)	4,388,455	201,146	(193,068)
Forward rate agreements	467,812	794	(722)	297,929	534	(456)
OTC options bought and sold	3,083,200	67,039	(67,575)	3,081,637	67,037	(67,684)
OTC derivatives	9,330,027	277,795	(268,393)	7,768,021	268,717	(261,208)
Interest rate derivatives cleared by central counterparty	15,030,090	30,166	(31,152)	11,843,506	2,177	(3,177)
Exchange traded futures and options – bought and sold	2,210,602	382	(336)	1,042,157	10	(8)
Interest rate derivatives	26,570,719	308,343	(299,881)	20,653,684	270,904	(264,393)
Credit derivatives						
OTC swaps	896,386	19,031	(17,825)	822,644	17,864	(16,684)
Credit derivatives cleared by central counterparty	287,577	4,643	(4,542)	211,721	3,479	(3,483)
Credit derivatives	1,183,963	23,674	(22,367)	1,034,365	21,343	(20,167)
Equity and stock index derivatives						
OTC options bought and sold	67,151	6,461	(9,517)	66,374	6,444	(9,387)
Equity swaps and forwards	102,663	1,823	(3,532)	92,341	1,449	(2,355)
OTC derivatives	169,814	8,284	(13,049)	158,715	7,893	(11,742)
Exchange traded futures and options – bought and sold	490,960	6,560	(6,542)	131,477	707	(1,000)
Equity and stock index derivatives	660,774	14,844	(19,591)	290,192	8,600	(12,742)
Commodity derivatives						
OTC options bought and sold	38,196	1,592	(1,227)	38,165	1,591	(1,227)
Commodity swaps and forwards	61,639	7,985	(8,175)	61,542	7,971	(8,173)
OTC derivatives	99,835	9,577	(9,402)	99,707	9,562	(9,400)
Exchange traded futures and options – bought and sold	350,193	7,566	(8,101)	149,780	4,066	(4,286)
Commodity derivatives	450,028	17,143	(17,503)	249,487	13,628	(13,686)
Derivatives with subsidiaries	-	-	-	3,271,229	36,633	(29,239)
Derivative assets/(liabilities) held for trading	32,624,342	438,437	(438,623)	29,212,188	424,979	(419,048)
Total OTC derivatives held for trading	14,185,915	389,046	(387,864)	12,505,269	377,849	(377,785)
Total derivatives cleared by central counterparty held for trading	15,329,049	34,865	(35,764)	12,066,609	5,712	(6,730)
Total exchange traded derivatives held for trading	3,109,378	14,526	(14,995)	1,369,081	4,785	(5,294)
Derivatives with subsidiaries held for trading	-	-	-	3,271,229	36,633	(29,239)
Derivative assets/(liabilities) held for trading	32,624,342	438,437	(438,623)	29,212,188	424,979	(419,048)

Derivatives held for trading	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2013						
Foreign exchange derivatives						
Forward foreign exchange	2,482,144	25,504	(29,825)	2,478,116	25,467	(29,709)
Currency swaps	1,287,911	27,138	(27,855)	1,275,932	26,973	(27,659)
OTC options bought and sold	815,742	6,858	(6,977)	813,707	6,826	(6,946)
OTC derivatives	4,585,797	59,500	(64,657)	4,567,755	59,266	(64,314)
Foreign exchange derivatives cleared by central counterparty	3,368	35	(33)	3,368	-	-
Exchange traded futures and options – bought and sold	47,863	70	(75)	43,792	58	(59)
Foreign exchange derivatives	4,637,028	59,605	(64,765)	4,614,915	59,324	(64,373)
Interest rate derivatives						
Interest rate swaps	7,497,699	168,480	(155,883)	6,051,311	163,118	(149,749)
Forward rate agreements	601,123	750	(719)	454,890	550	(516)
OTC options bought and sold	3,909,340	49,827	(50,087)	3,907,163	49,807	(50,083)
OTC derivatives	12,008,162	219,057	(206,689)	10,413,364	213,475	(200,348)
Interest rate derivatives cleared by central counterparty	21,377,621	9,608	(9,178)	19,048,223	977	(899)
Exchange traded futures and options– bought and sold	1,320,840	1,462	(1,459)	930,630	1,109	(1,154)
Interest rate derivatives	34,706,623	230,127	(217,326)	30,392,217	215,561	(202,401)
Credit derivatives						
OTC swaps	1,270,020	22,907	(22,890)	1,206,143	21,822	(21,386)
Credit derivatives cleared by central counterparty	306,164	4,603	(4,178)	231,418	2,883	(3,026)
Credit derivatives	1,576,184	27,510	(27,068)	1,437,561	24,705	(24,412)
Equity and stock index derivatives						
OTC options bought and sold	76,145	7,880	(11,227)	73,212	7,867	(11,027)
Equity swaps and forwards	86,497	3,925	(5,271)	75,161	1,777	(2,339)
OTC derivatives	162,642	11,805	(16,498)	148,373	9,644	(13,366)
Exchange traded futures and options– bought and sold	335,773	4,481	(5,532)	113,980	162	(406)
Equity and stock index derivatives	498,415	16,286	(22,030)	262,353	9,806	(13,772)
Commodity derivatives						
OTC options bought and sold	62,564	1,527	(1,369)	62,234	1,519	(1,366)
Commodity swaps and forwards	141,287	8,570	(8,813)	141,199	8,567	(8,803)
OTC derivatives	203,851	10,097	(10,182)	203,433	10,086	(10,169)
Exchange traded futures and options – bought and sold	361,165	4,090	(4,474)	237,871	2,989	(3,127)
Commodity derivatives	565,016	14,187	(14,656)	441,304	13,075	(13,296)
Derivatives with subsidiaries	-	-	-	1,871,405	20,408	(15,836)
Derivative assets/(liabilities) held for trading	41,983,266	347,715	(345,845)	39,019,755	342,879	(334,090)
Total OTC derivatives held for trading	18,230,472	323,366	(320,916)	16,539,068	314,293	(309,583)
Total derivatives cleared by central counterparty held for trading	21,687,153	14,246	(13,389)	19,283,009	3,860	(3,925)
Total exchange traded derivatives held for trading	2,065,641	10,103	(11,540)	1,326,273	4,318	(4,746)
Derivatives with subsidiaries held for trading	-	-	-	1,871,405	20,408	(15,836)
Derivative assets/(liabilities) held for trading	41,983,266	347,715	(345,845)	39,019,755	342,879	(334,090)

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Derivatives held for risk management	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2014						
Derivatives designated as cash flow hedges						
Interest rate swaps	19,218	223	(60)	10,783	145	(34)
Forward foreign exchange	930	17	-	930	17	-
Interest rate derivatives cleared by central counterparty	82,550	-	-	82,550	-	-
Derivatives designated as cash flow hedges	102,698	240	(60)	94,263	162	(34)
Derivatives designated as fair value hedges						
Interest rate swaps	27,345	1,379	(590)	24,024	1,314	(476)
Interest rate derivatives cleared by central counterparty	135,553	-	-	135,553	-	-
Derivatives designated as fair value hedges	162,898	1,379	(590)	159,577	1,314	(476)
Derivatives designated as hedges of net investments						
Forward foreign exchange	2,852	20	(47)	2,852	20	(47)
Derivatives designated as hedges of net investment	2,852	20	(47)	2,852	20	(47)
Derivatives with subsidiaries	-	-	-	12,543	90	-
Derivative assets/(liabilities) held for risk management	268,448	1,639	(697)	269,235	1,586	(557)
Total OTC derivatives held for risk management	50,345	1,639	(697)	38,589	1,496	(557)
Total derivatives cleared by central counterparty held for risk management	218,103	-	-	218,103	-	-
Derivatives with subsidiaries held for risk management	-	-	-	12,543	90	-
Derivative assets/(liabilities) held for risk management	268,448	1,639	(697)	269,235	1,586	(557)
Year ended 31 December 2013						
Derivatives designated as cash flow hedges						
Interest rate swaps	74,854	844	(484)	56,909	754	(455)
Forward foreign exchange	851	55	(16)	851	55	(16)
Interest rate derivatives cleared by central counterparty	85,104	-	-	85,104	-	-
Derivatives designated as cash flow hedges	160,809	899	(500)	142,864	809	(471)
Derivatives designated as fair value hedges						
Interest rate swaps	39,964	1,278	(752)	31,466	1,178	(641)
Interest rate derivatives cleared by central counterparty	83,495	-	-	83,495	-	-
Derivatives designated as fair value hedges	123,459	1,278	(752)	114,961	1,178	(641)
Derivatives designated as hedges of net investments						
Forward foreign exchange	19,377	568	(21)	19,377	568	(21)
Derivatives designated as hedges of net investment	19,377	568	(21)	19,377	568	(21)
Derivative assets/(liabilities) held for risk management	303,645	2,745	(1,273)	277,202	2,555	(1,133)
Total OTC derivatives held for risk management	135,046	2,745	(1,273)	108,603	2,555	(1,133)
Total derivatives cleared by central counterparty held for risk management	168,599	-	-	168,599	-	-
Derivative assets/(liabilities) held for risk management	303,645	2,745	(1,273)	277,202	2,555	(1,133)

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total	Up to one year	Between one to two years	Between two to three years	Between three to four years	Between four to five years	More than five years
	£m	£m	£m	£m	£m	£m	£m
2014							
The Group							
Forecast receivable cash flows	**4,277**	**308**	**491**	**695**	**729**	**651**	**1,403**
Forecast payable cash flows	**972**	**178**	**770**	**10**	**7**	**4**	**3**
The Bank							
Forecast receivable cash flows	**4,197**	**252**	**476**	**689**	**727**	**650**	**1,403**
Forecast payable cash flows	**926**	**165**	**761**	**-**	**-**	**-**	**-**
2013							
The Group							
Forecast receivable cash flows	6,438	367	500	904	1,126	1,135	2,406
Forecast payable cash flows	1,095	231	128	701	12	14	9
The Bank							
Forecast receivable cash flows	6,294	268	487	880	1,122	1,134	2,403
Forecast payable cash flows	1,028	221	111	696	-	-	-

Amounts recognised in net interest income	The Group	The Bank
	£m	£m
Year ended 31 December 2014		
Gains on the hedged items attributable to the hedged risk	**2,610**	**2,666**
Losses on the hedging instruments	**(2,797)**	**(2,824)**
Fair value ineffectiveness	**(187)**	**(158)**
Cash flow hedging ineffectiveness	**41**	**50**
Year ended 31 December 2013		
Losses on the hedged items attributable to the hedged risk	(591)	(512)
Gains on the hedging instruments	773	662
Fair value ineffectiveness	182	150
Cash flow hedging ineffectiveness	(76)	(62)

All gains and losses on hedging derivatives relating to forecast transactions which are no longer expected to occur have been recycled to the income statement.

Gains and losses transferred from the cash flow hedging reserve for the Group to the income statement included a £52m gain (2013: £66m gain) transferred to interest income; a £778m gain (2013: £554m gain) to interest expense; a £15m loss (2013: £44m loss) to net trading income; a nil (2013: £5m loss) to administration and general expenses; and a £78m loss (2013: 62m loss) to taxation; and for The Bank to the income statement included £nil (2013: £nil) transferred to interest income; a £775m gain (2013: £553m gain) to interest expense; a £11m loss (2013: £44m loss) to net trading income; a nil (2013: £nil) to administration and general expenses; and a £nil (2013: £nil) to taxation.

15 Available for sale financial assets

Accounting for available for sale financial assets

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The Group uses this classification for assets that are not derivatives and are not held for trading purposes or otherwise designated at fair value through profit or loss, or at amortised cost. Dividends and interest (calculated using the effective interest method) are recognised in the income statement in net interest income (Note 3) or, net investment income (Note 6). On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Debt securities and other eligible bills	85,552	91,298	78,364	82,052
Equity securities	553	490	226	220
Available for sale investments	**86,105**	**91,788**	**78,590**	**82,272**

Critical accounting estimates and judgements

Approximately $1.7bn (£1.1bn) of the assets acquired as part of the 2008 acquisition of the North American business of Lehman Brothers had not been received by 31 December 2014. Approximately $0.8bn (£0.5bn) of this amount has been recognised as an available for sale asset. As discussed in Note 28, Barclays' entitlement to these assets is the subject of legal proceedings between the SIPA Trustee for Lehman Brothers Inc. and Barclays. As such, there continues to be significant judgement involved in the valuation of this asset and uncertainty relating to the outcome of ongoing appeals. The Group takes the view that the effective provision of $0.9bn (£0.6bn) that is reflected in its estimate of fair value is appropriate. The valuation of this asset will be kept under review as legal proceedings progress.

16 Financial liabilities designated at fair value

Accounting for liabilities designated at fair value through profit and loss

In accordance with IAS 39, financial liabilities may be designated at fair value, with gains and losses taken to the income statement within net trading income (Note 5) and net investment income (Note 6). The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (Note 14).

The details on how the fair value amounts are arrived for financial assets designated at fair value are described in fair value of assets and liabilities (Note 17).

	The Group 2014		The Bank 2014		The Group 2013		The Bank 2013	
	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity
	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities	42,395	44,910	51,338	54,518	49,244	52,306	65,949	70,557
Deposits	7,206	7,301	6,502	6,610	8,071	9,161	6,987	8,000
Liabilities to customers under investment contracts	1,823	-	-	-	1,705	-	-	-
Repurchase agreements at fair value	5,423	5,433	4,867	4,875	5,306	5,331	4,979	5,003
Other financial liabilities	125	125	9	9	470	470	11	11
Financial liabilities designated at fair value	**56,972**	**57,769**	**62,716**	**66,012**	64,796	67,268	77,926	83,571

The cumulative own credit net loss recognised is £716m (2013: £800m[a]).

Notes

a The cumulative own credit balances of 2013 are revised to better reflect the cumulative own credit gains/losses.

17 Fair value of instruments

Accounting for financial assets and liabilities – fair values

The Group applies IAS 39. All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Group's financial assets and liabilities, especially derivatives, quoted prices are not available, and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract, and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Barclays' issued bonds or credit default swaps. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to reasonably possible changes in significant unobservable inputs is shown on page 203.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

Valuation

IFRS 13 Fair Value Measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below:

Quoted market prices – Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs – Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

The following tables show The Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

Assets and liabilities held at fair value	Valuation technique using			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
The Group	£m	£m	£m	£m
As at 31 December 2014				
Trading portfolio assets	**48,962**	**59,466**	**6,327**	**114,755**
Financial assets designated at fair value	**9,934**	**8,461**	**19,905**	**38,300**
Derivative financial assets	**9,863**	**425,468**	**4,745**	**440,076**
Available for sale investments	**44,234**	**40,558**	**1,313**	**86,105**
Other[a]	**33**	**198**	**15,550**	**15,781**
Total assets	**113,026**	**534,151**	**47,840**	**695,017**
Trading portfolio liabilities	**(26,840)**	**(17,935)**	**(349)**	**(45,124)**
Financial liabilities designated at fair value	**(15)**	**(55,141)**	**(1,816)**	**(56,972)**
Derivative financial liabilities	**(10,313)**	**(424,687)**	**(4,320)**	**(439,320)**
Other[a]	**-**	**-**	**(13,115)**	**(13,115)**
Total liabilities	**(37,168)**	**(497,763)**	**(19,600)**	**(554,531)**
As at 31 December 2013				
Trading portfolio assets	54,363	72,305	6,421	133,089
Financial assets designated at fair value	11,188	9,010	18,770	38,968
Derivative financial assets	4,824	340,623	5,013	350,460
Available for sale investments	36,082	53,561	2,145	91,788
Other[a]	134	218	594	946
Total assets	106,591	475,717	32,943	615,251
Trading portfolio liabilities	(29,450)	(24,014)	-	(53,464)
Financial liabilities designated at fair value	(98)	(63,058)	(1,640)	(64,796)
Derivative financial liabilities	(5,627)	(337,172)	(4,319)	(347,118)
Total liabilities	(35,175)	(424,244)	(5,959)	(465,378)

Included in financial assets designated at fair value is the Non-Core Education, Social Housing and Local Authority (ESHLA) loan portfolio of £17.4bn (2013: £15.6bn). This portfolio primarily consists of long dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans have been categorised as Level 3 in the fair value hierarchy since 2013 due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads.

A revised valuation methodology was adopted as at 31 December 2014 which builds an additional component into the loan spreads used in discounting the portfolio's expected cash flows, incorporating information on external parties and the factors they may take into account when valuing these assets. The prior approach was to discount cash flows using a credit-adjusted LIBOR rate. The spread component that has been added to this discount rate incorporates funding rates, the level of comparable assets such as gilts (both current and recent historical levels) and other factors. The change is also consistent with recent industry moves in derivative valuations away from LIBOR-based discounting. Refinements will be made to the approach to the extent that further market evidence is obtained.

The impact of the change was an income statement charge and corresponding fair value reduction in the loan portfolio of £935m. The change has no impact on CET 1 capital, which is based on the CRR prudent valuation and reflects a more conservative cost of funding.

Assets and liabilities held at fair value

	Valuation technique using			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
The Bank	£m	£m	£m	£m
As at 31 December 2014				
Trading portfolio assets	11,338	31,906	5,832	49,076
Financial assets designated at fair value	3,101	18,984	18,782	40,867
Derivative financial assets	2,122	419,750	4,693	426,565
Available for sale investments	40,611	37,126	853	78,590
Other[a]	33	198	405	636
Total assets	57,205	507,964	30,565	595,734
Trading portfolio liabilities	(12,387)	(13,177)	(346)	(25,910)
Financial liabilities designated at fair value	-	(61,796)	(920)	(62,716)
Derivative financial liabilities	(2,420)	(412,914)	(4,271)	(419,605)
Other[a]	-	-	(275)	(275)
Total liabilities	(14,807)	(487,887)	(5,812)	(508,506)
As at 31 December 2013				
Trading portfolio assets	16,165	44,721	5,326	66,212
Financial assets designated at fair value	30	63,727	16,864	80,621
Derivative financial assets	9	340,480	4,945	345,434
Available for sale investments	34,577	45,874	1,821	82,272
Other[a]		42	68	110
Total assets	50,781	494,844	29,024	574,649
Trading portfolio liabilities	(11,938)	(17,052)	-	(28,990)
Financial liabilities designated at fair value	(96)	(76,669)	(1,161)	(77,926)
Derivative financial liabilities	(26)	(330,951)	(4,246)	(335,223)
Total liabilities	(12,060)	(424,672)	(5,407)	(442,139)

Note
a For the Group, Other includes non-current assets and liabilities held for sale of £15,574m (2013: £495m) and £13,115m (2013: nil) respectively, which are measured at fair value on a non-recurring basis. Refer to Note 45 for more information on non-current assets held for sale. It also includes investment property of £207m (2013: £451m). For the Bank, Other includes non-current assets and liabilities held for sale of £620m (2013: £42m) and £275m (2013: nil) respectively, and investment property of £16m (2013: £68m).

The following tables show The Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and product type:

Assets and liabilities held at fair value by product type

	Assets			Liabilities		
	Valuation technique using			Valuation technique using		
The Group	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
As at 31 December 2014						
Interest rate derivatives	-	308,706	1,239	(5)	(299,181)	(1,344)
Foreign exchange derivatives	4	74,358	108	(3)	(79,188)	(138)
Credit derivatives[a]	-	21,708	1,966	-	(21,958)	(409)
Equity derivatives	3,847	9,750	1,247	(3,719)	(13,780)	(2,092)
Commodity derivatives	6,012	10,946	185	(6,586)	(10,580)	(337)
Government and government sponsored debt	62,577	48,373	1,014	(11,563)	(14,002)	(346)
Corporate debt	151	22,036	3,061	-	(3,572)	(13)
Certificates of deposit, commercial paper and other money market instruments	78	921	-	(4)	(6,276)	(665)
Reverse repurchase and repurchase agreements	-	5,236	-	-	(5,423)	-
Non asset backed loans	1	2,462	17,744	-	-	-
Asset backed securities	30	16,211	1,631	-	(67)	-
Commercial real estate loans	-	-	1,180	-	-	-
Issued debt	-	-	-	(10)	(40,592)	(749)
Equity cash products	40,252	7,823	171	(15,276)	(699)	-
Funds and fund linked products	-	2,644	631	-	(2,060)	(210)
Physical commodities	4	1,447	-	-	(363)	-
Other[b]	70	1,530	17,663	(2)	(22)	(13,297)
Total	**113,026**	**534,151**	**47,840**	**(37,168)**	**(497,763)**	**(19,600)**
As at 31 December 2013						
Interest rate derivatives	-	231,218	1,031	-	(217,517)	(1,046)
Foreign exchange derivatives	-	60,111	117	-	(64,715)	(86)
Credit derivatives[a]	-	25,310	2,200	(26)	(26,262)	(780)
Equity derivatives	3,353	11,665	1,266	(3,926)	(16,237)	(1,867)
Commodity derivatives	1,471	12,319	399	(1,675)	(12,441)	(540)
Government and government sponsored debt	53,518	63,647	220	(17,833)	(17,758)	-
Corporate debt	1,005	34,247	3,040	(63)	(5,247)	(12)
Certificates of deposit, commercial paper and other money market instruments	-	1,493	-	(96)	(5,303)	(409)
Reverse repurchase and repurchase agreements	-	5,323	-	-	(5,306)	-
Non asset backed loans	-	2,493	16,132	-	-	-
Asset backed securities	-	15,141	2,112	-	(105)	-
Commercial real estate loans	-	-	1,198	-	-	-
Issued debt	-	54	1	-	(48,734)	(1,164)
Equity cash products	45,547	397	168	(11,554)	(704)	-
Funds and fund linked products	-	8,509	550	-	(3,369)	(54)
Physical commodities	1,155	3,048	-	-	(72)	-
Other[b]	510	742	4,509	(2)	(474)	(1)
Total	106,559	475,717	32,943	(35,175)	(424,244)	(5,959)

Assets and liabilities reclassified between Level 1 and Level 2

There were no transfers between Level 1 and 2 during the year (2013: £34m).

Level 3 movement analysis

The following table summarises the movements in the Level 3 balance during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from Level 3 during the year. Transfers have been reflected as if they had taken place at the beginning of the year.

Notes
a Credit derivatives includes derivative exposure to monoline insurers.
b Other includes non-current assets and liabilities held for sale, private equity investments, asset backed loans, US Lehman acquisition assets and investment property.

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2014 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Total gains and losses in the period recognised in the income statement: Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Transfers: Out £m	As at 31 December 2014 £m
Government and government sponsored debt	161	96	(198)	-	(46)	5	-	-	676	(9)	685
Corporate debt	3,039	177	(332)	-	(370)	484	-	-	39	(11)	3,026
Asset backed securities	2,111	1,037	(1,552)	-	(141)	178	-	-	8	(31)	1,610
Non asset backed loans	176	250	(30)	-	(49)	2	-	-	13	(89)	273
Funds and fund linked products	494	-	(92)	-	-	(17)	-	-	204	-	589
Other	440	8	(369)	-	54	22	-	-	-	(11)	144
Trading portfolio assets	6,421	1,568	(2,573)	-	(552)	674	-	-	940	(151)	6,327
Commercial real estate loans	1,198	2,919	(2,678)	-	(334)	76	(2)	-	-	-	1,179
Non asset backed loans	15,956	2	(177)	-	(81)	1,830	9	-	-	(68)	17,471
Asset backed loans	375	855	(777)	-	(4)	19	-	-	1	(76)	393
Private equity investments	1,168	173	(500)	-	(11)	4	82	-	-	(215)	701
Other	73	75	(1)	-	(35)	9	32	-	2	6	161
Financial assets designated at fair value	18,770	4,024	(4,133)	-	(465)	1,938	121	-	3	(353)	19,905
Asset backed securities	1	-	-	-	-	-	-	-	-	-	1
Government and government sponsored debt	59	281	(12)	-	(1)	-	-	-	-	-	327
Other	2,085	37	(78)	-	(1,694)	1	586	74	4	(30)	985
Available for sale investments	2,145	318	(90)	-	(1,695)	1	586	74	4	(30)	1,313
Other[a]	451	47	(238)	-	-	-	5	-	-	(58)	207
Trading portfolio liabilities	-	-	-	-	-	(3)	-	-	(346)	-	(349)
Certificates of deposit, commercial paper and other money market instruments	(409)	-	-	(254)	12	2	88	-	(108)	3	(666)
Issued debt	(1,164)	-	-	(16)	293	88	-	-	(48)	99	(748)
Other	(67)	-	-	(341)	10	6	30	-	(40)	-	(402)
Financial liabilities designated at fair value	(1,640)	-	-	(611)	315	96	118	-	(196)	102	(1,816)
Interest rate derivatives	(15)	5	45	(5)	7	(358)	-	-	103	113	(105)
Credit derivatives	1,420	11	-	-	42	121	-	-	(81)	44	1,557
Equity derivatives	(601)	86	(12)	(305)	113	(278)	-	-	(14)	166	(845)
Commodity derivatives	(141)	-	-	(3)	(10)	4	-	-	(11)	9	(152)
Foreign exchange derivatives	31	-	(12)	(4)	(71)	(6)	-	-	29	3	(30)
Net derivative financial instruments[b]	694	102	21	(317)	81	(517)	-	-	26	335	425
Total	26,841	6,059	(7,013)	(928)	(2,316)	2,189	830	74	431	(155)	26,012

Assets and liabilities held at fair value

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2013 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Total gains and losses in the period recognised in the income statement: Other income £m	Total gains or losses recognised in OCI £m	Transfers In £m	Transfers Out £m	As at 31 December 2013 £m
Government and government sponsored debt	321	135	(199)	82	(23)	(3)	(11)	-	-	(141)	161
Corporate debt	3,136	84	(83)	-	-	(46)	-	-	-	(52)	3,039
Asset backed securities	3,614	2,773	(4,729)	-	(389)	831	-	-	50	(39)	2,111
Non asset backed loans	344	91	(281)	35	(37)	16	-	-	8	-	176
Funds and fund linked products	685	-	(64)	-	-	(95)	-	-	-	(32)	494
Other	414	46	(42)	-	(44)	44	-	-	34	(12)	440
Trading portfolio assets	8,514	3,129	(5,398)	117	(493)	747	(11)	-	92	(276)	6,421
Commercial real estate loans	1,798	1,542	(1,717)	-	(526)	156	2	-	2	(59)	1,198
Non asset backed loans	2,021	390	(1)	-	(208)	(1,441)	(107)	-	15,317	(15)	15,956
Asset backed loans	564	595	(748)	-	(23)	106	-	-	-	(119)	375
Private equity investments	1,350	161	(134)	-	(87)	50	(139)	-	18	(51)	1,168
Other	353	11	(237)	-	(28)	(36)	(1)	-	105	(94)	73
Financial assets designated at fair value	6,086	2,699	(2,837)	-	(872)	(1,165)	(245)	-	15,442	(338)	18,770
Asset backed securities	492	-	(521)	-	(29)	(1)	30	30	-	-	1
Government and government sponsored debt	46	13	-	-	(1)	-	1	-	-	-	59
Other	2,342	25	(77)	-	(471)	1	255	2	36	(28)	2,085
Available for sale investments	2,880	38	(598)	-	(501)	-	286	32	36	(28)	2,145
Other[a]	1,686	151	(1,210)	-	-	17	(31)	-	-	(162)	451
Trading portfolio liabilities	(2)	(1)		-		1	-	-	-	2	-
Certificates of deposit, commercial paper and other money market instruments	(760)	-	-	-	7	204	93	-	-	47	(409)
Issued debt	(1,439)	-	9	(67)	319	60	6	-	(205)	153	(1,164)
Other	(156)	(2)	1	-	(2)	(3)	3	-	-	92	(67)
Financial liabilities designated at fair value	(2,355)	(2)	10	(67)	324	261	102	-	(205)	292	(1,640)
Interest rate derivatives	149	(26)	(1)	-	31	262	2	-	(26)	(406)	(15)
Credit derivatives	1,776	95	(66)	(2)	54	(488)	(81)	-	(74)	206	1,420
Equity derivatives	(608)	301	(1)	(394)	(48)	151	2	-	(85)	81	(601)
Commodity derivatives	117	(57)	-	(44)	42	66	1	-	(146)	(120)	(141)
Foreign exchange derivatives	(40)	-	-	-	145	(44)	1	-	(10)	(21)	31
Other	(164)	-	-	-	-	-	-	-	-	164	-
Net derivative financial instruments[b]	1,230	313	(68)	(440)	224	(53)	(75)	-	(341)	(96)	694
Total	18,039	6,327	(10,101)	(390)	(1,318)	(192)	26	32	15,024	(606)	26,841

Notes

a Other consists of investment property. Non-current assets held for sale of £15,574m (2013: £495m) and liabilities in a disposal group classified as held for sale of £13,115m (2013: nil) are not included as these are measured at fair value on a non-recurring basis. £(58)m of transfers out as at 31 December 2014 refers to investment property transferred to the disposal group classified as held for sale.

b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets as at 31 December 2014 totalled £4,745m (2013: £5,013m) and derivative financial liabilities totalled £4,320m (2013: £4,319m).

Assets and liabilities move between Level 2 and Level 3 primarily due to (i) an increase or decrease in observable market activity related to an input; or (ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

During 2014, transfers into Level 3 totalled £431m (2013: £15,024m). This was primarily due to:

- £676m of government and government sponsored debt held as trading portfolio assets following a decrease in observable market activity for UK Gilt strips;
- £204m in fund and fund linked products held as trading portfolio assets;
- £(346)m of government and government sponsored debt held as trading portfolio liabilities; and
- £(108)m of certificates of deposit, commercial paper and other money market instruments which are designated as held at fair value through profit and loss.

Transfers out of Level 3 totalled £155m (2013: £606m). This was primarily due to:

- £215m of private equity investments held as financial assets designated at fair value through profit and loss;
- £89m of non-asset backed loans held as trading portfolio assets; and
- £(166)m of equity derivatives as a result of more observable valuation inputs.

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2014 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Out £m	As at 31 December 2014 £m
Trading portfolio assets	5,326	550	(850)	-	(521)	515	-	-	927	(115)	5,832
Financial assets designated at fair value	16,864	3,778	(3,362)	-	(350)	1,948	32	-	2	(130)	18,782
Available for sale investments	1,821	241	(55)	-	(1,708)	-	570	11	3	(30)	853
Trading portfolio liabilities	-	-	-	-	-	-	-	-	(346)	-	(346)
Financial liabilities designated at fair value	(1,161)	-	-	(187)	290	89	(1)	-	(49)	99	(920)
Other[a]	68	-	(51)	-	-	-	(1)	-	-	-	16
Net derivative financial instruments[b]	699	98	35	(417)	78	(424)	-	-	13	340	422
Total	23,617	4,667	(4,283)	(604)	(2,211)	2,128	600	11	550	164	24,639

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2013 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Out £m	As at 31 December 2013 £m
Trading portfolio assets	6,111	396	(886)	117	(329)	247	-	-	79	(409)	5,326
Financial assets designated at fair value	3,596	2,468	(2,437)	-	(716)	(1,324)	3	-	15,291	(17)	16,864
Available for sale investments	2,094	16	(19)	-	(486)	3	213	(6)	8	(2)	1,821
Trading portfolio liabilities	(2)	(1)	-	-	-	2	-	-	(1)	2	-
Financial liabilities designated at fair value	(1,606)	-	8	(64)	251	201	-	-	(187)	236	(1,161)
Other[a]	-	68	-	-	-	-	-	-	-	-	68
Net derivative financial instruments[b]	1,307	312	(66)	(442)	221	(64)	(80)	-	(326)	(163)	699
Total	11,500	3,259	(3,400)	(389)	(1,059)	(935)	136	(6)	14,864	(353)	23,617

Notes
a Other consists of investment property.
b The derivative financial instruments are represented on a net basis. On a gross basis derivative financial assets as at 31 December 2014 totalled £4,693m (2013: £4,945m) and derivative financial liabilities totalled £4,271m (2013: £4,246m).

Unrealised gains and losses on Level 3 financial assets and liabilities

The following table discloses the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

As at 31 December	2014				2013			
	Income statement				Income statement			
	Trading income	Other income	Other compre-hensive income	Total	Trading income	Other income	Other compre-hensive income	Total
The Group	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	466	-	-	466	222	-	-	222
Financial assets designated at fair value	1,849	(9)	-	1,840	(1,276)	10	-	(1,266)
Available for sale assets	-	572	80	652	-	(5)	27	22
Trading portfolio liabilities	(3)	-	-	(3)	-	-	-	-
Financial liabilities designated at fair value	98	118	-	216	74	-	-	74
Other	-	5	-	5	(27)	(31)	-	(58)
Net derivative financial instruments	(238)	-	-	(238)	(411)	(75)	-	(486)
Total	2,172	686	80	2,938	(1,418)	(101)	27	(1,492)

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

As at 31 December	2014				2013			
	Income statement				Income statement			
	Trading income	Other income	Other compre-hensive income	Total	Trading income	Other income	Other comprehensive income	Total
The Bank	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	444	-	-	444	209	-	-	209
Financial assets designated at fair value	1,864	7	-	1,871	(1,377)	3	-	(1,374)
Available for sale assets	-	500	11	511	-	-	1	1
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	97	(1)	-	96	75	-	-	75
Net derivative financial instruments	(241)	-	-	(241)	(424)	(75)	-	(499)
Total	2,164	506	11	2,681	(1,517)	(72)	1	(1,588)

The trading income of £1,849m within financial assets designated at fair value was primarily due to gains on the ESHLA fixed rate loan portfolio as a result of a decrease in interest rate forward curves offset by the reduction in fair value of £935m arising from the valuation methodology change described on page 191. The gains relating to interest rate curves are offset by a trading loss recognised on the Level 2 derivative instruments that hedge the ESHLA loan portfolio interest rate risk.

Trading income of £466m on trading portfolio assets and net derivative financial instruments of £(238)m was driven by the effects of the decrease in interest rate forward curves, with Level 3 assets and liabilities increasing over the period.

Other income of £572m on available for sale assets was driven by foreign exchange fluctuations and a £461m valuation gain on the US Lehman acquisition assets.

Note
a Other consists of investment property.

Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

Sensitivities are dynamically calculated on a monthly basis. The calculation is based on range or spread data of a reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

The valuation techniques used for the material products within Levels 2 and 3 and, observability and sensitivity analysis for products within Level 3 are described below.

Interest rate derivatives
Description: These are derivatives linked to interest rates or inflation indices. This category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives.

Valuation: Interest rate derivative cash flows are valued using interest rate yield curves whereby observable market data is used to construct the term structure of forward rates. This is then used to project and discount future cash flows based on the parameters of the trade. Instruments with optionality are valued using volatilities implied from market observable inputs. Exotic interest rate derivatives are valued using industry standard and bespoke models based on observable and unobservable market parameter inputs. Input parameters include interest rates, volatilities, correlations and others as appropriate. Where unobservable, a parameter will be set with reference to an observable proxy. Inflation forward curves and interest rate yield curves are extrapolated beyond observable tenors.

Balance guaranteed swaps are valued using cash flow models that calculate fair value based on loss projections, prepayment, recovery and discount rates. These parameters are determined by reference to underlying asset performance, independent research, ABX indices, broker quotes, observable trades on similar securities, and third party pricing sources. Prepayment is projected based on observing historic prepayment rates.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying. Certain correlation, convexity, long dated forwards and volatility exposures are unobservable beyond liquid maturities. Unobservable model inputs are set by referencing liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is based on the dispersion of consensus data services where available, otherwise stress scenarios or historic data are used.

Foreign exchange derivatives
Description: These are derivatives linked to the foreign exchange (FX) market. This category includes FX forward contracts, FX swaps and FX options. The vast majority are traded as OTC derivatives.

Valuation: Exotic and non-exotic derivatives are valued using industry standard and bespoke models. Input parameters include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate. Unobservable model inputs are set by referencing liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Observability: Certain correlations, long dated forwards and volatilities are unobservable beyond liquid maturities.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is primarily based on the dispersion of consensus data services.

Credit derivatives
Description: These are derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets via securitisation. This category includes single name and index Credit Default Swaps (CDS), asset backed CDS, synthetic Collateralised Debt Obligations (CDOs), and Nth-to-default basket swaps.

Valuation: CDS are valued using a market standard model that incorporates the credit curve as its principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies. Where credit spreads are unobservable, they are determined with reference to recent transactions or proxied from bond spreads on observable trades of the same issuer or other similar entities. Synthetic CDOs are valued using a model that calculates fair value based on credit spreads, recovery rates, correlations and interest rates, and is calibrated to the index tranche market.

Observability: CDS contracts referencing entities that are not actively traded are considered unobservable. The correlation input to synthetic CDO valuation is considered unobservable as it is proxied from the observable index tranche market. Where an asset backed credit derivative does not have an observable market price and the valuation is determined using a model, an instrument is considered unobservable.

Level 3 sensitivity: The sensitivity of valuations of the illiquid CDS portfolio is determined by applying a shift to each spread curve. The shift is based on the average range of pricing observed in the market for similar CDS.

Synthetic CDO sensitivity is calculated using correlation levels derived from the range of contributors to a consensus bespoke service.

Commodity derivatives
Description: These products are exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil and refined products, agricultural, power and natural gas.

Valuation: The valuations of commodity swaps and options are determined using models incorporating discounting of cash flows and other industry standard modelling techniques. Valuation inputs include forward curves, volatilities implied from market observable inputs and correlations. Unobservable inputs are set with reference to similar observable products or by applying extrapolation techniques from the observable market.

Observability: Certain correlations, forward curves and volatilities for longer dated exposures are unobservable.

Level 3 sensitivity: Sensitivity is determined primarily by measuring historical variability over two years. Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels.

Equity derivatives
Description: These are derivatives linked to equity indices and single names. This category includes exchange traded and OTC equity derivatives including vanilla and exotic options.

Valuation: The valuations of OTC equity derivatives are determined using industry standard models. Input parameters include stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying.

Level 3 sensitivity: Sensitivity is estimated based on the dispersion of consensus data services either directly or through proxies.

Derivative exposure to monoline insurers
Description: These products are derivatives through which credit protection has been purchased on structured debt instruments (primarily collateralised loan obligations or CLOs) from monoline insurers.

Valuation: Given the bespoke nature of the CDS, the primary valuation input is the price of the cash instrument it protects.

Observability: While the market value of the cash instrument underlying the CDS contract may be observable, its use in the valuation of CDS is considered unobservable due to the bespoke nature of the monoline CDS contracts.

Level 3 sensitivity: Due to the high degree of uncertainty, the sensitivity reflects the impact of writing down the credit protection element of fair value to zero.

Government and government sponsored debt
Description: These are government bonds, supra sovereign bonds and agency bonds.

Valuation: Liquid government bonds actively traded through an exchange or clearing house are marked to the closing levels observed in these markets. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, fair value is determined by reference to either issuances or CDS spreads of the same issuer as proxy inputs to obtain discounted cash flow amounts.

Observability: Where an observable market price is not available, the bond is considered Level 3.

Level 3 sensitivity: Sensitivity is calculated by using the range of observable proxy prices.

Corporate debt

Description: This primarily contains corporate bonds.

Valuation: Corporate bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, fair value is determined by reference to either issuances or CDS spreads of the same issuer as proxy inputs to obtain discounted cash flow amounts. In the absence of observable bond or CDS spreads for the respective issuer, similar reference assets or sector averages are applied as a proxy (the appropriateness of proxies being assessed based on issuer, coupon, maturity and industry).

Observability: Where an observable market price is not available, the security is considered Level 3.

Level 3 sensitivity: The sensitivity for the corporate bonds portfolio is determined by applying a shift to each underlying position driven by average ranges of external levels observed in the market for similar bonds.

Non-asset backed loans

Description: This category is largely made up of fixed rate loans, such as the ESHLA portfolio, which are valued using models that discount expected future cash flows.

Valuation: Fixed rate loans are valued using models that calculate fair value based on observable interest rates and unobservable loan spreads. Unobservable loan spreads are modelled according to issuer credit quality and incorporate funding costs, the level of comparable assets such as gilts and other factors.

Observability: Within this population, the unobservable input is the loan spread.

Level 3 sensitivity: The sensitivity for fixed rate loans is calculated by applying a shift to loan spreads.

Asset backed securities

Description: These are securities that are linked to the cash flows of a pool of referenced assets via securitisation. This category includes residential mortgage backed securities, commercial mortgage backed securities, CDOs, CLOs and other asset backed securities.

Valuation: Where available, valuations are based on observable market prices which are sourced from broker quotes and inter-dealer prices. Otherwise, valuations are determined using industry standard discounted cash flow analysis that calculates the fair value based on valuation inputs such as constant default rate, conditional prepayment rate, loss given default and yield. These inputs are determined by reference to a number of sources including proxying to observed transactions, market indices or market research, and by assessing underlying collateral performance.

Proxying to observed transactions, indices or research requires an assessment and comparison of the relevant securities' underlying attributes including collateral, tranche, vintage, underlying asset composition (historical losses, borrower characteristics, and loan attributes such as loan-to-value ratio and geographic concentration) and credit ratings (original and current).

Observability: Where an asset backed product does not have an observable market price, and the valuation is determined using a discounted cash flow analysis, an instrument is considered unobservable.

Level 3 sensitivity: The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion, defined at the position level.

Commercial real estate loans

Description: This portfolio includes loans that are secured by a range of commercial property types including retail, hotel, office, multi-family and industrial properties.

Valuation: Performing loans are valued using discounted cash flow analysis which considers the characteristics of the loan such as property type, geographic location, credit quality and property performance reviews in order to determine an appropriate credit spread. Where there is significant uncertainty regarding loan performance, valuation is based on independent third party appraisals or bids for the underlying properties. Independent third party appraisals are determined by discounted cash flow analysis. The key valuation inputs are yield and loss given default.

Observability: Since each commercial real estate loan is unique in nature and the secondary loan market is relatively illiquid, valuation inputs are generally considered unobservable.

Level 3 sensitivity: For performing loans, sensitivity is determined by stressing the credit spread for each loan. For loans which have significant uncertainty regarding loan performance, sensitivity is determined by either a range of bids or by stressing the inputs to independent third party appraisals.

Issued debt

Description: This category contains Barclays' issued notes.

Valuation: Fair valued Barclays' issued notes are valued using discounted cash flow techniques and industry standard models incorporating various observable input parameters depending on the terms of the instrument.

Observability: Barclays' issued notes are generally observable. Structured notes are debt instruments containing embedded derivatives. Where either an input to the embedded derivative or the debt instrument is deemed unobservable and significant to the overall valuation of the note, the structured note is classified as Level 3.

Level 3 sensitivity: Sensitivity to the unobservable input in the embedded derivative is calculated in line with the method used for the derivative instrument concerned and incorporated within the derivative lines.

Private equity investments

Description: This category includes private equity investments.

Valuation: Private equity investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis, and comparison with the earnings multiples of listed comparative companies. Full valuations are generally performed at least biannually, with the positions reviewed periodically for material events that might impact upon fair value. The valuation of unquoted equity instruments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

Observability: Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

Level 3 sensitivity: The relevant valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates. Valuation sensitivity is estimated by flexing such assumptions to reasonable alternative levels and determining the impact on the resulting valuation.

Other

Description: The US Lehman acquisition assets are included within Other. For more details, refer to Note 28. Other also includes investment property and non-current assets held for sale. See below for more details.

Level 3 sensitivity: No stress has been applied to the receivables relating to the Lehman acquisition (Note 28). The sensitivity inherent in the measurement of the receivables is akin to a litigation provision. Due to this, an upside and downside stress on a basis comparable with the other assets cannot be applied.

Investment property

Description: Investment property consists of commercial real estate property including most of the major property types: retail, office, industrial and multi-family properties.

Valuation: Investment property is valued using competitive asset specific market bids. When bids are unavailable, valuations are determined by independent third party appraisers through a discounted cash flow analysis. The key inputs to the discounted cash flow valuation are capitalisation rates, yields, growth rate, and loss given default.

Observability: Since each investment property is unique in nature and the commercial real estate market is illiquid, valuation inputs are largely unobservable.

Non-current assets held for sale

Description: Non-current assets held for sale materially consists of the Spanish business, which includes all assets and liabilities of Barclays Bank S.A.U. and its subsidiaries being offered for sale.

Valuation: Non-current assets held for sale are valued at the lower of carrying value and fair value less cost to sell. The Spanish business has been recognised at the agreed price less costs to sell.

Observability: There is no liquid market for such transactions and therefore valuation inputs are largely unobservable.

Level 3 sensitivity: The Spanish business is valued at the agreed price less costs to sell and is not expected to display significant sensitivity.

Complex derivative instruments

Valuation estimates made by counterparties with respect to complex derivative instruments, for the purpose of determining the amount of collateral to be posted, often differ, sometimes significantly, from Barclays' own estimates. In almost all cases, Barclays has been able to successfully resolve such differences or otherwise reach an accommodation with respect to collateral posting levels, including in certain cases by entering into compromise collateral arrangements. Due to the ongoing nature of collateral calls, Barclays will often be engaged in discussion with one or more counterparties in respect of such differences at any given time. Valuation estimates made by counterparties for collateral purposes are, like any other third-party valuation, considered when determining Barclays' fair value estimates.

Sensitivity analysis of valuations using unobservable inputs

	Fair value		Favourable changes		Unfavourable changes	
	Total assets	Total liabilities	Income statement	Equity	Income statement	Equity
	£m	£m	£m	£m	£m	£m
As at 31 December 2014						
Interest rate derivatives	1,239	(1,344)	70	-	(71)	-
Foreign exchange derivatives	108	(138)	36	-	(36)	-
Credit derivatives[a]	1,966	(409)	81	-	(229)	-
Equity derivatives	1,247	(2,092)	220	-	(220)	-
Commodity derivatives	185	(337)	46	-	(46)	-
Government and government sponsored debt	1,014	(346)	-	-	(2)	-
Corporate debt	3,061	(13)	26	(1)	(9)	(4)
Certificates of deposit, commercial paper and other money market instruments	-	(665)	3	-	3	-
Non-asset backed loans	17,744	-	1,164	-	(820)	-
Asset backed securities	1,631	-	46	1	(72)	(1)
Commercial real estate loans	1,180	-	20	-	(19)	-
Issued debt	-	(749)	-	-	-	-
Equity cash products	171	-	-	11	-	(11)
Funds and fund linked products	631	(210)	14	-	(14)	-
Other[b]	17,663	(13,297)	180	82	(156)	(55)
Total	**47,840**	**(19,600)**	**1,906**	**93**	**(1,691)**	**(71)**

Sensitivity analysis of valuations using unobservable inputs

	Fair value		Favourable changes		Unfavourable changes	
	Total assets	Total liabilities	Income statement	Equity	Income statement	Equity
	£m	£m	£m	£m	£m	£m
As at 31 December 2013						
Interest rate derivatives	1,031	(1,046)	246	-	(251)	-
Foreign exchange derivatives	117	(86)	32	-	(32)	-
Credit derivatives[a]	2,200	(780)	145	-	(287)	-
Equity derivatives	1,266	(1,867)	234	-	(234)	-
Commodity derivatives	399	(540)	41	-	(41)	-
Government and government sponsored debt	220	-	1	-	(1)	-
Corporate debt	3,040	(12)	10	-	(4)	-
Certificates of deposit, commercial paper and other money market instruments	-	(409)	-	-	-	-
Non-asset backed loans	16,132	-	151	-	(1,177)	-
Asset backed securities	2,112	-	104	1	(74)	(1)
Commercial real estate loans	1,198	-	61	-	(29)	-
Issued debt	1	(1,164)				
Equity cash products	168	-	-	12	-	(12)
Funds and fund linked products	550	(54)	25	-	(25)	-
Other[b]	4,509	(1)	208	58	(203)	(47)
Total	**32,943**	**(5,959)**	**1,258**	**71**	**(2,358)**	**(60)**

Notes
a Credit derivatives includes derivative exposure to monoline insurers.
b *Other includes non-current assets and liabilities held for sale, which are measured at fair value on a non-recurring basis, private equity investments, asset backed loans, US Lehman acquisition assets and investment property.*

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £1.9bn (2013: £1.3bn) or to decrease fair values by up to £1.7bn (2013: £2.4bn) with substantially all the potential effect impacting the income statement rather than directly impacting equity. The increase in favourable change and corresponding decrease in unfavourable change for non-asset backed loans between 2014 and 2013 has resulted from the fair value methodology change described on page 191, which moved the fair valuation for the ESHLA portfolio towards the middle of the range of potential outcomes.

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

	Total assets	Total liabilities	Valuation	Significant unobservable	2014 Range		2013 Range		
	£m	£m	technique(s)	inputs	Min	Max	Min	Max	Units[a]
Derivative financial instruments[b]									
Interest rate derivatives	1,239	(1,344)	Discounted cash flows	Inflation forwards	(0.5)	11	(0.1)	4	%
			Option model	Inflation volatility	0.4	3	1	2	%
				IR - IR correlation	(88)	100	(34)	100	%
				FX - IR correlation	14	90	14	90	%
				Interest rate volatility	-	97	8	52	%
Credit derivatives	1,966	(409)	Discounted cash flows	Credit spread	116	2,40	138	1,530	bps
			Correlation model	Credit correlation	36	90	22	81	%
				Credit spread	6	5,898	206	934	bps
			Comparable pricing	Price	64	100	-	100	points
Equity derivatives	1,247	(2,092)		Equity volatility	1	97	13	97	%
				Equity - equity correlation	(55)	99	25	96	%
				Equity - FX correlation	(80)	55	(91)	55	%
Non-derivative financial instruments									
Corporate debt	3,061	(13)	Discounted cash flows	Credit spread	140	900	138	540	bps
			Comparable pricing	Price	-	104	-	120	points
Asset backed securities	1,631	-	Discounted cash flows	Conditional prepayment rate	-	5	-	54	%
				Constant default rate	-	9	-	15	%
				Loss given default	45	100	-	100	%
				Yield	3	11	-	52	%
				Credit spread	74	2,688	13	5,305	bps
			Comparable pricing	Price	-	100	-	201	points
Commercial real estate loans	1,180	-	Discounted cash flows	Loss given default	-	100	-	100	%
				Yield	4	8	2	26	%
				Credit spread	124	675	134	294	bps
Non-asset backed securities	17,744	-	Discounted cash flows	Loan spread	39	1000	-	1,124	bps
Other[c]	2,320	(182)	Discounted cash flows	Constant default rate	-	-	2	10	%
				Loss given default	-	-	33	95	%
				Yield	8	9	3	35	%
			Comparable pricing	Price	-	133	-	102	points
			Net asset value[d]	Net asset value					

Notes

a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

b Certain derivative instruments are classified as Level 3 due to a significant unobservable credit spread input into the calculation of the Credit Valuation Adjustment (CVA) for the instruments. The range of significant unobservable credit spreads is between 53-825bps.

c Other includes private equity investments, asset-backed loans, US Lehman acquisition assets and investment property.

d A range has not been provided for net asset value as there would be a wide range reflecting the diverse nature of the positions.

17 Fair value of financial instruments continued
The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Comparable price
Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable bond, then adjusting that yield (or spread) to derive a value for the unobservable bond. The adjustment to yield (or spread) should account for relevant differences in the bonds such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and bond being valued in order to establish the value of the bond.

In general, a significant increase in comparable price in isolation will result in a movement in fair value that is favourable for the holder of a cash instrument.

For a derivative instrument, a significant increase in an input derived from a comparable price in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Conditional prepayment rate
Conditional prepayment rate is the proportion of voluntary, unscheduled repayments of loan principal by a borrower. Prepayment rates affect the weighted average life of securities by altering the timing of future projected cash flows.

A significant increase in a conditional prepayment rate in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Conditional prepayment rates are typically inversely correlated to credit spread i.e. securities with high borrower credit spread typically experience lower prepayment rates, and also tend to experience higher default rates.

Constant default rate
The constant default rate represents an annualised rate of default of the loan principal by the borrower.

A significant increase in a constant default rate in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Constant default rate and conditional prepayment rates are typically inversely correlated: fewer defaults on loans typically will mean higher credit quality and therefore more prepayments.

Correlation
Correlation is a measure of the relationship between the movements of two variables (i.e. how the change in one variable influences a change in the other variable). Correlation is a key input into valuation of derivative contracts with more than one underlying instrument. For example, where an option contract is written on a basket of underlying names, the volatility of the basket, and hence the fair value of the option, will depend on the correlation between the basket components. Credit correlation generally refers to the correlation between default processes for the separate names that make up the reference pool of a collateralised debt obligation structure.

A significant increase in correlation in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Credit spread
Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument, and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Loan spread
Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect funding costs, credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in loan spreads in isolation will result in a movement in fair value that is unfavourable for the holder of a loan.

Forwards
A price or rate that is applicable to a financial transaction that will take place in the future. A forward is generally based on the spot price or rate, adjusted for the cost of carry, and defines the price or rate that will be used to deliver a currency, bond, commodity or some other underlying instrument at a point in the future. A forward may also refer to the rate fixed for a future financial obligation, such as the interest rate on a loan payment. In general, a significant increase in a forward in isolation will result in a movement in fair value that is favourable for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

Loss given default (LGD)
Loss given default represents the expected loss upon liquidation of the collateral as a percentage of the balance outstanding.

In general, a significant increase in the LGD in isolation will translate to lower recovery and lower projected cash flows to pay to the securitisation, resulting in a movement in fair value that is unfavourable for the holder of the securitised product.

Net Asset Value
Net asset value represents the total value of a fund's assets and liabilities.

In general, a significant increase in net asset value in isolation will result in a movement in fair value that is favourable for a fund.

Volatility
Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time. In general, volatilities will be implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, as well as reflecting the given strike/maturity profile of a specific option contract.

In general a significant increase in volatility in isolation will result in a movement in fair value that is favourable for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be inter-relationships between unobservable volatilities and other unobservable inputs that can be implied from observation (e.g. when equity prices fall, implied equity volatilities generally rise) but these are specific to individual markets and may vary over time.

Yield
The rate used to discount projected cash flows in a discounted future cash flow analysis.

In general, a significant increase in yield in isolation will result in a movement in fair value that is unfavourable for the holder of a cash instrument.

Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2014 £m	2013 £m
Bid-offer valuation adjustments	**(396)**	(406)
Other exit adjustments	**(169)**	(208)
Uncollateralised derivative funding	**(100)**	(67)
Derivative credit valuation adjustments:		
- Monolines	**(24)**	(62)
- Other derivative credit valuation adjustments	**(394)**	(322)
Derivative debit valuation adjustments	**177**	310

Bid-offer valuation adjustments

The Group uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the price for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy. Bid-offer levels are derived from market sources, such as broker data.

Other exit adjustments
Market data input for exotic derivatives may not have a directly observable bid-offer spread. In such instances, an exit adjustment is applied as a proxy for the bid-offer adjustment. An example of this is correlation risk where an adjustment is applied to reflect the possible range of values that market participants apply. The exit adjustment may be determined by calibrating to derivative prices, or by scenario analysis or historical analysis. The other exit adjustments have reduced by £39m to £169m respectively as a result of movements in market bid-offer spreads.

Discounting approaches for derivative instruments
Collateralised
In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant Credit Support Annex (CSA). The CSA-aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

Uncollateralised
A fair value adjustment of £100m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as the 'funding fair value adjustment' (FFVA). FFVA has increased by £33m to £100m mainly as a result of interest rates decreasing, causing uncollateralised exposures to increase.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to these exposures that reflects the market cost of funding. Barclays' internal Treasury lending rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

The FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2014 was to reduce the FFVA by £300m (2013: £200m).

Uncollateralised derivative trading activity is used to determine this scaling factor. The trading history analysed includes new trades, terminations, trade restructures and novations. The FFVA balance and movement is driven by the Barclays own cost of funding spread over LIBOR, counterparty default probabilities and recovery rates, as well as the market value of the underlying derivatives. Movements in the market value of the portfolio in scope for FFVA are mainly driven by interest rates, inflation rates and foreign exchange levels.

Barclays continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate. The above approach has been in use since 2012 with no significant changes.

Derivative credit and debit valuation adjustments
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and Barclays own credit quality respectively. These adjustments are modelled for OTC derivatives across all asset classes. Calculations are derived from estimates of exposure at default, probability of default and recovery rates, on a counterparty basis. Counterparties include (but are not limited to) corporates, monolines, sovereigns and sovereign agencies, supranationals, and special-purpose vehicles.

Exposure at default for CVA and DVA is generally based on expected exposure, estimated through the simulation of underlying risk factors. For some complex products, where this approach is not feasible, simplifying assumptions are made, either through proxying with a more vanilla structure, or using current or scenario-based mark-to-market as an estimate of future exposure. Where strong collateralisation agreement exists as a mitigant to counterparty risk, the exposure is set to zero.

Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information. In particular, this applies to sovereign related names where the effect of using the recovery assumptions implied in CDS levels would imply a £120m (2013: £105m) increase in CVA.

Correlation between counterparty credit and underlying derivative risk factors may lead to a systematic bias in the valuation of counterparty credit risk, termed 'wrong-way' or 'right-way' risk. This is not incorporated into the CVA calculation, but risk of wrong-way exposure is controlled at the trade origination stage.

Derivative credit valuation adjustments increased by £34m to £418m primarily due to an increase in exposure as a result of lower interest rates, partially offset by a reduction in monoline exposure. Derivative debit valuation adjustments have reduced by £133m to £177m primarily as a result of improvements in Barclays credit.

Portfolio exemptions

The Group uses the portfolio exemption in IFRS 13 Fair Value Measurement to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is £96m (2013:£137m) for The Group. There are no additions (2013: £53m) and £41m (2013: £64m) of amortisation and releases.

For The Bank the amount of unrealised gains is £81m (2013: £117m). There are £(6)m (2013: £47m) of additions and £29m (2013: £22m) of amortisation and releases.

The reserve held for unrecognised gains is predominantly related to derivative financial instruments.

Third party credit enhancements

Structured and brokered certificates of deposit issued by Barclays Group are insured up to $250,000 per depositor, by the Federal Deposit Insurance Corporation (FDIC) in the United States. The FDIC is funded by premiums that Barclays and other banks pay for deposit insurance coverage. The carrying value of these issued certificates of deposit that are designated under the IAS 39 fair value option includes this third party credit enhancement. The on balance sheet value of these brokered certificates of deposit amounted to £3,650m (2013: £3,136m).

Valuation control framework

The valuation control framework covers fair value positions and is a key control in ensuring the material accuracy of valuations.

The valuation control function within Finance is responsible for independent price verification, oversight of prudent and fair value adjustments and escalation of valuation issues.

Governance over the valuation process is the responsibility of the Valuation Committee, and this is the governance forum to which valuation issues are escalated.

The Valuation Committee meets on a monthly basis and is responsible for overseeing valuation policy and practice within the Group. It provides reports to the Board Audit Committee, which examines the judgements taken on valuations and related disclosures.

Price verification uses independently sourced data that is deemed most representative of the market. The characteristics against which the data source is assessed are independence, reliability, consistency with other sources and evidence that the data represents an executable price. The most current data available at balance sheet date is used. Where significant variances are noted in the independent price verification process, an adjustment is made to fair value. Additional fair value adjustments may be made to reflect such factors as bid-offer spreads, market data uncertainty, model limitations and counterparty risk – further detail on these fair value adjustments is disclosed on page 207.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The following tables summarises the fair value of financial assets and liabilities measured at amortised cost on The Group's and The Bank's balance sheet:

The Group As at 31 December 2014	Carrying amount £m	Fair value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Financial assets					
Loans and advances to banks	42,657	42,634	2,693	39,302	639
Loans and advances to customers:					
– Home loans	166,974	159,602	-	-	159,602
– Credit cards, unsecured and other retail lending	63,583	63,759	1,214	488	62,057
– Finance lease receivables	5,439	5,340	-	-	-
– Corporate loans	191,771	188,805	233	138,817	49,755
Reverse repurchase agreements and other similar secured lending	131,753	131,753	2	131,751	-
Financial liabilities					
Deposits from banks	(58,390)	(58,388)	(4,257)	(54,117)	(14)
Customer accounts:					
– Current and demand accounts	(143,057)	(143,085)	(126,732)	(16,183)	(170)
– Savings accounts	(131,163)	(131,287)	(116,172)	(15,086)	(29)
– Other time deposits	(153,648)	(153,755)	(43,655)	(101,899)	(8,201)
Debt securities in issue	(86,099)	(87,518)	(188)	(87,330)	-
Repurchase agreements and other similar secured lending	(124,479)	(124,479)	(423)	(124,056)	-
Subordinated liabilities	(21,685)	(23,276)	-	(23,259)	(17)

The Group As at 31 December 2013	Carrying amount £m	Fair value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Financial assets					
Loans and advances to banks	39,822	39,808	3,849	31,972	3,987
Loans and advances to customers:					
– Home loans	179,527	170,793	-	-	170,793
– Credit cards, unsecured and other retail lending	64,551	63,944	2,790	1,659	59,495
– Finance lease receivables	5,827	5,759	-	-	-
– Corporate loans	184,332	180,499	635	119,749	60,115
Reverse repurchase agreements and other similar secured lending	186,779	186,756	-	186,756	-
Financial liabilities					
Deposits from banks	(55,615)	(55,646)	(4,886)	(50,478)	(282)
Customer accounts:					
– Current and demand accounts	(134,849)	(134,849)	(129,369)	(3,254)	(2,226)
– Savings accounts	(123,824)	(123,886)	(106,964)	(15,876)	(1,046)
– Other time deposits	(173,359)	(173,089)	(41,815)	(120,106)	(11,168)
Debt securities in issue	(86,693)	(87,022)	(872)	(85,471)	(679)
Repurchase agreements and other similar secured lending	(196,748)	(196,748)	-	(196,748)	-
Subordinated liabilities	(22,249)	(22,746)	-	(22,711)	(35)

The Bank As at 31 December 2014	Carrying amount £m	Fair Value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable input (Level 3) £m
Financial assets					
Loans and advances to banks	57,438	57,431	3,017	53,981	433
Loans and advances to customers:					
– Home loans	150,896	143,521	-	-	143,521
– Credit cards, unsecured and other retail lending	42,368	42,445	777	37	41,631
– Finance lease receivables	338	332			
– Corporate loans	236,212	233,021	2,269	169,903	60,849
Reverse repurchase agreements and other similar secured lending	102,824	102,824	-	102,085	739
Financial liabilities					
Deposits from banks	(70,342)	(70,341)	(5,729)	(64,526)	(86)
Customer accounts:					
– Current and demand accounts	(221,849)	(221,876)	(115,018)	(99,652)	(7,206)
– Savings accounts	(116,128)	(116,251)	(105,933)	(10,300)	(18)
– Other time deposits	(87,157)	(87,206)	(41,670)	(37,442)	(8,094)
Debt securities in issue	(63,771)	(65,145)	(87)	(65,058)	-
Repurchase agreements and other similar secured lending	(95,373)	(95,373)	(399)	(94,974)	-
Subordinated liabilities	(20,851)	(23,441)	(39)	(23,402)	-

The Bank As at 31 December 2013	Carrying amount £m	Fair Value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable input (Level 3) £m
Financial assets					
Loans and advances to banks	51,650	51,542	176	47,581	3,785
Loans and advances to customers:					
– Home loans	149,974	142,702	-	-	142,702
– Credit cards, unsecured and other retail lending	33,705	33,674	1,114	210	32,350
– Finance lease receivables	361	333			
– Corporate loans	278,543	275,173	40	222,486	52,647
Reverse repurchase agreements and other similar secured lending	142,695	142,719	-	142,719	-
Financial liabilities					
Deposits from banks	(64,667)	(64,646)	(4,255)	(60,360)	(31)
Customer accounts:					
– Current and demand accounts	(107,720)	(107,716)	(101,184)	(6,513)	(19)
– Savings accounts	(110,377)	(110,366)	(99,895)	(10,454)	(17)
– Other time deposits	(279,162)	(279,206)	(35,212)	(232,870)	(11,124)
Debt securities in issue	(62,812)	(62,640)	-	(62,640)	-
Repurchase agreements and other similar secured lending	(148,545)	(148,541)	-	(148,541)	-
Subordinated liabilities	(20,982)	(21,792)	-	(21,792)	-

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Financial assets

The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the relevant accounting policy noted on pages 219 and 240.

Loans and advances to banks

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

There is minimal difference between the fair value and carrying amount due to the short term nature of the lending (i.e. predominantly overnight deposits) and the high credit quality of counterparties.

Loans and advances to customers

The fair value of loans and advances to customers, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality.

For retail lending (i.e. Home loans and Credit cards) tailored discounted cash flow models are used to estimate the fair value of different product types. For example, for home loans different models are used to estimate fair values of tracker, offset and fixed rate mortgage products. Key inputs to these models are the differentials between historic and current product margins and estimated prepayment rates.

The discount of fair value to carrying amount from home loans for The Group has decreased to 4.4% (2013: 4.9%) and The Bank has increased to 4.9% (2013: 4.8%), both are due to changes in the product mix across the loan portfolio and movements in product margins.

The fair value of Corporate loans calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity. The discount between the carrying and fair value for The Group has decreased to 1.5% (2013: 2.1%) and The Bank has increased to 1.4% (2013:1.2%).

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts and other deposits such as repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy noted on page 240.

Deposits from banks and customer accounts

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that re-price frequently such as customer accounts and other deposits and short term debt securities.

The fair value for deposits with longer term maturities such as time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal.

Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value. The fair value difference for The Group has increased to 1.6% (2013: 0.4%) and The Bank has increased to 2.2% (2013: 0.3%).

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issue concerned or issues with similar terms and conditions.

18 Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation, The Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet; and
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The 'Net amounts' presented below are not intended to represent The Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

The Group

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset[c]				
	Gross amounts	Amounts offset[a]	Net amounts reported on the balance sheet[b]	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[d]	Balance sheet total[e]
As at 31 December 2014	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**617,981**	**(182,274)**	**435,707**	**(353,631)**	**(52,278)**	**29,798**	**4,369**	**440,076**
Reverse repurchase agreements and other similar secured lending	**204,895**	**(97,254)**	**107,641**	**-**	**(106,436)**	**1,205**	**24,112**	**131,753**
Total Assets	**822,876**	**(279,528)**	**543,348**	**(353,631)**	**(158,714)**	**31,003**	**28,481**	**571,829**
Derivative financial liabilities	**(617,161)**	**184,496**	**(432,665)**	**353,631**	**54,311**	**(24,723)**	**(6,655)**	**(439,320)**
Repurchase agreements and other similar secured borrowing	**(202,218)**	**97,254**	**(104,964)**	**-**	**104,023**	**(941)**	**(19,515)**	**(124,479)**
Total Liabilities	**(819,379)**	**281,750**	**(537,629)**	**353,631**	**158,334**	**(25,664)**	**(26,170)**	**(563,799)**
As at 31 December 2013								
Derivative financial assets	603,684	(264,816)	338,868	(279,802)	(44,621)	14,445	11,592	350,460
Reverse repurchase agreements and other similar secured lending	246,281	(93,508)	152,773	-	(151,833)	940	34,006	186,779
Total Assets	849,965	(358,324)	491,641	(279,802)	(196,454)	15,385	45,598	537,239
Derivative financial liabilities	(598,472)	264,681	(333,791)	279,802	40,484	(13,505)	(13,327)	(347,118)
Repurchase agreements and other similar secured borrowing	(253,966)	93,508	(160,458)	-	159,686	(772)	(36,290)	(196,748)
Total Liabilities	(852,438)	358,189	(494,249)	279,802	200,170	(14,277)	(49,617)	(543,866)

Notes

a Amounts offset for Derivative financial assets includes cash collateral netted of £1,052m (2013: £329m). Amounts offset for Derivative liabilities includes cash collateral netted of £3,274m (2013: £194m). Settlements assets and liabilities have been offset amounting to £13,258m (2013: £6,699m). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.

b The table excludes Reverse repurchase agreements designated at fair value which are subject to enforceable master netting arrangements of £4bn (2013: £2bn).

c Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralisation.

d This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

e The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

The Bank

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset[c]				
	Gross amounts	Amounts offset[a]	Net amounts reported on the balance sheet[b]	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[d]	Balance sheet total[e]
As at 31 December 2014	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**589,971**	**(182,274)**	**407,697**	**(327,156)**	**(52,091)**	**28,450**	**18,868**	**426,565**
Reverse repurchase agreements and other similar secured lending	**197,951**	**(103,703)**	**94,248**	**-**	**(93,468)**	**780**	**8,576**	**102,824**
Total Assets	**787,922**	**(285,977)**	**501,945**	**(327,156)**	**(145,559)**	**29,230**	**27,444**	**529,389**
Derivative financial liabilities	**(583,017)**	**184,496**	**(398,521)**	**327,156**	**53,382**	**(17,983)**	**(21,084)**	**(419,605)**
Repurchase agreements and other similar secured borrowing	**(189,924)**	**103,703**	**(86,221)**	**-**	**85,177**	**(1,044)**	**(9,152)**	**(95,373)**
Total Liabilities	**(772,941)**	**288,199**	**(484,742)**	**327,156**	**138,559**	**(19,027)**	**(30,236)**	**(514,978)**
As at 31 December 2013								
Derivative financial assets	605,587	(264,816)	340,771	(275,062)	(41,127)	24,582	4,663	345,434
Reverse repurchase agreements and other similar secured lending	233,488	(101,577)	131,911	-	(130,769)	1,142	10,784	142,695
Total Assets	839,075	(366,393)	472,682	(275,062)	(171,896)	25,724	15,447	488,129
Derivative financial liabilities	(596,092)	264,666	(331,426)	275,062	36,764	(19,600)	(3,796)	(335,223)
Repurchase agreements and other similar secured borrowing	(241,348)	101,577	(139,771)	-	138,888	(883)	(8,774)	(148,545)
Total Liabilities	(837,440)	366,243	(471,197)	275,062	175,652	(20,483)	(12,570)	(483,767)

Related amounts not offset

Derivative assets and liabilities
The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Notes
a Amounts offset for Derivative financial assets includes cash collateral netted of £1,052m (2013: £329m). Amounts offset for Derivative liabilities includes cash collateral netted of £3,274m (2013: £179m). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
b The table excludes Reverse repurchase agreements designated at fair value which are subject to enforceable master netting arrangements of £2bn (2013: £1bn).
c Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralisation.
d This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
e The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing
The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by The Group are further explained in the Credit risk mitigation section on page s 49 to 50.

The notes included in this section focus on assets that are held at amortised cost arising from the Group's retail and wholesale lending including loans and advances, finance leases, repurchase and reverse repurchase agreements and similar secured lending. Detail regarding the Group's capital and liquidity position can be found on pages 98 to 120.

19 Loans and advances to banks and customers

Accounting for financial instruments held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

In accordance with IAS 39, where the Group no longer intends to trade in financial assets it may transfer them out of the held-for-trading classification and measure them at amortised cost if they meet the definition of a loan. The initial value used for the purposes of establishing amortised cost is fair value on the date of the transfer.

	The Group		The Bank	
	2014	2013	2014	2013
As at 31 December	£m	£m	£m	£m
Gross loans and advances to banks	42,657	39,832	57,438	51,660
Less: allowance for impairment		(10)		(10)
Loans and advances to banks	42,657	39,822	57,438	51,650
Gross loans and advances to customers	433,222	441,485	433,677	467,146
Less: allowance for impairment	(5,455)	(7,248)	(3,863)	(4,563)
Loans and advances to customers	427,767	434,237	429,814	462,583

Further information on The Group's loans and advances to banks and customers and impairment allowances are included on pages 64 to 91.

Prior to 2010 The Group reclassified certain financial assets, originally classified as held for trading, that were deemed to be not held for trading purposes to loans and advances. The carrying value and fair value of securities reclassified into loans and advances is £1,862m (2013:£2,812m) and £1,834m (2013:£2,727m) respectively.

If the reclassifications had not been made, The Group's income statements for 2014 would have included a net gain on the reclassified trading assets of £57m (2013: gain of £57m).

20 Finance leases

Accounting for finance leases

The Group applies IAS 17 *Leases* in accounting for finance leases, both where it is the lessor or the lessee. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Group is the lessee, the leased asset is recognised in property, plant and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Finance lease receivables

Finance lease receivables are included within loans and advances to customers. The Group specialises in asset-based lending and works with a broad range of international technology, industrial equipment and commercial companies to provide customised finance programmes to assist manufacturers, dealers and distributors of assets.

	2014				2013			
	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Not more than one year	**2,139**	**(304)**	**1,835**	**125**	2,004	(286)	1,718	93
Over one year but not more than five years	**4,159**	**(682)**	**3,477**	**293**	4,308	(662)	3,646	268
Over five years	**213**	**(40)**	**173**	**17**	539	(76)	463	85
Total	**6,511**	**(1,026)**	**5,485**	**435**	6,851	(1,024)	5,827	446
The Bank								
Not more than one year	**14**	**(9)**	**5**	**-**	14	-	14	-
Over one year but not more than five years	**333**	**(29)**	**304**	**-**	377	(51)	326	-
Over five years	**9**	**(3)**	**6**	**-**	22	(1)	21	-
Total	**356**	**(41)**	**315**	**-**	413	(52)	361	-

The impairment allowance for uncollectable finance lease receivables amounted to £82m (2013: £129m).

Finance lease liabilities

The Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease liabilities are included within Note 25.

As at 31 December 2014, the total future minimum payments under finance leases were £14m (2013: £19m), of which £5m (2013: £5m) was due within one year and the total future minimum payments under finance leases for The Bank were £nil (2013: £nil). The carrying amount of assets held under finance leases was £31m (2013: £16m).

21 Reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

The Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost.

The Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost.

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Assets				
Banks	39,528	67,889	22,051	42,616
Customers	92,225	118,890	80,773	100,079
Reverse repurchase agreements and other similar secured lending	131,753	186,779	102,824	142,695
Liabilities				
Banks	49,940	66,896	24,131	39,466
Customers	74,539	129,852	71,242	109,079
Repurchase agreements and other similar secured borrowing	124,479	196,748	95,373	148,545

Non-current assets and other investments

The notes included in this section focus on the Group's non-current tangible and intangible assets and property, plant and equipment, which provide long term future economic benefits.

22 Property, plant and equipment

Accounting for property, plant and equipment

The Group applies IAS 16 *Property Plant and Equipment* and IAS 40 *Investment Properties*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in the enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold land	Not depreciated
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property	6-10%
Equipment installed in freehold and leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Where leasehold property has a remaining useful life of less than 17 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Investment property

The Group initially recognises investment property at cost, and subsequently at fair value reflecting market conditions at the reporting date. Gains and losses on re-measurement are included in the income statement.

	The Group					The Bank			
	Investment property £m	Property £m	Equipment £m	Leased assets £m	Total £m	Investment property £m	Property £m	Equipment £m	Total £m
Cost									
As at 1 January 2014	451	3,924	4,552	10	8,937	68	2,023	2,119	4,210
Additions and disposals	(160)	174	7	-	21	6	120	(26)	100
Change in fair value of investment properties	(1)	-	-	-	(1)	-	-	-	-
Exchange and other movements	(83)	(44)	(209)	-	(336)	(58)	(12)	(14)	(84)
As at 31 December 2014	207	4,054	4,350	10	8,621	16	2,131	2,079	4,226
Accumulated depreciation and impairment									
As at 1 January 2014	-	(1,513)	(3,201)	(7)	(4,721)	-	(985)	(1,501)	(2,486)
Depreciation charge	-	(184)	(399)	(2)	(585)	-	(94)	(199)	(293)
Disposals	-	34	271	-	305	-	14	140	154
Exchange and other movements	-	(6)	172	-	166	-	(11)	11	-
As at 31 December 2014	-	(1,669)	(3,157)	(9)	(4,835)	-	(1,076)	(1,549)	(2,625)
Net book value	207	2,385	1,193	1	3,786	16	1,055	530	1,601

	The Group					The Bank			
	Investment property	Property	Equipment	Leased assets	Total	Investment property	Property	Equipment	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost									
As at 1 January 2013	1,686	4,030	4,794	14	10,524	-	2,136	2,214	4,350
Additions and disposals	(1,052)	21	88	(4)	(947)	68	(105)	(50)	(87)
Change in fair value of investment properties	41	-	-	-	41	-	-	-	-
Exchange and other movements	(224)	(127)	(330)	-	(681)	-	(8)	(45)	(53)
As at 31 December 2013	451	3,924	4,552	10	8,937	68	2,023	2,119	4,210
Accumulated depreciation and impairment									
As at 1 January 2013	-	(1,414)	(3,350)	(6)	(4,770)	-	(940)	(1,504)	(2,444)
Depreciation charge	-	(220)	(426)	(1)	(647)	-	(118)	(195)	(313)
Disposals	-	113	282	-	395	-	107	209	316
Exchange and other movements	-	8	293	-	301	-	(34)	(11)	(45)
As at 31 December 2013	-	(1,513)	(3,201)	(7)	(4,721)	-	(985)	(1,501)	(2,486)
Net book value	451	2,411	1,351	3	4,216	68	1,038	618	1,724

Property rentals of £5m (2013: £70m) and £14m (2013: £38m) have been included in net investment income and other income respectively. Impairment of £61m (2013: £86m) was charged including £38m in respect of premises relating to restructuring in Europe.

The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. Valuations are carried out by management with the support of appropriately qualified independent valuers. Refer to Note 17 fair value of assets and liabilities for further details.

23 Goodwill and intangible assets

Accounting for goodwill and other intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures, and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the pre tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the cash generating unit (CGU) to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 *Intangible Assets*.

Intangible assets include brands, customer lists, internally generated software, other software, licences and other contracts and core deposit intangibles. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 12 months-25 years.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

	Goodwill £m	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
The Group								
Cost								
As at 1 January 2014	6,346	2,411	556	194	116	1,543	437	11,603
Additions and disposals	36	702	176	-	-	123	7	1,044
Exchange and other movements	(53)	127	(250)	(8)	(4)	55	3	(130)
As at 31 December 2014	6,329	3,240	482	186	112	1,721	447	12,517
Accumulated amortisation and impairment								
As at 1 January 2014	(1,468)	(999)	(217)	(85)	(97)	(799)	(253)	(3,918)
Disposals	-	98	21	-	-	14	2	135
Amortisation charge	-	(306)	(19)	(7)	(18)	(142)	(30)	(522)
Impairment charge	-	(74)	(21)	-	-	(5)	-	(100)
Exchange and other movements	26	24	42	4	4	(30)	(2)	68
As at 31 December 2014	(1,442)	(1,257)	(194)	(88)	(111)	(962)	(283)	(4,337)
Net book value	4,887	1,983	288	98	1	759	164	8,180
The Bank								
Cost								
As at 1 January 2014	4,276	1,736	238	6	-	117	122	6,495
Additions and disposals	-	271	98	-	-	-	(1)	368
Exchange and other movements	(2)	22	(55)	(1)	-	(2)	(5)	(43)
As at 31 December 2014	4,274	2,029	281	5	-	115	116	6,820
Accumulated amortisation and impairment								
As at 1 January 2014	(817)	(675)	(75)	(4)	-	(69)	(49)	(1,689)
Disposals	-	98	19	-	-	-	2	119
Amortisation charge	-	(216)	(6)	-	-	(10)	(10)	(242)
Impairment charge	-	(40)	(21)	-	-	-	-	(61)
Exchange and other movements	-	11	(16)	-	-	2	1	(2)
As at 31 December 2014	(817)	(822)	(99)	(4)	-	(77)	(56)	(1,875)
Net book value	3,457	1,207	182	1	-	38	60	4,945

	Goodwill £m	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
The Group								
Cost								
As at 1 January 2013	6,585	1,844	478	243	149	1,638	476	11,413
Additions and disposals	-	617	79	-	-	36	6	738
Exchange and other movements	(239)	(50)	(1)	(49)	(33)	(131)	(45)	(548)
As at 31 December 2013	6,346	2,411	556	194	116	1,543	437	11,603
Accumulated amortisation and impairment								
As at 1 January 2013	(1,379)	(809)	(158)	(96)	(111)	(717)	(228)	(3,498)
Disposals	-	52	-	-	-	-	3	55
Amortisation charge	-	(241)	(38)	(9)	(13)	(144)	(35)	(480)
Impairment charge	(79)	(38)	(19)	-	-	-	(3)	(139)
Exchange and other movements	(10)	37	(2)	20	27	62	10	144
As at 31 December 2013	(1,468)	(999)	(217)	(85)	(97)	(799)	(253)	(3,918)
Net book value	4,878	1,412	339	109	19	744	184	7,685
The Bank								
Cost								
As at 1 January 2013	4,276	1,373	177	6	-	107	125	6,064
Additions and disposals	-	363	60	-	-	11	(4)	430
Exchange and other movements	-	-	1	-	-	(1)	1	1
As at 31 December 2013	4,276	1,736	238	6	-	117	122	6,495
Accumulated amortisation and impairment								
As at 1 January 2013	(817)	(520)	(59)	(4)	-	(58)	(42)	(1,500)
Disposals	-	51	-	-	-	-	3	54
Amortisation charge	-	(172)	3	-	-	(12)	(10)	(191)
Impairment charge	-	(38)	(19)	-	-	-	(3)	(60)
Exchange and other movements	-	4	-	-	-	1	3	8
As at 31 December 2013	(817)	(675)	(75)	(4)	-	(69)	(49)	(1,689)
Net book value	3,459	1,061	163	2	-	48	73	4,806

Goodwill

Goodwill is allocated to business operations according to business segments as follows:

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Personal and Corporate Banking	3,471	3,471	3,225	3,225
Africa Banking	915	948	-	-
Barclaycard	427	381	172	172
BNC	74	78	60	62
Total net book value of goodwill	4,887	4,878	3,457	3,459

Critical accounting estimates and judgements

Goodwill

Testing goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisation. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. Determining both the expected pre-tax cash flows and the risk adjusted interest rate appropriate to the operating unit requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

Other intangible assets

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances and judgement. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

Impairment testing of goodwill

During 2014, the Group recognised an impairment charge of £nil (2013: £79m). The impairment charge of £79m recognised in 2013 related to goodwill attributable to businesses acquired by Personal and Corporate Banking which was not supportable based on value in use calculations.

The key assumptions used for impairment testing are set out below for each significant goodwill balance. Other goodwill of £1,126m (2013: £1,091m) was allocated to multiple cash-generating units which are not considered individually significant.

Personal and Corporate Banking (PCB)

Goodwill relating to Woolwich was £3,130m (2013: £3,130m) of the total PCB balance. The carrying value of the cash generating unit (CGU) is determined using an allocation of total group shareholder funds excluding goodwill based on the CGU's share of risk weighted assets before goodwill balances are added back. The recoverable amount of the CGU has been determined using cash flow predictions based on financial budgets approved by management and covering a five-year period, with a terminal growth rate of 2.4% (2013: 2.1%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 11.0% (2013: 11.8%). Based on these assumptions, the recoverable amount exceeded the carrying amount including goodwill by £17,260m (2013: £8,628m). A one percentage point change in the discount rate would increase or decrease the recoverable amount by £2,888m (2013: £1,757m) whilst a one percentage point change in the terminal growth rate would impact the recoverable amount by £2,070m (2013: £1,210m). A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £2,697m (2013: £1,795m).

Africa

Goodwill relating to the Absa Retail Bank CGU was £631m (2013: £657m) of the total Africa balance. The carrying value of the CGU has been determined by using net asset value. The recoverable amount of Absa Retail Bank has been determined using cash flow predictions based on financial budgets approved by management and covering a five year period, with a terminal growth rate of 6% (2013: 6%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 18.7% (2013: 18.8%[a]). The recoverable amount calculated based on value in use exceeded the carrying amount including goodwill by £1,623m (2013: £1,424m[a]). A one percentage point change in the discount rate or the terminal growth rate would increase or decrease the recoverable amount by £329m (2013: £291m[a]) and £206m (2013: £182m[a]) respectively. A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £440m (2013: £385m[a]).

Note

a The 2013 comparatives have been restated to reflect the use of pre-tax cost of equity.

24 Operating leases

Accounting for operating leases

The Group applies IAS 17 *Leases,* for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group holds the leased assets on balance sheet within property, plant and equipment.

Where the Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Operating lease receivables

The Group acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The future minimum lease payments expected to be received under non-cancellable operating leases was £1m (2013: £3m).

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable.

Operating lease rentals of £594m (2013: £645m) have been included in administration and general expenses.

The future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	The Group				The Bank			
	2014		2013		2014		2013	
	Property	Equipment	Property	Equipment	Property	Equipment	Property	Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Not more than one year	**403**	**41**	567	34	**200**	**40**	217	31
Over one year but not more than five years	**1,147**	**106**	1,220	124	**618**	**106**	641	122
Over five years	**2,036**	**-**	2,441	8	**1,046**	**-**	1,485	8
Total	**3,586**	**147**	4,228	166	**1,864**	**146**	2,343	161

Total future minimum sublease payments to be received under non-cancellable subleases were £99m (2013: £108m) for The Group and £98m (2013: £106m) for The Bank.

The notes included in this section focus on the Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

25 Accruals, deferred income and other liabilities

Accounting for insurance contracts

The Group applies IFRS 4 *Insurance Contracts* to its insurance contracts. An insurance contract is a contract that compensates a third party against a loss from non-financial risk. Some wealth management and other products, such as life assurance contracts, combine investment and insurance features; these are treated as insurance contracts when they pay benefits that are at least 5% more than they would pay if the insured event does not occur.

Insurance liabilities include current best estimates of future contractual cash flows, claims handling, and administration costs in respect of claims. Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities. Where a deficiency is highlighted by the tests, insurance liabilities are increased with any deficiency being recognised in the income statement.

Insurance premium revenue is recognised in the income statement in the period earned, net of reinsurance premiums payable, in net premiums from insurance contracts. Increases and decreases in insurance liabilities are recognised in the income statement in net claims and benefits on insurance contracts.

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Accruals and deferred income	**4,780**	5,179	**1,968**	2,224
Other creditors	**3,850**	5,676	**16,681**	16,818
Obligations under finance leases (see Note 20)	**36**	19	**-**	-
Insurance contract liabilities including unit-linked liabilities	**2,766**	2,799	**-**	-
Accruals, deferred income and other liabilities	**11,432**	13,673	**18,649**	19,042

Insurance liabilities relate principally to the Group's long-term business. Insurance contract liabilities associated with the Group's short- term non-life business are £157m (2013: £108m). The maximum amounts payable under all of the Group's insurance products, ignoring the probability of insured events occurring and the contribution from investments backing the insurance policies, were £82bn (2013: £78bn) or £70bn (2013: £75bn) after reinsurance. Of this insured risk, £69bn (2013: £65bn) or £66bn (2013: £63bn) after reinsurances was concentrated in short-term insurance contracts in Africa.

The impact to the income statement and equity under a reasonably possible change in the assumptions used to calculate the insurance liabilities would be £8m (2013: £7m).

26 Provisions

Accounting for provisions

The Group applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

The measurement of provisions often involves significant judgement and therefore constitutes one of the Group's critical accounting estimates.

				Customer redress					
	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees £m	Payment Protection Insurance £m	Interest rate hedging product £m	Other customer redress £m	Legal, competition and regulatory matters £m	Sundry provisions £m	Total £m
The Group									
As at 1 January 2014	100	388	165	971	1,169	388	485	220	3,886
Additions	152	192	76	1,270	-	243	1,644	103	3,680
Amounts utilised	(39)	(209)	(9)	(1,182)	(798)	(214)	(418)	(55)	(2,924)
Unused amounts reversed	(13)	(99)	(72)	-	(160)	(46)	(32)	(50)	(472)
Exchange and other movements	5	19	(66)	-	-	4	11	(8)	(35)
As at 31 December 2014	205	291	94	1,059	211	375	1,690	210	4,135
The Bank									
As at 1 January 2014	57	358	96	904	1,169	327	252	150	3,313
Additions	84	190	54	1,195	-	234	1,475	82	3,314
Amounts utilised	(38)	(201)	(9)	(1,089)	(798)	(199)	(110)	(29)	(2,473)
Unused amounts reversed	(1)	(99)	(49)	-	(160)	(11)	(20)	(44)	(384)
Exchange and other movements	-	13	(3)	-	-	(11)	22	(1)	20
As at 31 December 2014	102	261	89	1,010	211	340	1,619	158	3,790

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2014 were £3,464m (2013: £3,577m) and for The Bank were £3,179m (2013: £3,090m).

Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts where the liability is higher than the amount of economic benefit to be received. The additions of £152m mainly relate to leases on properties that have been vacated in the Investment Bank and PCB during the year.

Redundancy and restructuring

These provisions comprise of the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Undrawn contractually committed facilities and guarantees

Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced. The decrease in these provisions is primarily due to the Spanish business being classified as a disposal group held for sale.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of our business activities. Customer redress largely relates to Payment Protection Insurance and interest rate hedging products but also includes, within 'Other customer redress', smaller provisions across the retail and corporate businesses which are likely to be utilised within the next 18 months.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Critical accounting estimates and judgements

Payment Protection Insurance Redress

As at 31 December 2014 Barclays had recognised cumulative provisions totalling £5,220m against the cost of Payment Protection Insurance (PPI) redress and associated processing costs with utilisation of £4,161m leaving a residual provision of £1,059m.

Through to 31 December 2014, 1.3m (2013: 1.0m) customer initiated claims had been received and processed. The volume of claims received in 2014 declined 14% compared to 2013 and 62% since the peak in May 2012. This rate of decline however was slower than previously expected, with increased levels of claims from Claims Management Companies in particular.

Barclays are committed to delivering the right customer outcomes and as such re-review cases to ensure all cases are consistently treated in line with current policy. During 2014 half of all relevant cases have been re-reviewed.

As a result of the lower than expected decline in claims and outcome of re-review activity additional provisions totalling £1,270m have been recognised during 2014.

The provision is calculated using a number of key assumptions which continue to involve significant management judgement and modelling:

- Customer initiated claim volumes – claims received but not yet processed and an estimate of future claims initiated by customers where the volume is anticipated to decline over time
- Proactive response rate – volume of claims in response to proactive mailing
- Uphold rate – the percentage of claims that are upheld as being valid upon review
- Average claim redress - the expected average payment to customers for upheld claims based on the type and age of the policy/policies.

These assumptions remain subjective, in particular due to the uncertainty associated with future claims levels, which include complaints driven by CMC activity. The current provision represents Barclays' revised best estimate of all future expected costs of PPI redress, however, it is possible that the eventual outcome may differ from the current estimate. If this were to be material, the provision would be increased or decreased accordingly. The current forecast indicates that the large majority of costs included in the provision will be incurred during 2015 and 2016.

The following table details, by key assumption, actual data through to 31 December 2014, forecast assumptions used in the provision calculation and a sensitivity analysis illustrating the impact on the provision if the future expected assumptions prove too high or too low.

Assumption	Cumulative actual to 31.12.14	Future expected	Sensitivity analysis increase/decrease in provision	Cumulative actual to 31.12.13
Customer initiated claims received and processed[a]	1,300k	220k	**50k = £99m**	970K
Proactive mailing	680k	320k	**50K = £14m**	660K
Response rate to proactive mailing	28%	23%	**1% = £6m**	26%
Average uphold rate per claim[b]	79%	87%	**1% = £5m**	74%
Average redress per valid claim[c]	£1,740	£1,745	**£100 = £28m**	£1,763

Notes

a Total claims received to date excluding those for which no PPI policy exists and excluding responses to proactive mailing. The sensitivity for the cost of Customer Initiated Claims includes the associated cost of Financial Ombudsmen Service (FOS) referrals and operating costs.

b Average uphold rate per claim excluding those for which no PPI policy exists.

c Average redress stated on a per policy basis.

Interest Rate Hedging Product Redress

In 2012, a number of UK banks, including Barclays, agreed with the FSA that they would conduct a review and redress exercise in respect of interest rate hedging products sold on or after 1 December 2001 to retail clients or private customers categorised as being 'non-sophisticated'. Barclays has raised cumulative provisions totalling £1,500m for the related cost. As at 31 December 2014, £1,129m of this cumulative provision had been utilised for redress and administrative costs and £160m released, leaving a residual provision of £211m. During 2014 the utilisation for redress and administrative costs was £798m. £160m was released in Q314 as the review is now substantially complete with redress outcomes, approved by the skilled person, communicated to nearly all of the non-sophisticated customers covered by the review. Approximately 85% of the customers covered by the review have now been paid all redress due or are not due redress.

The Group expects the remaining provision of £211m at 31 December 2014 to be sufficient to cover the cost of completing redress. The timing of remaining payments will depend on customer acceptances and response times but the Group expects to have substantially completed redress payments during 2015.

No provision has been recognised in relation to claims from customers categorised as sophisticated, which are not covered by the redress exercise, or incremental consequential loss claims (over and above 8% per annum simple interest and an allowance for tax rate differentials) from customers categorised as non-sophisticated. As at 31 December 2014, no significant incremental consequential loss claims from customers categorised as non-sophisticated had been agreed. These items will be monitored and future provisions will be recognised to the extent an obligation resulting in a probable outflow is identified.

Legal, competition and regulatory matters

The Group is engaged in various legal proceedings, both in the UK and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties please see Note 28 Legal, competition and regulatory matters.

27 Contingent liabilities and commitments

Accounting for contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on balance sheet:

	The Group		The Bank	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Guarantees and letters of credit pledged as collateral security	**14,547**	15,226	**17,125**	15,442
Performance guarantees, acceptances and endorsements	**6,777**	5,958	**5,549**	5,318
Contingent liabilities	**21,324**	21,184	**22,674**	20,760
Documentary credits and other short-term trade related transactions	**1,091**	780	**955**	570
Forward starting reverse repurchase agreements	**13,856**	19,936	**11,412**	11,048
Standby facilities, credit lines and other commitments	**276,315**	254,855	**220,535**	206,253

The Financial Services Compensation Scheme

The Financial Compensation Scheme (the FSCS) is the UK's Government-backed compensation scheme for customers of authorised institutions that are unable to pay claims. It provides compensation to depositors in the event that UK licensed deposit-taking institutions are unable to meet their claims. The FSCS raises levies on UK licensed deposit taking institutions to meet such claims based on their share of UK deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March).

Compensation has previously been paid out by the FSCS, funded by loan facilities totalling approximately £18bn provided by HM Treasury to FSCS in support of FSCS's obligations to the depositors of banks declared in default. The interest rate chargeable on the loan and levied to the industry is subject to a floor equal to the HM Treasury's own cost of borrowing, based on the relevant gilt rate (FSCS advises financial institutions to apply the 2024 UK Gilt rate published by the Debt Management Office to the Bradford & Bingley portion of the loan). The majority of the facility is expected to be recovered, with the exception of an estimated shortfall of £1bn, which the FSCS is recovering by levying the industry in three instalments across 2013, 2014 and 2015. In 2014, the Accounting Standard Board issued IFRIC 21 'Levies', which clarified that the obligating event which gives rise to the liability to be the start of the FSCS scheme year (1 April) , i.e. 1 April 2015 for the 2015/16 scheme year. As a result the liability at December 2014 has been reduced. The FSCS liability for 2015/16 is to be recognised in 2015. Barclays has recognised an accrual of £88m as at 31 December 2014 in other liabilities (2013: £148m) in respect of the Barclays portion of the total levies raised by the FSCS.

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 28.

28 Legal, competition and regulatory matters

Barclays PLC (BPLC), Barclays Bank PLC (BBPLC) and the Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact on BPLC, BBPLC and the Group of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances. The Group has not disclosed an estimate of the potential financial effect on the Group of contingent liabilities where it is not currently practicable to do so.

Investigations into certain agreements

The Financial Conduct Authority (FCA) has alleged that BPLC and BBPLC breached their disclosure obligations in connection with two advisory services agreements entered into by BBPLC. The FCA has imposed a £50m fine. BPLC and BBPLC are contesting the findings. The United Kingdom (UK) Serious Fraud Office (SFO) is also investigating these agreements. The US Department of Justice (DOJ) and US Securities and Exchange Commission (SEC) are investigating whether the Group's relationships with third parties who help it to win or retain business are compliant with the US Foreign Corrupt Practices Act. BBPLC has been providing information to other regulators concerning certain of these relationships.

Background Information

The FCA has investigated certain agreements, including two advisory services agreements entered into by BBPLC with Qatar Holding LLC (Qatar Holding) in June and October 2008 respectively, and whether these may have related to BPLC's capital raisings in June and November 2008.

The FCA issued warning notices (Warning Notices) against BPLC and BBPLC in September 2013.

The existence of the advisory services agreement entered into in June 2008 was disclosed but the entry into the advisory services agreement in October 2008 and the fees payable under both agreements, which amount to a total of £322m payable over a period of five years, were not disclosed in the announcements or public documents relating to the capital raisings in June and November 2008. While the Warning Notices consider that BPLC and BBPLC believed at the time that there should be at least some unspecified and undetermined value to be derived from the agreements, they state that the primary purpose of the agreements was not to obtain advisory services but to make additional payments, which would not be disclosed, for the Qatari participation in the capital raisings.

The Warning Notices conclude that BPLC and BBPLC were in breach of certain disclosure-related listing rules and BPLC was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the Company's shares). In this regard, the FCA considers that BPLC and BBPLC acted recklessly. The financial penalty in the Warning Notices against the Group is £50m. BPLC and BBPLC continue to contest the findings.

Other Investigations

The FCA has agreed that the FCA enforcement process be temporarily stayed pending progress in the SFO's investigation into the agreements referred to above, including the advisory services agreements, in respect of which the Group has received and has continued to respond to requests for further information. The DOJ and SEC are investigating these same agreements and are also undertaking an investigation into whether the Group's relationships with third parties who assist BPLC to win or retain business are compliant with the US Foreign Corrupt Practices Act. The US Federal Reserve has requested to be kept informed. One third-party relationship is also being investigated by another regulator. Regulators in other jurisdictions have also been briefed on the investigations into the Group's relationships with third parties.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Alternative Trading Systems and High-Frequency Trading

The SEC, the New York State Attorney General (NYAG) and regulators in certain other jurisdictions have been investigating a range of issues associated with alternative trading systems (ATSs), including dark pools, and the activities of high-frequency traders. The Group has been providing information to the relevant regulatory authorities in response to their enquiries. Various parties, including the NYAG, have filed complaints against the Group and certain of its current and former officers in connection with ATS related activities. The Group continues to defend itself against these actions.

Recent Developments

Civil complaints have been filed in the New York Federal Court on behalf of a putative class of plaintiffs against BPLC and others generally alleging that the defendants violated the federal securities laws by participating in a scheme in which high-frequency trading firms were given informational and other advantages so that they could manipulate the US securities market to the plaintiffs' detriment.

In June 2014, the NYAG filed a complaint (Complaint) against BPLC and Barclays Capital Inc. (BCI) in the Supreme Court of the State of New York (NY Supreme Court) alleging, amongst other things, that BPLC and BCI engaged in fraud and deceptive practices in connection with LX Liquidity Cross, the Group's SEC-registered ATS. Barclays filed a motion to dismiss the Complaint in July 2014. The NYAG filed an amended complaint (Amended Complaint) on 3 February 2015 in response to Barclays' motion to dismiss. On 13 February 2015, the NY Supreme Court granted in part and denied in part Barclays' motion to dismiss. Barclays will file a motion to dismiss any remaining claims asserted by the NYAG in the Amended Complaint. Proceedings in this matter are continuing.

Barclays has also been named in a class action by an institutional investor client under California law based on allegations similar to those in the Complaint. This California class action has been consolidated with the class action filed in the New York Federal Court described above.

Also, following the filing of the Complaint, Barclays was named in a shareholder securities class action along with its current and certain of its former CEOs and CFOs on the basis that investors suffered damages when their investments in Barclays American Depository Receipts declined in value as a result of the allegations in the Complaint. Barclays has filed a motion to dismiss the complaint.

It is possible that additional complaints relating to these or similar matters may be brought in the future against BPLC and/or its affiliates.

Claimed Amounts/Financial Impact
The complaints seek unspecified monetary damages and injunctive relief. It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect, if any, that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

FERC
The US Federal Energy Regulatory Commission (FERC) has filed a civil action against BBPLC and certain of its former traders in the US District Court in California seeking to collect on an order assessing a $435m civil penalty and the disgorgement of $34.9m of profits, plus interest, in connection with allegations that BBPLC manipulated the electricity markets in and around California. BBPLC and the former traders have filed a motion to dismiss the action for improper venue or, in the alternative, to transfer it to the Southern District of New York (SDNY), and a motion to dismiss the complaint for failure to state a claim. The US Attorney's Office in the SDNY has informed BBPLC that it is looking into the same conduct at issue in the FERC matter.

Background Information
In October 2012, FERC issued an Order to Show Cause and Notice of Proposed Penalties (Order and Notice) against BBPLC and four of its former traders in relation to the Group's power trading in the western US. In the Order and Notice, FERC asserted that BBPLC and its former traders violated FERC's Anti-Manipulation Rule by manipulating the electricity markets in and around California from November 2006 to December 2008, and proposed civil penalties and profit disgorgement to be paid by BBPLC.

In July 2013, FERC issued an Order Assessing Civil Penalties in which it assessed a $435m civil penalty against BBPLC and ordered BBPLC to disgorge an additional $34.9m of profits plus interest (both of which are consistent with the amounts proposed in the Order and Notice).

In October 2013, FERC filed a civil action against BBPLC and its former traders in the US District Court in California seeking to collect the penalty and disgorgement amount. FERC's complaint in the civil action reiterates the allegations previously made by FERC in its October 2012 Order and Notice and its July 2013 Order Assessing Civil Penalties.

In September 2013, BBPLC was contacted by the criminal division of the US Attorney's Office in SDNY and advised that such office is looking at the same conduct at issue in the FERC matter.

In December 2013, BBPLC and its former traders filed a motion to dismiss the action for improper venue or, in the alternative, to transfer it to the SDNY, and a motion to dismiss the complaint for failure to state a claim. Proceedings on the motion to dismiss are continuing.

Claimed Amounts/Financial Impact
FERC has made claims against the Group totalling $469.9m, plus interest, for civil penalties and profit disgorgement. This amount does not necessarily reflect the Group's potential financial exposure if a ruling were to be made against it.

Investigations into LIBOR, other Benchmarks, ISDAfix, Foreign Exchange Rates and Precious Metals
Regulators and law enforcement agencies from a number of governments have been conducting investigations relating to BBPLC's involvement in manipulating financial benchmarks and Foreign Exchange rates. BBPLC has reached settlements with the relevant law enforcement agency or regulator in certain of the investigations, but others, including those set out in more detail below, remain pending.

Background Information

The FCA, the US Commodity Futures Trading Commission (CFTC), the SEC, the DOJ Fraud Section (DOJ-FS) and Antitrust Division (DOJ-AD), the European Commission (Commission), the SFO, the Monetary Authority of Singapore, the Japan Financial Services Agency, the prosecutors' office in Trani, Italy and various US state attorneys general are amongst various authorities that opened investigations into submissions made by BBPLC and other financial institutions to the bodies that set or compile various financial benchmarks, such as LIBOR and EURIBOR and in connection with efforts to manipulate certain benchmark currency exchange rates.

On 27 June 2012, BBPLC announced that it had reached settlements with the Financial Services Authority (FSA) (as predecessor to the FCA), the CFTC and the DOJ-FS in relation to their investigations concerning certain benchmark interest rate submissions, and BBPLC agreed to pay total penalties of £290m, which were reflected in operating expenses for 2012. The settlements were made by entry into a Settlement Agreement with the FSA, a Settlement Order with the CFTC (CFTC Order) and a Non-Prosecution Agreement (NPA) with the DOJ-FS. In addition, BBPLC was granted conditional leniency from the DOJ-AD in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR. Summaries of the NPA and the CFTC Order are set out below. The full text of the CFTC Order and the NPA are publicly available on the websites of the CFTC and the DOJ, respectively. The terms of the Settlement Agreement with the FSA are confidential, but the Final Notice of the FSA is available on the FCA's website.

CFTC Order

In addition to a $200m civil monetary penalty, the CFTC Order requires BBPLC to cease and desist from further violations of specified provisions of the US Commodity Exchange Act (CEA) and take specified steps to ensure the integrity and reliability of its benchmark interest rate submissions, including LIBOR and EURIBOR, and improve related internal controls.

DOJ Non-Prosecution Agreement

As part of the NPA, BBPLC agreed to pay a $160m penalty. In addition, the DOJ agreed not to prosecute BBPLC for any crimes (except for criminal tax violations, as to which the DOJ cannot and does not make any agreement) related to BBPLC's submissions of benchmark interest rates, including LIBOR and EURIBOR, contingent upon BBPLC's satisfaction of specified obligations under the NPA. In particular, under the NPA, BBPLC agreed for a period of two years from 26 June 2012, amongst other things, to:

- Commit no US crimes whatsoever;
- Truthfully and completely disclose non-privileged information with respect to the activities of BBPLC, its officers and employees, and others concerning all matters about which the DOJ enquires of it, which information can be used for any purpose, except as otherwise limited in the NPA;
- Bring to the DOJ's attention all potentially criminal conduct by BBPLC or any of its employees that relates to fraud or violations of the laws governing securities and commodities markets; and
- Bring to the DOJ's attention all criminal or regulatory investigations, administrative proceedings or civil actions brought by any governmental authority in the US by or against BBPLC or its employees that alleges fraud or violations of the laws governing securities and commodities markets.

BBPLC also agreed to cooperate with the DOJ and other government authorities in the US in connection with any investigation or prosecution arising out of the conduct described in the NPA, which commitment shall remain in force until all such investigations and prosecutions are concluded. BBPLC also continues to cooperate with the other ongoing investigations.

In anticipation of the expiry of the two-year period, in June 2014 Barclays and DOJ-FS entered into a letter agreement which: (i) gives DOJ-FS until 27 June 2015 to make a determination under the NPA solely as to whether any of Barclays trading activities in the Foreign Exchange market during the two-year period from 26 June 2012 constituted the commission of a 'United States crime'; and (ii) with respect to the ongoing investigation of those trading activities by DOJ-FS and DOJ-AD, extends Barclays' obligation to disclose non-privileged information in response to enquiries of the DOJ-FS to 27 June 2015. The two-year period under the NPA has otherwise expired.

Investigations by the US State Attorneys General

Following the settlements announced in June 2012, 31 US State Attorneys General commenced their own investigations into LIBOR, EURIBOR and the Tokyo Interbank Offered Rate. The NYAG, on behalf of this coalition of Attorneys General, issued a subpoena in July 2012 to BBPLC (and subpoenas to a number of other banks) to produce wide-ranging information and has since issued additional information requests to BBPLC for both documents and transactional data. BBPLC is responding to these requests on a rolling basis.

Investigation by the SFO

In addition, following the settlements announced in June 2012, the SFO announced in July 2012 that it had decided to investigate the LIBOR matter, in respect of which BBPLC has received and continues to respond to requests for information.

Investigations by the European Commission

The Commission has also been conducting investigations into the manipulation of, amongst other things, EURIBOR. On 4 December 2013, the Commission announced that it had reached a settlement with the Group and a number of other banks in relation to anti-competitive conduct concerning EURIBOR. The Group had voluntarily reported the EURIBOR conduct to the Commission and cooperated fully with the Commission's investigation. In recognition of this cooperation, the Group was granted full immunity from the financial penalties that would otherwise have applied.

ISDAfix Investigation

Regulators and law enforcement agencies, including the CFTC and the DOJ, are also conducting separate investigations into historical practices with respect to ISDAfix, amongst other benchmarks. BBPLC has received and continues to respond to subpoenas and requests for information from various authorities including the CFTC and the DOJ.

Precious Metals Investigation

BBPLC has been providing information to the DOJ in connection with the DOJ's investigation into precious metals and precious metals-based financial instruments.

Foreign Exchange Trading Investigation

Various regulatory and enforcement authorities, including the FCA, the Commission, the CFTC, the DOJ-FS, the DOJ-AD, the SEC and the New York State Department of Financial Services are investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading. The DOJ-AD is also investigating potential violations of US anti-trust laws. Certain of these investigations involve multiple market participants in various countries. BBPLC has received enquiries from certain of these authorities related to their particular investigations, and from other regulators interested in Foreign Exchange issues. The Group is reviewing its Foreign Exchange trading covering a several-year period and is continuing to cooperate with the relevant authorities in their investigations.

In November 2014, the FCA and the CFTC entered into settlement agreements with several banks regarding Foreign Exchange trading. Barclays announced that it had considered entering into the settlement, but after discussions with other regulators and authorities it concluded that it was in the Group's interest to seek a more general coordinated settlement and that it would continue to engage with these regulators and authorities, including the FCA and CFTC, with the objective of achieving a resolution in due course.

In December 2014, the Hong Kong Monetary Authority (HKMA) announced the outcome of its investigation into the Foreign Exchange operations of 10 banks in Hong Kong, including BBPLC. In respect of BBPLC, the HKMA said that its investigation revealed certain control deficiencies in respect of which it required Barclays to take certain remedial steps, but also noted that, in recent years, BBPLC has made enhancements in line with international trends.

Any resolution of the investigations into Foreign Exchange trading and sales and other practices relating to Foreign Exchange could result in substantial monetary penalties. In addition, any resolution involving a criminal plea would have consequences that could include significant restrictions on the Group's current and future business activities.

For a discussion of litigation arising in connection with these investigations see 'LIBOR and other Benchmarks Civil Actions', 'Civil Actions in Respect of ISDAfix', 'Civil Actions in Respect of Foreign Exchange Trading' and 'Civil Actions in Respect of the Gold Fix' below.

Claimed Amounts/Financial Impact

A provision of £1,250m was held as at 31 December 2014 (with provisions of £500m and £750m recognised in Q314 and Q414 respectively) for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. It is not currently practicable to estimate the further financial impact of the matters in this section (including the need to recognise additional provisions), or what effect, if any, that these matters might have upon the Group's operating results, cash flows or financial position in any particular period. Amongst other things, any violations of criminal law that took place after entering into the DOJ NPA described above could constitute a violation of that NPA, which could lead to additional substantial monetary penalties and significant adverse consequences for the Group's current and future business operations.

LIBOR and other Benchmark Civil Actions

A number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to manipulation of LIBOR and/or other benchmark rates. While several of such cases have been dismissed and one has settled subject to final approval from the court, others remain pending and their ultimate impact is unclear.

Background Information

Following the settlements of the investigations referred to above in 'Investigations into LIBOR, other Benchmarks, ISDAfix, Foreign Exchange Rates and Precious Metals', a number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group in relation to LIBOR and/or other benchmarks.

USD LIBOR Cases in MDL Court

The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes before a single judge in the SDNY (MDL Court).

The complaints are substantially similar and allege, amongst other things, that BBPLC and the other banks individually and collectively violated provisions of the US Sherman Antitrust Act, the CEA, the US Racketeer Influenced and Corrupt Organizations Act (RICO) and various state laws by manipulating USD LIBOR rates.

The lawsuits seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of $1.25bn in actual damages against all defendants, including BBPLC, plus punitive damages. Some of the lawsuits also seek trebling of damages under the US Sherman Antitrust Act and RICO.

The proposed class actions purport to be brought on behalf of (amongst others) plaintiffs that (i) engaged in USD LIBOR-linked over-the-counter transactions (OTC Class); (ii) purchased USD LIBOR-linked financial instruments on an exchange (Exchange-Based Class); (iii) purchased USD LIBOR-linked debt securities (Debt Securities Class); (iv) purchased adjustable-rate mortgages linked to USD LIBOR (Homeowner Class); or (v) issued loans linked to USD LIBOR (Lender Class).

In August 2012, the MDL Court stayed all newly filed proposed class actions and individual actions (Stayed Actions), so that the MDL Court could address the motions pending in three lead proposed class actions (Lead Class Actions) and three lead individual actions (Lead Individual Actions).

In March 2013, the MDL Court issued a decision dismissing the majority of claims against BBPLC and other panel bank defendants in the Lead Class Actions and Lead Individual Actions.

Following the decision, the plaintiffs in the Lead Class Actions sought permission to either file an amended complaint or appeal an aspect of the March 2013 decision. In August 2013 and June 2014, the MDL Court denied the majority of the motions presented in the Lead Class Actions. As a result, the:

- Debt Securities Class has been dismissed entirely;
- The claims of the Exchange-Based Class have been limited to claims under the CEA; and
- The claims of the OTC Class have been limited to claims for unjust enrichment and breach of the implied covenant of good faith and fair dealing.

Subsequent to the MDL Court's March 2013 decision, the plaintiffs in the Lead Individual Actions filed a new action in California state court (since moved to the MDL Court) based on the same allegations as those initially alleged in the proposed class action cases discussed above. The Debt Securities Class attempted to appeal the dismissal of their action to the US Court of Appeals for the Second Circuit (Second Circuit), but the Second Circuit dismissed the appeal as untimely on the grounds that the MDL Court had not reached a decision resolving all of the claims in the consolidated actions. In January 2015, the US Supreme Court reversed the Second Circuit's decision, ruling that the Second Circuit must hear the Debt Securities Class' appeal. The OTC Class and the Exchange-Based Class have received permission to join this appeal. Certain other proposed class actions that had previously been stayed by the MDL Court have also received permission to join the appeal as to the dismissal of their antitrust claims.

In December 2014, the MDL Court granted preliminary approval for the settlement of the remaining Exchange-Based Class claims for $19.98m and has requested that the plaintiffs present a plan for allocation of the settlement proceeds.

Additionally, the MDL Court has begun to address the claims in the Stayed Actions, many of which, including state law fraud and tortious interference claims, were not asserted in the Lead Class Actions. As a result, in October 2014, the direct action plaintiffs (those who have opted out of the class actions) filed their amended complaints and in November 2014, the defendants filed their motions to dismiss. In November 2014, the plaintiffs in the Lender Class and Homeowner Class actions filed their amended complaints. In January 2015, the defendants filed their motions to dismiss.

Until there are further decisions, the ultimate impact of the MDL Court's decisions will be unclear, although it is possible that the decisions will be interpreted by courts to affect other litigation, including the actions described below, some of which concern different benchmark interest rates.

Additional USD LIBOR Case in the SDNY
An additional individual action was commenced in February 2013 in the SDNY against BBPLC and other panel bank defendants. The plaintiff alleged that the panel bank defendants conspired to increase USD LIBOR, which caused the value of bonds pledged as collateral for a loan to decrease, ultimately resulting in the sale of the bonds at a low point in the market. This action is not assigned to the MDL Court; it is proceeding on a different schedule before a different judge in the SDNY. The panel bank defendants have moved to dismiss the action.

Securities Fraud Case in the SDNY
BPLC, BBPLC and BCI have also been named as defendants along with four former officers and directors of BBPLC in a proposed securities class action pending in the SDNY in connection with BBPLC's role as a contributor panel bank to LIBOR. The complaint asserted claims under the US Securities Exchange Act of 1934, principally alleging that BBPLC's Annual Reports for the years 2006 to 2011 contained misstatements and omissions concerning (amongst other things) BBPLC's compliance with its operational risk management processes and certain laws and regulations. The complaint also alleged that BBPLC's daily USD LIBOR submissions constituted false statements in violation of US securities law. The complaint was brought on behalf of a proposed class consisting of all persons or entities that purchased BPLC-sponsored American Depositary Receipts on a US securities exchange between 10 July 2007 and 27 June 2012. In May 2013, the district court granted BBPLC's motion to dismiss the complaint in its entirety. The plaintiffs appealed, and, in April 2014, the Second Circuit issued an order upholding the dismissal of certain of the plaintiffs' claims, but reversing the dismissal of the plaintiffs' claims that BBPLC's daily USD LIBOR submissions constituted false statements in violation of US securities law. The action has been remanded back to the district court for further proceedings, and discovery is expected to be substantially complete by the end of 2015.

Complaint in the US District Court for the Central District of California
In July 2012, a purported class action complaint in the US District Court for the Central District of California was amended to include allegations related to USD LIBOR and name BBPLC as a defendant. The amended complaint was filed on behalf of a purported class that includes holders of adjustable rate mortgages linked to USD LIBOR. In January 2015, the court granted BBPLC's motion for summary judgement and dismissed all of the remaining claims against BBPLC. The plaintiff has appealed the court's decision to the US Court of Appeals for the Ninth Circuit, and the appeal is expected to be fully briefed by the end of summer 2015.

Japanese Yen LIBOR Case in SDNY
An additional class action was commenced in April 2012 in the SDNY against BBPLC and other Japanese Yen LIBOR panel banks by a plaintiff involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (Euroyen TIBOR) panel, of which BBPLC is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and US Sherman Antitrust Act between 2006 and 2010. The defendants filed a motion to dismiss and, in March 2014, the Court issued a decision granting in part and denying in part that motion. Specifically, the court dismissed the plaintiff's antitrust claims in full, but sustained the plaintiff's CEA claims. The defendants' motion for reconsideration of the decision concerning the CEA claims was denied by the Court in October 2014. The plaintiff has moved for leave to file a third amended complaint adding additional claims, including a RICO claim. All discovery has been stayed through at least May 2015.

EURIBOR Cases
In February 2013, a Euribor-related class action was filed against BPLC, BBPLC, BCI and other Euribor panel banks. The plaintiffs assert antitrust, CEA, RICO, and unjust enrichment claims. In particular, BBPLC is alleged to have conspired with other Euribor panel banks to manipulate EURIBOR. The lawsuit is brought on behalf of purchasers and sellers of NYSE LIFFE EURIBOR futures contracts, purchasers of Euro currency-related futures contracts and purchasers of other derivative contracts (such as interest rate swaps and forward rate agreements that are linked to EURIBOR) during the period 1 June 2005 through 31 March 2011. All proceedings have been stayed through at least May 2015.

In addition, BBPLC has been granted conditional leniency from the DOJ-AD in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR. As a result of that grant of conditional leniency, BBPLC is eligible for (i) a limit on liability to actual rather than treble damages if damages were to be awarded in any civil antitrust action under US antitrust law based on conduct covered by the conditional leniency, and (ii) relief from potential joint-and-several liability in connection with such civil antitrust action, subject to BBPLC satisfying the DOJ-AD and the court presiding over the civil litigation of fulfilment of its cooperation obligations.

Non-US Benchmarks Cases
In addition to US actions, legal proceedings have been brought or threatened against the Group in connection with alleged manipulation of LIBOR and EURIBOR in a number of jurisdictions. The number of such proceedings in non-US jurisdictions, the benchmarks to which they relate, and the jurisdictions in which they may be brought have increased over time.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Civil Actions in respect of ISDAfix
Since September 2014, a number of ISDAfix related civil actions have been filed in the SDNY on behalf of a proposed class of plaintiffs, alleging that BBPLC, a number of other banks and one broker, violated the US Sherman Antitrust Act and several state laws by engaging in a conspiracy to manipulate the USD ISDAfix. A consolidated amended complaint was filed in mid-February 2015. Pursuant to a schedule issued by the court, the defendants, including BBPLC, will move to dismiss the consolidated amended complaint.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Civil Actions in respect of Foreign Exchange Trading
Since November 2013, a number of civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the US Sherman Antitrust Act and New York state law and naming several international banks as defendants, including BBPLC. The SDNY before whom all the cases are pending, has combined all actions alleging a class of US persons in a single consolidated action. The two actions alleging classes of non-US persons were dismissed on 28 January 2015.

Recent Developments
Defendants' motion to dismiss the consolidated action was denied on 28 January 2015. The next step in the proceeding is discovery, which is presently stayed.

Claimed Amounts/Financial Impact
The financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period is currently uncertain.

Civil Actions in respect of the Gold Fix
Since March 2014, a number of civil complaints have been filed in US federal courts, each on behalf of a proposed class of plaintiffs, alleging that Barclays entities and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of the CEA, the US Sherman Antitrust Act, and state antitrust and consumer protection laws. All of the complaints have been transferred to the SDNY and consolidated for pretrial purposes.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the potential exposure of the actions described or what effect, if any, that they might have upon operating results, cash flows or the Group's financial position in any particular period.

US Residential and Commercial Mortgage-related Activity and Litigation
The Group's activities within the US residential mortgage sector during the period from 2005 through 2008 included:

- Sponsoring and underwriting of approximately $39bn of private-label securitisations;
- Economic underwriting exposure of approximately $34bn for other private-label securitisations;
- Sales of approximately $0.2bn of loans to government sponsored enterprises (GSEs);
- Sales of approximately $3bn of loans to others; and
- Sales of approximately $19.4bn of loans (net of approximately $500m of loans sold during this period and subsequently repurchased) that were originated and sold to third parties by mortgage originator affiliates of an entity that the Group acquired in 2007 (Acquired Subsidiary).

Throughout this time period affiliates of the Group engaged in secondary market trading of US residential mortgaged-backed securities (RMBS) and US commercial mortgage backed securities (CMBS), and such trading activity continues today.

In connection with its loan sales and certain private-label securitisations the Group provided certain loan level representations and warranties (R&Ws), which if breached may require the Group to repurchase the related loans. On 31 December 2014, the Group had unresolved repurchase requests relating to loans with a principal balance of approximately $2.6bn at the time they were sold, and civil actions have been commenced by various parties alleging that the Group must repurchase a substantial number of such loans. In addition, the Group is party to a number of lawsuits filed by purchasers of RMBS asserting statutory and/or common law claims. The current outstanding face amount of RMBS related to these pending claims against the Group as of 31 December 2014 was approximately $0.9bn.

Regulatory and governmental authorities have initiated wide-ranging investigations into market practices involving mortgage-backed securities, and the Group is co-operating with several of those investigations.

RMBS Repurchase Requests

Background

The Group was the sole provider of various loan-level R&Ws with respect to:

- Approximately $5bn of Group sponsored securitisations;
- Approximately $0.2bn of sales of loans to GSEs; and
- Approximately $3bn of loans sold to others.

In addition, the Acquired Subsidiary provided R&Ws on all of the $19.4bn of loans it sold to third parties.

R&Ws on the remaining Group sponsored securitisations were primarily provided by third-party originators directly to the securitisation trusts with a Group subsidiary, such as the depositor for the securitisation, providing more limited R&Ws. There are no stated expiration provisions applicable to most R&Ws made by the Group, the Acquired Subsidiary or these third parties.

Under certain circumstances, the Group and/or the Acquired Subsidiary may be required to repurchase the related loans or make other payments related to such loans if the R&Ws are breached.

The unresolved repurchase requests received on or before 31 December 2014 associated with all R&Ws made by the Group or the Acquired Subsidiary on loans sold to GSEs and others and private-label activities had an original unpaid principal balance of approximately $2.6bn at the time of such sale.

A substantial number (approximately $2.2 billion) of the unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain RMBS securitisations in which the trustees allege that the Group and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. Such trustees and other parties making repurchase requests have also alleged that the operative R&Ws may have been violated with respect to a greater (but unspecified) amount of loans than the amount of loans previously stated in specific repurchase requests made by such trustees. All of the litigations involving repurchase requests remain at early stages.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

RMBS Securities Claims

Background

As a result of some of the RMBS activities described above, the Group is party to a number of lawsuits filed by purchasers of RMBS sponsored and/or underwritten by the Group between 2005 and 2008. As a general matter, these lawsuits allege, among other things, that the RMBS offering materials allegedly relied on by such purchasers contained materially false and misleading statements and/or omissions and generally demand rescission and recovery of the consideration paid for the RMBS and recovery of monetary losses arising out of their ownership.

The original face amount of RMBS related to the pending civil actions against the Group total approximately $2.4bn, of which approximately $0.9bn was outstanding as at 31 December 2014.

Cumulative realised losses reported on these RMBS as at 31 December 2014 were approximately $0.3bn.

Claimed Amounts/Financial Impact

If the Group were to lose the pending actions the Group believes it could incur a loss of up to the outstanding amount of the RMBS at the time of judgement (taking into account further principal payments after 31 December 2014), plus any cumulative losses on the RMBS at such time and any interest, fees and costs, less the market value of the RMBS at such time and less any provisions taken to date.

Although the purchasers in these securities actions have generally not identified a specific amount of alleged damages, the Group has estimated the total market value of these RMBS as at 31 December 2014 to be approximately $0.6bn. The Group may be entitled to indemnification for a portion of such losses.

Other Mortgage-related Investigations

In addition to the RMBS Repurchase Requests and RMBS Securities Claims, numerous regulatory and governmental authorities, amongst them the DOJ, SEC, Special Inspector General for the US Troubled Asset Relief Program and US Attorney's Office for the District of Connecticut have been investigating various aspects of the mortgage-related business, including issuance and underwriting practices in primary offerings of RMBS and trading practices in the secondary market for both RMBS and CMBS. The Group is co-operating with these investigations.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Lehman Brothers

Since September 2009, the Group has been engaged in litigation with various entities that have sought to challenge certain aspects of the transaction pursuant to which BCI and other companies in the Group acquired most of the assets of Lehman Brothers Inc. (LBI) in September 2008, as well as the court order (Order) approving the sale (Sale). The Order was upheld by the courts and is no longer being challenged. On 5 August 2014, the Second Circuit affirmed the SDNY's rulings in favour of the Group on certain claims with respect to its rights over assets it claims from the Sale.

Background Information

In September 2009, motions were filed in the United States Bankruptcy Court for the SDNY (Bankruptcy Court) by Lehman Brothers Holdings Inc. (LBHI), the SIPA Trustee for Lehman Brothers Inc. (Trustee) and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. (Committee). All three motions challenged certain aspects of the Sale, as well as the Order. The claimants sought an order voiding the transfer of certain assets to BCI, requiring BCI to return to the LBI estate any excess value BCI allegedly received, and declaring that BCI is not entitled to certain assets that it claims pursuant to the Sale documents and the Order (Rule 60 Claims).

In January 2010, BCI filed its response to the motions and also filed a motion seeking delivery of certain assets that LBHI and LBI had failed to deliver as required by the Sale documents and the Order (together with the Trustee's competing claims to those assets, Contract Claims).

In 2011, the Bankruptcy Court rejected the Rule 60 Claims and decided some of the Contract Claims in the Trustee's favour and some in favour of the Group. The Group and the Trustee each appealed the Bankruptcy Court's adverse rulings on the Contract Claims to the SDNY. LBHI and the Committee did not appeal the Bankruptcy Court's ruling on the Rule 60 Claims.

The SDNY issued an opinion in June 2012, reversing one of the Bankruptcy Court's rulings on the Contract Claims that had been adverse to the Group and affirming the Bankruptcy Court's other rulings on the Contract Claims. In July 2012, the SDNY issued an agreed judgement implementing the rulings in the opinion (Judgement). Under the Judgement, the Group is entitled to receive:

- $1.1bn (£0.7bn) from the Trustee in respect of 'clearance box' assets (Clearance Box Assets); and
- Property held at various institutions in respect of the exchange traded derivatives accounts transferred to BCI in the Sale (ETD Margin).

Recent Developments

The Trustee appealed the SDNY's adverse rulings to the Second Circuit. On 5 August 2014, the Second Circuit issued an opinion affirming the rulings of the SDNY that the Group is entitled to receive the Clearance Box Assets and the ETD Margin.

On 1 October 2014, the Trustee filed a motion with the SDNY to confirm the scope of the SDNY's judgement regarding the ETD Margin the Group is entitled to receive. With that motion, the Trustee is challenging Barclays' entitlement to approximately $1.1bn of assets that the Trustee asserts do not constitute ETD Margin.

On 15 December 2014, the Trustee requested that the US Supreme Court review the rulings of the SDNY and the Second Circuit regarding the ETD margin.

Claimed Amounts/Financial Impact

Approximately $1.7bn (£1.1bn) of the assets to which the Group is entitled as part of the Sale had not been received by 31 December 2014, approximately $0.8bn (£0.5bn) of which has been recognised as a financial asset on the balance sheet as at 31 December 2014. The unrecognised amount, approximately $0.9bn (£0.6bn) as of 31 December 2014, effectively represents a provision against the uncertainty inherent in the litigation and potential post-appeal proceedings and issues relating to the recovery of certain assets held by an institution outside the US. The financial asset reflects an increase of $0.7bn (£0.5bn) recognised in profit or loss as at 30 September 2014 as a result of greater certainty regarding the recoverability of the Clearance Box Assets and the ETD Margin from the Trustee, as well as decreases resulting from a payment of $1.1bn (£0.7bn) made by the Trustee to the Group on 8 October 2014, fully discharging the Trustee's obligations in respect of the Clearance Box Assets and from a payment of approximately $1.5bn (£1bn) made by the Trustee to the Group on 10 December 2014 in respect of a portion of the ETD Margin.

In this context, the Group is satisfied with the valuation of the asset recognised on its balance sheet and the resulting level of effective provision.

American Depositary Shares

BPLC, BBPLC and various current and former members of BPLC's Board of Directors have been named as defendants in five proposed securities class actions consolidated in the SDNY, alleging misstatements and omissions in registration statements for certain American Depositary Shares offered by BBPLC.

Background Information

The consolidated amended complaint, filed in February 2010, asserted claims under the Securities Act of 1933, alleging that registration statements relating to American Depositary Shares representing preferred stock, series 2, 3, 4 and 5 (Preferred Stock ADS) offered by BBPLC at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) BBPLC's portfolio of mortgage-related (including US subprime-related) securities, BBPLC's exposure to mortgage and credit market risk, and BBPLC's financial condition. These complaints did not specifically identify what alleged damages these plaintiffs sought to recover in connection with their claims.

Recent Developments
The claims concerning the series 2, 3 and 4 offerings have been dismissed on the basis that they were time barred. Although the SDNY also dismissed the claims concerning the series 5 offering, the Second Circuit reversed the dismissal and ruled that the plaintiffs should have been permitted to file a second amended complaint in relation to the series 5 offering claims. This series 5 offering had an original face amount of approximately $2.5 billion.

In June 2014, the SDNY denied defendants' motion to dismiss with respect to the claims in the amended complaint concerning the series 5 offering. The case is now in discovery.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

BDC Finance L.L.C.
BDC Finance L.L.C. (BDC) filed a complaint against BBPLC in the NY Supreme Court alleging breach of a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement). A ruling was made against BBPLC, but the New York State Court of Appeals effectively reversed that ruling. Parties related to BDC have also sued BBPLC and BCI in Connecticut State Court in connection with BBPLC's conduct relating to the Agreement.

Background Information
In October 2008, BDC filed a complaint in the NY Supreme Court alleging that BBPLC breached the Agreement when it failed to transfer approximately $40m of alleged excess collateral in response to BDC's October 2008 demand (Demand).

BDC asserts that under the Agreement BBPLC was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled BBPLC to dispute the Demand before making the transfer, BBPLC failed to dispute the Demand.

BDC demands damages totalling $298m plus attorneys' fees, expenses, and prejudgement interest.

In August 2012, the NY Supreme Court granted partial summary judgement for BBPLC, ruling that BBPLC was entitled to dispute the Demand before transferring the alleged excess collateral, but determining that a trial was required to determine whether BBPLC actually did so. The parties cross-appealed to the Appellate Division of the NY Supreme Court (NY Appellate Division).

In September 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued BBPLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from BBPLC's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. The parties have agreed to a stay of that case.

In October 2013, the NY Appellate Division reversed the NY Supreme Court's grant of partial summary judgement in favour of BBPLC, and instead granted BDC's motion for partial summary judgement, holding that BBPLC breached the Agreement. The NY Appellate Division did not rule on the amount of BDC's damages, which has not yet been determined by the NY Supreme Court.

Recent Developments
In January 2014 the NY Appellate Division granted BBPLC leave to appeal its October 2013 decision to the NY Court of Appeals. The New York Court of Appeals heard oral argument on 6 January 2015 and on 19 February 2015 modified the NY Appellate Division's grant of partial summary judgement to BDC, holding that summary judgement in either party's favour cannot be granted because a material issue of fact remains as to whether BBPLC breached the Agreement. The New York Court of Appeals ordered that the matter be referred back to the NY Supreme Court for further proceedings.

Claimed Amounts/Financial Impact
BDC has made claims against the Group totalling $298m plus attorneys' fees, expenses and pre-judgement interest. This amount does not necessarily reflect the Group's potential financial exposure if a ruling were to be made against it.

Civil Actions in respect of the US Anti-Terrorism Act
In November 2014, a civil complaint was filed in the US Federal Court in the Eastern District of New York by a group of approximately 200 plaintiffs, alleging that the Group and a number of other banks engaged in a conspiracy and violated the US Anti-Terrorism Act (ATA) by facilitating US dollar denominated transactions for the Government of Iran and various Iranian banks, which in turn funded Hezbollah attacks that injured the plaintiffs' family members. Plaintiffs seek to recover for pain, suffering and mental anguish pursuant to the provisions of the ATA, which allows for the tripling of any proven damages.

Claimed Amounts/Financial Impact
It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect, if any, that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

Credit Default Swap (CDS) Antitrust Investigations

The Commission and the DOJ-AD commenced investigations in the CDS market, in 2011 and 2009, respectively. In July 2013 the Commission addressed a Statement of Objections to BBPLC, 12 other banks, Markit Ltd. and ISDA. The case relates to concerns that certain banks took collective action to delay and prevent the emergence of exchange traded credit derivative products.

If the Commission does reach a decision in this matter it has indicated that it intends to impose sanctions. The Commission's sanctions can include fines. The DOJ-AD's investigation is a civil investigation and relates to similar issues. Barclays is also contesting a proposed, consolidated class action alleging similar issues that has been filed in the US. Disclosure in the case is ongoing.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect, if any, that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Interchange Investigations

Investigations of Visa and MasterCard credit and debit interchange rates by competition authorities in Europe remain open.

BBPLC receives interchange fees, as a card issuer, from providers of card acquiring services to merchants. The key risks arising from the investigations comprise the potential for fines imposed by competition authorities, litigation and the implementation of new regulations that impact interchange fees.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect, if any, that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

Interest Rate Hedging Products Redress

See Note 26 for a description of the FSA's review and redress exercise in respect of interest rate hedging products and the provisions recognised by the Group in connection with it.

General

The Group is engaged in various other legal, competition and regulatory matters both in the UK and a number of overseas jurisdictions. It is subject to legal proceedings by and against the Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The notes included in this section focus on the Group's loan capital and shareholders equity including issued share capital, retained earnings, other equity balances and interests of minority shareholders in our subsidiary entities (non-controlling interests). For more information on capital management and how the Group maintains sufficient capital to meet our regulatory requirements see pages 98 to 101.

29 Subordinated liabilities

Accounting for subordinated debt

Subordinated debt is measured at amortised cost using the effective interest method under IAS 39.

Subordinated liabilities include accrued interest and comprise undated and dated loan capital as follows:

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
Undated subordinated liabilities	5,640	6,127	5,439	5,929
Dated subordinated liabilities	16,045	16,122	15,412	15,053
Total subordinated liabilities	21,685	22,249	20,851	20,982

None of the Group's loan capital is secured.

Undated subordinated liabilities

	Initial call date	The Group 2014 £m	The Group 2013 £m	The Bank 2014 £m	The Bank 2013 £m
Barclays Bank PLC externally issued					
Tier One Notes (TONs)					
6% Callable Perpetual Core Tier One Notes	2032	**16**	105	**16**	105
6.86% Callable Perpetual Core Tier One Notes (US$569m)	2032	**604**	613	**604**	613
Reserve Capital Instruments (RCIs)					
5.926% Step-up Callable Perpetual Reserve Capital Instruments (US$159m)	2016	**112**	368	**112**	368
7.434% Step-up Callable Perpetual Reserve Capital Instruments (US$177m)	2017	**85**	244	**85**	244
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	**39**	114	**39**	114
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	**3,065**	2,951	**3,065**	2,951
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	**52**	107	**52**	107
Undated Notes					
6.875% Undated Subordinated Notes	2015	**140**	145	**140**	145
6.375% Undated Subordinated Notes	2017	**146**	146	**146**	146
7.7% Undated Subordinated Notes (US$99m)	2018	**69**	67	**69**	67
8.25% Undated Subordinated Notes	2018	**152**	151	**152**	151
7.125% Undated Subordinated Notes	2020	**202**	198	**202**	198
6.125% Undated Subordinated Notes	2027	**249**	223	**249**	223
Junior Undated Floating Rate Notes (US$109m)	Any interest payment date	**70**	66	**130**	122
Undated Floating Rate Primary Capital Notes Series 3	Any interest payment date	**145**	145	**145**	145
Bonds					
9.25% Perpetual Subordinated Bonds (ex-Woolwich plc)	2021	**94**	91	**94**	91
9% Permanent Interest Bearing Capital Bonds	At any time	**46**	42	**46**	42
Loans					
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	2028	**39**	39	**39**	39
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	2028	**54**	58	**54**	58
Barclays SLCSM Funding B.V. guaranteed by the Bank					
6.140% Fixed Rate Guaranteed Perpetual Subordinated Notes	2015	**261**	254	**-**	-
Total undated subordinated liabilities		**5,640**	6,127	**5,439**	5,929

Undated loan capital

Undated loan capital is issued by the Bank and its subsidiaries for the development and expansion of their business and to strengthen their capital bases. The principal terms of the undated loan capital are described overleaf:

Subordination

All undated loan capital ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital in the following order: Junior Undated Floating Rate Notes; other issues of Undated Notes, Bonds and Loans ranking pari passu with each other; followed by TONs and RCIs ranking pari passu with each other.

Interest

All undated loan capital bears a fixed rate of interest until the initial call date, with the exception of the 9% Bonds which are fixed for the life of the issue, and the Junior and Series 3 Undated Notes which are floating rate.

After the initial call date, in the event that they are not redeemed, the 6.875%, 6.375%, 7.125%, 6.125% Undated Notes, the 9.25% Bonds and the 6.140% Perpetual Notes will bear interest at rates fixed periodically in advance for five-year periods based on market rates. All other undated loan capital except the two floating rate Undated Notes will bear interest, and the two floating rate Undated Notes currently bear interest at rates fixed periodically in advance based on London interbank rates.

Payment of interest

The Bank is not obliged to make a payment of interest on its Undated Notes, Bonds and Loans excluding the 7.7% Undated Notes, 8.25% Undated Notes, 9.25% Bonds and 6.140% Perpetual Notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months' interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the 7.7% Undated Notes and 8.25% Undated Notes. Until such time as any deferred interest has been paid in full, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares, preference shares, or other share capital or satisfy any payments of interest or coupons on certain other junior obligations.

Barclays SLCSM Funding B.V. and the Bank may elect to defer any payment of interest on the 6.140% Perpetual Notes. However, any deferred interest will automatically become immediately due and payable on the earlier of: (i) the date on which any dividend or other distribution or interest or other payment is made in respect of any pari passu or any junior obligations or on which any pari passu or any junior obligations are purchased, (ii) the date of redemption or purchase of the 6.140% Perpetual Notes and (iii) certain other events including bankruptcy, liquidation or winding up of Barclays SLCSM Funding B.V. or the Bank.

The Bank may elect to defer any payment of interest on the RCIs. Any such deferred payment of interest must be paid on the earlier of: (i) the date of redemption of the RCIs, (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment, and (iii) in respect of the 14% RCIs only, substitution. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the PRA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

All undated loan capital is repayable, at the option of the Bank generally in whole at the initial call date and on any subsequent coupon or interest payment date or in the case of the 6.875%, 6.375%, 7.125%, 6.125% Undated Notes, the 9.25% Bonds and the 6.140% Perpetual Notes on any fifth anniversary after the initial call date. In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole in the event of certain changes in the tax treatment of the notes, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the PRA.

Other

All issues of undated subordinated liabilities are non-convertible.

Dated subordinated liabilities			The Group		The Bank	
			2014	2013	2014	2013
	Initial call date	Maturity date	£m	£m	£m	£m
Barclays Bank PLC externally issued						
Callable Fixed/Floating Rate Subordinated Notes (€1,000m)	2014	2019	**-**	866	**-**	866
4.38% Fixed Rate Subordinated Notes (US$75m)		2015	**49**	49	**49**	49
4.75% Fixed Rate Subordinated Notes (US$150m)		2015	**98**	97	**98**	97
5.14% Lower Tier 2 Notes (US$1,094m)	2015	2020	**767**	706	**767**	706
6.05% Fixed Rate Subordinated Notes (US$1,556m)		2017	**1,102**	1,073	**1,102**	1,073
Floating Rate Subordinated Notes (€40m)		2018	**31**	33	**31**	33
6% Fixed Rate Subordinated Notes (€1,750m)		2018	**1,462**	1,554	**1,462**	1,554
CMS-Linked Subordinated Notes (€100m)		2018	**82**	87	**82**	87
CMS-Linked Subordinated Notes (€135m)		2018	**109**	116	**109**	116
Fixed/Floating Rate Subordinated Callable Notes	2018	2023	**565**	570	**565**	570
7.75% Contingent Capital Notes (US$1,000m)	2018	2023	**823**	793	**823**	793
Floating Rate Subordinated Notes (€50m)		2019	**38**	41	**38**	41
6% Fixed Rate Subordinated Notes (€1,500m)		2021	**1,338**	1,356	**1,338**	1,356
9.5% Subordinated Bonds (ex-Woolwich plc)		2021	**306**	306	**306**	306
Subordinated Floating Rate Notes (€100m)		2021	**77**	82	**77**	82
10% Fixed Rate Subordinated Notes		2021	**2,362**	2,265	**2,361**	2,265
10.179% Fixed Rate Subordinated Notes (US$1,521m)		2021	**1,062**	991	**1,062**	991
Subordinated Floating Rate Notes (€50m)		2022	**39**	42	**39**	42
6.625% Fixed Rate Subordinated Notes (€1,000m)		2022	**947**	957	**947**	957
7.625% Contingent Capital Notes (US$3,000m)		2022	**2,206**	2,013	**2,205**	2,013
Subordinated Floating Rate Notes (€50m)		2023	**39**	42	**39**	42
5.75% Fixed Rate Subordinated Notes		2026	**828**	742	**828**	742
5.4% Reverse Dual Currency Subordinated Loan (Yen 15,000m)		2027	**74**	74	**74**	74
6.33% Subordinated Notes		2032	**62**	55	**62**	55
Subordinated Floating Rate Notes (€100m)		2040	**78**	83	**78**	83
Other loans from subsidiaries			**-**	-	**60**	60
Barclays Bank PLC issued intra-group to Barclays PLC						
4.375% Fixed Rate Subordinated Notes (US$1,250m) [a]		2024	**810**	-	**810**	-
Absa Bank Limited issued						
8.8% Subordinated Fixed Rate Callable Notes (ZAR 1,725m)	2014	2019	**-**	102	**-**	-
6.00% CPI-linked Subordinated Callable Notes (ZAR 3,000m)	2014	2019	**-**	228	**-**	-
8.1% Subordinated Callable Notes (ZAR 2,000m)	2015	2020	**114**	121	**-**	-
10.28% Subordinated Callable Notes (ZAR 600m)	2017	2022	**34**	35	**-**	-
Subordinated Callable Notes (ZAR 400m)	2017	2022	**22**	23	**-**	-
Subordinated Callable Notes (ZAR 1,805m)	2017	2022	**101**	105	**-**	-
Subordinated Callable Notes (ZAR 2,007m)	2018	2023	**112**	116	**-**	-
8.295% Subordinated Callable Notes (ZAR 1,188m)	2018	2023	**64**	69	**-**	-
Subordinated Callable Notes (ZAR 370m)	2019	2024	**21**	-	**-**	-
Subordinated Callable Notes (ZAR 130m)	2019	2024	**7**	-	**-**	-
5.50% CPI-linked Subordinated Callable Notes (ZAR 1,500m)	2023	2028	**109**	107	**-**	-
Other capital issued by Barclays Africa and Japan		2014-2018	**107**	223	**-**	-
Total dated subordinated liabilities			**16,045**	16,122	**15,412**	15,053

Dated loan capital

Dated loan capital is issued by the Bank and respective subsidiaries for the development and expansion of their business and to strengthen their respective capital bases. The principal terms of the dated loan capital are described below:

Note

a Please see Note 46 in the 2014 Barclays PLC Annual Report for further details on the internal loans issued intra-group from Barclays Bank PLC to Barclays PLC

Subordination
All dated loan capital, both externally issued and issued intra-group to Barclays PLC, ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated loan capital and the holders of their equity. The dated loan capital issued by subsidiaries, are similarly subordinated.

Interest
Interest on the Floating Rate Notes are fixed periodically in advance, based on the related interbank or local central bank rates.

Interest on the 7.75% Contingent Capital Notes is fixed until the call date. After the call date, in the event that it is not redeemed, the interest rate will be re-set and fixed until maturity based on a market rate.

Repayment
Those Notes with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole. The remaining dated loan capital outstanding at 31 December 2014 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, to certain changes in legislation or regulations.

Any repayments prior to maturity require, in the case of the Bank, the prior approval of the PRA, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction and of the PRA in certain circumstances.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

The other capital issued by Barclays Kenya, Botswana and Zambia includes amounts of £6m (2013: £14m) issued by Barclays Botswana that are convertible. These are repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part and some only in whole.

Other
The 7.625% Contingent Capital Notes will be automatically transferred from investors to Barclays PLC (or another entity within the Group) for nil consideration in the event the Barclays PLC consolidated CRD IV Common Equity Tier 1 (CET 1) ratio (FSA October 2012 transitional statement) falls below 7.0%.

The 7.75% Contingent Capital Notes will be automatically written-down and investors will lose their entire investment in the notes in the event the Barclays PLC consolidated CRD IV Common Equity Tier 1 (CET 1) ratio (FSA October 2012 transitional statement) below 7.0%.

30 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

	Ordinary share capital	Preference share capital	Share premium	Total share capital and share premium	Other equity instruments
	£m	£m	£m	£m	£m
As at 1 January 2014	**2,342**	**60**	**12,092**	**14,494**	**2,078**
AT1 equity issuance	-	-	-	-	2,272
Other movements	-	(22)	-	(22)	-
As at 31 December 2014	**2,342**	**38**	**12,092**	**14,472**	**4,350**
As at 1 January 2013	2,342	60	12,092	14,494	-
AT1 equity issuance	-	-	-	-	2,078
As at 31 December 2013	2,342	60	12,092	14,494	2,078

Ordinary shares
The issued ordinary share capital of Barclays Bank PLC, as at 31 December 2014, comprised 2,342 million ordinary shares of £1 each (2013: 2,342 million).

Ordinary share capital constitutes 60% (2013: 60%) of total share capital issued.

Preference shares
The issued preference share capital of Barclays Bank PLC, as at 31 December 2014, comprised 1,000 Sterling Preference Shares of £1 each (2013: 1,000); 31,856 Euro Preference Shares of €100 each (2013: 240,000); 20,930 Sterling Preference Shares of £100 each (2013: 75,000); 58,133 US Dollar Preference Shares of $100 each (2013: 100,000); and 237 million US Dollar Preference Shares of $0.25 each (2013: 237 million).

During Q2 2014, 108,144 Euro Preference Shares of €100 each, 54,070 Sterling Preference Shares of £100 each and 41,867 US Dollar Preference Shares of $100 each were repurchased by Barclays Bank PLC as part of an overall exercise exchange of those preference shares (together with certain subordinated debt instruments of Barclays Bank PLC) for three issuances of Barclays PLC Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities.

On 15 December 2014, 100,000 Euro Preference Shares of €100 each were redeemed for cash on their first call date.

Preference share capital constitutes 40% (2013: 40%) of total share capital issued.

Sterling £1 Preference Shares
1,000 Sterling cumulative callable preference shares of £1 each (the £1 Preference Shares) were issued on 31 December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive Sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the Sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if: (1) it has profits available for the purpose of distribution under the Companies Act 2006 as at each dividend payment date; and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if: (1) it is able to pay its debts to senior creditors as they fall due; and (2) its auditors have reported within the previous six months that its assets exceed its liabilities. If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital.

The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act 2006 and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

Euro Preference Shares
140,000 Euro 4.75% non-cumulative callable preference shares of €100 each (the 4.75% Preference Shares) were issued on 15 March 2005 for a consideration of €1,383.3m (£966.7m), of which the nominal value was €14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of €10,000 per preference share until 15 March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 March 2020, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares
75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the 6.0% Preference Shares) were issued on 22 June 2005 for a consideration of £743.7m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15 December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 December 2017, and on each dividend payment date thereafter at £10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

US Dollar Preference Shares

100,000 US Dollar 6.278% non-cumulative callable preference shares of $100 each (the 6.278% Preference Shares), represented by 100,000 American Depositary Shares, Series 1, were issued on 8 June 2005 for a consideration of $995.4m (£548.1m), of which the nominal value was $10m and the balance was share premium. The 6.278% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a fixed rate of 6.278% per annum on the amount of $10,000 per preference share until 15 December 2034, and thereafter quarterly at a rate reset quarterly equal to 1.55% per annum above the London interbank offered rate for three-month US Dollar deposits.

The 6.278% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 December 2034, and on each dividend payment date thereafter at $10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

30 million US Dollar 6.625% non-cumulative callable preference shares of $0.25 each (the 6.625% Preference Shares), represented by 30 million American Depositary Shares, Series 2, were issued on 25 and 28 April 2006 for a consideration of $727m (£406m), of which the nominal value was $7.5m and the balance was share premium. The 6.625% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 6.625% per annum on the amount of $25 per preference share.

The 6.625% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

55 million US Dollar 7.1% non-cumulative callable preference shares of $0.25 each (the 7.1% Preference Shares), represented by 55 million American Depositary Shares, Series 3, were issued on 13 September 2007 for a consideration of $1,335m (£657m), of which the nominal value was $13.75m and the balance was share premium. The 7.1% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.1% per annum on the amount of $25 per preference share.

The 7.1% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

46 million US Dollar 7.75% non-cumulative callable preference shares of $0.25 each (the 7.75% Preference Shares), represented by 46 million American Depositary Shares, Series 4, were issued on 7 December 2007 for a consideration of $1,116m (£550m), of which the nominal value was $11.5m and the balance was share premium. The 7.75% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.75% per annum on the amount of $25 per preference share.

The 7.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

106 million US Dollar 8.125% non-cumulative callable preference shares of $0.25 each (the 8.125% Preference Shares), represented by 106 million American Depositary Shares, Series 5, were issued on 11 April 2008 and 25 April 2008 for a total consideration of $2,650m (£1,345m), of which the nominal value was $26.5m and the balance was share premium. The 8.125% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 8.125% per annum on the amount of $25 per preference share.

The 8.125% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

No redemption or purchase of any 4.75% Preference Shares, the 6.0% Preference Shares, the 6.278% Preference Shares, the 6.625% Preference Shares, the 7.1% Preference Shares, the 7.75% Preference Shares and the 8.125% Preference Shares (together, the Preference Shares) may be made by Barclays Bank PLC without the prior approval of the PRA and any such redemption will be subject to the Companies Act 2006 and the Articles of Barclays Bank PLC.

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders: (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares; (2) equally in all respects with holders of other preference shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares; and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the 6% Callable Perpetual Core Tier One Notes and the $681m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the TONs) and the holders of the 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the $533m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the 6.3688% Step-up Callable Perpetual Reserve Capital Instruments, the $347m 7.434% Step-up Callable Perpetual Reserve Capital Instruments and the 14% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the RCIs) would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of preference shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the preference shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the preference shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the preference shares).

Subject to such ranking, in such event, holders of the preference shares will be entitled to receive, out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of €10,000 per 4.75% Preference Share, £10,000 per 6.0% Preference Share, $10,000 per 6.278% Preference Share, $25 per 6.625% Preference Share, $25 per 7.1% Preference Share, $25 per 7.75% Preference Share and $0.25 per 8.125% Preference Share, plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding-up or other such return of capital. If a dividend is not paid in full on any preference shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other preference shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of: (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend; and (2) the date on or by which all the preference shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the preference shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the preference shares, save with the sanction of a special resolution of a separate general meeting of the holders of the preference shares (requiring a majority of not less than three-fourths of the holders of the preference shares voting at the separate general meeting) or with the consent in writing of the holders of three-fourths of the preference shares.

Except as described above, the holders of the preference shares have no right to participate in the surplus assets of Barclays Bank PLC.

Other equity instruments

Other equity instruments of £4,350m (2013: £2,078m) include Additional Tier 1 (AT1) securities issued by Barclays Bank PLC during 2013 and 2014. During 2013, there were two separate issuances of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with principal amounts of $2bn and €1bn. During 2014, there were three issuances of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with principal amounts of $1.21bn, €1.08bn and £0.7bn (The Bank AT1 securities).

The Bank AT1 securities were issued to Barclays PLC as part of an overall exchange of £1,527m of Barclays Bank PLC preference shares and £607m of subordinated debt instruments (Tier 1 Notes and Reserve Capital Instruments) for new AT1 securities issued by B PLC (The Group AT1 securities). Upon completion of the exercise, the preference shares and subordinated debt instruments were cancelled by Barclays Bank PLC.

The cash repurchase of the preference shares by Barclays Bank PLC at a fair value of £1,683m was funded from retained earnings. In accordance with capital maintenance rules in the Companies Act 2006, a Capital Redemption Reserve (CRR) of £16m equal to the preference share capital nominal translated at current exchange rates was established in Barclays Bank PLC.

The AT1 securities are perpetual securities with no fixed maturity and qualify as AT1 instruments under CRD IV.

Other shareholders' equity	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m
As at 1 January	**485**	645	**549**	710
Redemption	**-**	(100)	**-**	(100)
Other movements	**-**	(60)	**-**	(61)
As at 31 December	**485**	485	**549**	549

Included in other shareholders' equity are capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC. During 2014 no upper tier 2 capital notes were redeemed (2013: £100m).

31 Reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of the effects of hedging.

As at 31 December 2014 there was a debit balance of £582m (2013: £1,142m debit) in the currency translation reserve. The decrease in the debit balance of £560m (2013: £1,201m decrease to a debit balance) principally reflected the strengthening of USD against GBP. The currency translation reserve movement associated with non-controlling interests was a £74m debit (2013: £566m debit) reflecting the further depreciation of ZAR against GBP.

During the year a £91m net gain (2013: £5m) from recycling of the currency translation reserve was recognised in the income statement.

Available for sale reserve

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

As at 31 December 2014 there was a credit balance of £578m in the available for sale reserve (2013: £151m credit). The increase of £427m (2013: £375m decrease) principally reflected a £5,336m gains from changes in fair value on Government Bonds, predominantly held in the liquidity pool, offset by £4,074m of losses from related hedging, £620m of net gain transferred to net profit and £103m of tax.

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

As at 31 December 2014 there was a credit balance of £1,817m (2013: £273m credit) in the cash flow hedging reserve. The increase of £1,544m (2013: £1,826m decrease) principally reflected a £2,662m increase in the fair value of interest rate swaps held for hedging purposes as interest rate forward curves decreased, partly offset by £737m gains recycled to the income statement in line with when the hedged item affects profit or loss, and £381m of tax.

32 Non-controlling interests

	Profit attributable to Non-Controlling interest		Equity attributable to Non-Controlling interest		Dividends paid to Non-Controlling interest	
	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m
Barclays Africa Group Limited	**320**	343	**2,247**	2,204	**189**	342
Other non-controlling interests	**6**	2	**4**	7	**1**	-
Total	**326**	345	**2,251**	2,211	**190**	342

Barclays Bank PLC owns 62.3% (2013: 62.3%) of Barclays Africa Group Limited.

Summarised financial information for Barclays Africa Group Limited

Summarised financial information for Barclays Africa Group Limited, before intercompany eliminations, is set out below:

	Barclays Africa Group Limited 2014 £m	Barclays Africa Group Limited 2013 £m
Income statement information		
Total income net of insurance claims	3,530	3,356
Profit after tax	765	807
Total other comprehensive income for the year, after tax	(7)	(71)
Total comprehensive income for the year	758	736
Statement of Cash flows information		
Net cash inflows	43	109
Balance sheet information		
Total assets	55,378	55,616
Total liabilities	50,150	50,500
Shareholder equity	5,228	5,116

Full financial statements for Barclays Africa Group Limited can be obtained at barclaysafrica.com/barclaysafrica/Investor-Relations.

Protective rights of non-controlling interests

Barclays Africa Group Limited

Barclays owns 62.3% of the share capital of Barclays Africa Group Limited. Certain resolutions of Barclays Africa require a 75% approval which restricts Barclays PLC's rights to access the assets of Barclays Africa and its group companies. 75% approval would be required to dispose of all or the greater part of the Barclays Africa Group Limited's assets or to complete the voluntary winding up of the entity.

Notes to the financial statements
Employee benefits

The notes included in this section focus on the costs and commitments associated with employing our staff.

33 Staff costs

Accounting for staff costs

The Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits - salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs - recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

Deferred cash bonus awards and deferred share bonus awards are made to employees to incentivise performance over the vesting period. To receive payment under an award, employees must provide service over the vesting period, typically three years from the grant date. The period over which the expense for deferred cash and share bonus awards is recognised is based upon the common understanding between the employee and the Group and the terms and conditions of the award. The Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest as this is the period over which the employees understand that they must provide service in order to receive awards. The table on page 85 of the Barclays PLC Annual Report. details the relevant award dates, payment dates and the period in which the income statement charge arises for bonuses. No expense has been recognised in 2014 for the deferred bonuses that will be granted in March 2015, as they are dependent upon future performance rather than performance during 2014.

The accounting policies for share based payments and pensions and other post retirement benefits are under Note 34 and Note 35 respectively.

	2014 £m	2013 £m
Deferred bonus charge	**1,067**	1,147
Current year bonus charge	**885**	957
Commissions, commitments and other incentives	**110**	450
Performance costs	**2,062**	2,554
Salaries	**4,998**	4,981
Social security costs	**659**	715
Post-retirement benefits [a]	**624**	688
Allowances and trading incentives	**170**	211
Other compensation costs	**378**	467
Total compensation costs [b]	**8,891**	9,616
Other resourcing costs		
Outsourcing	**1,055**	1,084
Redundancy and restructuring	**358**	687
Temporary staff costs	**530**	551
Other	**171**	217
Total other resourcing costs	**2,114**	2,539
Total staff costs	**11,005**	12,155

Notes

a Post retirement benefits charge includes £242m (2013: £261m) in respect of defined contribution schemes and £382m (2013: £427m) in respect of defined benefit schemes.

b In addition, £250m (2013: £346m) of Group compensation was capitalised as internally generated software.

Total staff costs decreased 9% to £11,005m, principally reflecting a 19% decrease in performance costs and a 48% decrease in redundancy and restructuring charges

Performance costs decreased 19% to £2,062m, reflecting an 8% decrease to £885m in charges for current year cash and share bonuses, a 7% decrease in the charge for deferred bonuses to £1,067m and a 76% decrease in commissions, commitments and other incentives to £110m.

Redundancy and restructuring charges decreased 48% to £358m, due to a number of Transform initiatives that occurred in 2013.

The average total number of persons employed by the Group was 135,300 (2013: 140,300).

34 Share based payments

Accounting for share based payments

The Group applies IFRS 2 *Share Based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, generally the period between the date the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share based savings scheme.

The information in the note relates to the Group. The charge for the year arising from share based payment schemes was as follows:

	Charge for the year	
	2014	2013
	£m	£m
Share Value Plan	**575**	576
Others	**84**	126
Total equity settled	**659**	702
Cash settled	**43**	25
Total share based payments	**702**	727

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for Executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three years in equal annual tranches. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Other schemes

In addition to the SVP, the Group operates a number of other schemes including schemes operated by and settled in the shares of subsidiary undertakings, none of which are individually or in aggregate material in relation to the charge for the year or the dilutive effect of outstanding share options. Included within other schemes are Sharesave (both UK and overseas), the Barclays Long Term Incentive Plan and the Executive Share Award Scheme.

Share option and award plans

The weighted average fair value per award granted and weighted average share price at the date of exercise/release of shares during the year was:

	Weighted average fair value per award granted in year		Weighted average share price at exercise/release during year	
	2014	2013	2014	2013
	£	£	£	£
SVP[a]	2.33	3.04	2.31	3.04
Others[a]	0.52-2.39	0.81-3.08	2.23-2.56	2.64-3.22

SVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP[a,b]		Others[a,c,]			
	Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2014	2013	2014	2013	2014	2013
Outstanding at beginning of year/acquisition date	524,260	540,872	231,989	278,843	1.55	1.70
Granted in the year	275,152	233,513	64,326	42,179	1.78	2.28
Rights issue adjustments	-	40,684	-	19,630	-	1.58
Exercised/released in the year	(287,319)	(265,082)	(71,594)	(77,752)	1.44	2.19
Less: forfeited in the year	(32,051)	(25,727)	(32,784)	(22,383)	1.66	1.61
Less: expired in the year	-	-	(6,338)	(8,528)	2.24	3.03
Outstanding at end of year	480,042	524,260	185,599	231,989	1.61	1.55
Of which exercisable:	44	60	20,025	20,977	1.88	2.52

Certain of the Group's share option plans enable certain directors and employees to subscribe for new ordinary shares of Barclays PLC.

The weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date are as follows:

	2014		2013	
	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)
SVP[a,b]	1	480,042	1	524,260
Others[a]	0-3	185,599	0-3	231,989

There were no significant modifications to the share based payments arrangements in 2014 and 2013.

As at 31 December 2014, the total liability arising from cash-settled share based payments transactions was £45m (2013: £26m).

Notes
a Options/award granted over Barclays PLC shares.
b Nil cost award and therefore the weighted average exercise price was nil.
c The number of awards within others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 7,288,943). The weighted average exercise price relates to Sharesave.

Holdings of Barclays PLC shares

Various employee benefit trusts established by the Group hold shares in Barclays PLC to meet obligations under the Barclays share based payment schemes. The total number of Barclays shares held in these employee benefit trusts at 31 December 2014 was 5.2 million (2013: 3.2 million). Dividend rights have been waived on all of these shares. The total market value of the shares held in trust based on the year end share price of £2.43 (2013: £2.72) was £12.6m (2013: £8.7m).

35 Pensions and post retirement benefits

Accounting for pensions and post retirement benefits

The Group operates a number of pension schemes including defined contribution, defined benefit and post-employment benefit schemes.

Defined contribution schemes – the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Defined benefit schemes – the Group recognises its obligation to members of the scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test. Each scheme's obligations are calculated using the projected unit credit method on the assumptions set out in the note below. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the plan, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on plan assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

Post-employment benefits – the cost of providing health care benefits to retired employees is accrued as a liability in the financial statements over the period that the employees provide services to the Group, using a methodology similar to that for defined benefit pension schemes.

Pension schemes

UK Retirement Fund (UKRF)

The UKRF is the Group's main scheme, representing 92% of the Group's total retirement benefit obligations. The UKRF was closed to new entrants on 1 October 2012, and comprises ten sections, the most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An investment related increase of up to 2% a year may also be added at Barclays' discretion. Between 1 October 2003 and 1 October 2012 the majority of new employees outside of Investment Bank were eligible to join this section. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are more limited than in traditional final salary pension plans, being the risk of needing to make additional contributions if pre-retirement investment returns are not sufficient to provide for the benefits. The discretionary element of the benefit provides a partial buffer against this risk.

- The 1964 Pension Scheme: most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010 members became eligible to accrue future service benefits in either Afterwork or Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 pension section are typical of final salary pension plans: principally, that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)

- From 1 October 2012 a new UK pension scheme, the BPSP, was established to satisfy Auto Enrolment legislation. The BPSP is a defined contribution scheme (Group Personal Pension) providing benefits for all new Barclays UK hires from 1 October 2012, Investment Bank UK employees who were in PIP as at 1 October 2012, and also all UK employees who were not members of a pension scheme as at that date. As a defined contribution plan, BPSP is not subject to the same investment return, inflation or longevity risks that defined benefit plans face. Members' benefits reflect contributions paid and the level of investment returns achieved.

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement healthcare plans globally, the largest of which are the US and South African defined benefit schemes. Many of the plans are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided the approach to funding and the legal basis of the plans reflect their local environments.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays or the UKRF, plus three Member Nominated Directors selected from eligible active staff and pensioner members who apply for the role.

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Group's other pension schemes, although different legislation covers overseas schemes where, in most cases, the Group has the power to determine the funding rate.

Amounts recognised

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all Group defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

Income statement charge	2014 £m	2013 £m
Current service cost	**324**	371
Net finance cost	**78**	55
Past service cost	**(5)**	4
Settlements	**(15)**	(3)
Total	**382**	427

Balance sheet reconciliation	2014			2013		
	The Group Total	The Bank Total	Of which relates to UKRF	The Group Total	The Bank Total	Of which relates to UKRF
	£m	£m	£m	£m	£m	£m
Benefit obligation at beginning of the year	**(27,568)**	**(25,494)**	**(25,093)**	(26,304)	(24,091)	(23,643)
Current service cost	**(324)**	**(264)**	**(258)**	(371)	(284)	(280)
Interest costs on scheme liabilities	**(1,261)**	**(1,111)**	**(1,101)**	(1,145)	(1,015)	(1,003)
Past service cost	**5**	**2**	**2**	(4)	-	-
Settlements	**83**	**39**	**-**	44	19	-
Remeasurement loss - financial	**(2,493)**	**(2,437)**	**(2,382)**	(989)	(985)	(997)
Remeasurement loss - demographic	**(370)**	**(351)**	**(340)**	4	-	-
Remeasurement loss - experience	**407**	**406**	**418**	(39)	36	31
Employee contributions	**(35)**	**(3)**	**(2)**	(39)	(2)	(1)
Benefits paid	**999**	**838**	**825**	905	811	799
Exchange and other movements	**165**	**(13)**	**-**	370	17	1
Benefit obligation at end of the year	**(30,392)**	**(28,388)**	**(27,931)**	(27,568)	(25,494)	(25,093)
Fair value of scheme assets at beginning of the year	**25,743**	**23,906**	**23,661**	25,075	23,080	22,845
Interest income on scheme assets	**1,183**	**1,053**	**1,042**	1,090	984	974
Employer contribution	**347**	**253**	**241**	364	256	238
Settlements	**(68)**	**(27)**	**-**	(41)	-	-
Remeasurement - return on plan assets greater than discount rate	**2,736**	**2,723**	**2,705**	575	419	400
Employee contributions	**35**	**3**	**2**	39	2	1
Benefits paid	**(999)**	**(838)**	**(825)**	(905)	(811)	(799)
Exchange and other movements	**(103)**	**6**	**1**	(454)	(24)	2
Fair value of scheme assets at the end of the year	**28,874**	**27,079**	**26,827**	25,743	23,096	23,661
Net deficit/surplus	**(1,518)**	**(1,309)**	**(1,104)**	(1,825)	(1,588)	(1,432)
Retirement benefit assets	**56**	**-**	**-**	133	-	-
Retirement benefit liabilities	**(1,574)**	**(1,309)**	**(1,104)**	(1,958)	(1,588)	(1,432)
Net retirement benefit liabilities/assets	**(1,518)**	**(1,309)**	**(1,104)**	(1,825)	(1,588)	(1,432)

Included within The Group's benefit obligation was £2,272m (2013: £2,314m) relating to overseas pensions and £189m (2013: £161m) relating to other post-employment benefits. Of the total benefit obligation of £30,392m (2013: £27,568m), £286m (2013: £298m) was wholly unfunded. Included within The Bank's benefit obligation was £359m (2013: £317m) relating to overseas pensions and £98m (2013: £84m) relating to other post retirement benefits. Out of The Bank's benefit obligations of £28,388m (2013: £25,494m), £21m was wholly unfunded.

As at 31 December 2014, the UKRF's scheme assets were in deficit versus IAS 19R obligations by £1,104m (2013: deficit of £1,432m). The decrease in the net deficit was driven by a rise in asset values, with the increase in liabilities arising from the decrease in the discount rate partly offset by a decrease in the long term RPI inflation rate.

Critical accounting estimates and judgements

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions, below is a summary of the main financial and demographic assumptions adopted for UKRF.

UKRF financial assumptions	2014 % p.a.	2013 % p.a.
Discount rate	3.67	4.46
Inflation rate	3.05	3.42
Rate of increase in salaries	2.55	2.92
Rate of increase for pensions in payment	2.98	3.32
Rate of increase for pensions in deferment	2.98	3.32
Afterwork revaluation rate	3.35	3.70

The UKRF discount rate assumption for 2014 and 2013 are taken based on the single equivalent discount rate implied by the Towers Watson RATE Link model.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2014 of Barclays own post-retirement mortality experience, and taking account of the recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2013 core projection model published by the Continuous Mortality Investigation Bureau subject to a long term trend of 1.25% pa in future improvements. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the last three years:

Assumed life expectancy	2014	2013	2012
Life expectancy at 60 for current pensioners (years)			
– Males	28.3	27.9	27.8
– Females	29.9	29.0	28.9
Life expectancy at 60 for future pensioners currently aged 40 (years)			
– Males	30.1	29.3	29.2
– Females	31.9	30.6	30.5

Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the UKRF assumptions table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

Change in key assumptions	2014		2013	
	Impact on UKRF defined benefit obligation		Impact on UKRF defined benefit obligation	
	(Decrease)/ Increase %	(Decrease)/ Increase £bn	(Decrease)/ Increase %	(Decrease)/ Increase £bn
0.5% increase in discount rate	(9.0)	(2.5)	(9.2)	(2.3)
0.5% increase in assumed price inflation	7.3	2.0	7.8	2.0
1 year increase to life expectancy at 60	3.5	1.0	3.0	0.8

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 19 years.

Assets

A long-term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, amongst other aims, that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed with the Trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the actual physical assets held by the scheme, with any derivative holdings reflected on a mark to market basis.

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

Analysis of scheme assets	The Group Total Value £m	% of total fair value of scheme assets %	The Bank Total Value £m	% of total fair value of scheme assets %	Of which relates to UKRF Value £m	% of total fair value of scheme assets %
As at 31 December 2014						
Equities - quoted	**6,813**	**23.6**	**5,885**	**21.7**	**5,808**	**21.6**
Equities - non quoted	**1,549**	**5.4**	**1,542**	**5.7**	**1,537**	**5.7**
Bonds - fixed government[a]	**934**	**3.2**	**649**	**2.4**	**609**	**2.3**
Bonds - index-linked government[a]	**7,114**	**24.6**	**7,114**	**26.3**	**7,114**	**26.5**
Bonds - corporate and other[a]	**5,599**	**19.4**	**5,428**	**20.0**	**5,317**	**19.8**
Property - commercial[b]	**2,023**	**7.0**	**1,946**	**7.2**	**1,945**	**7.3**
Derivatives[b]	**1,472**	**5.1**	**1,472**	**5.4**	**1,472**	**5.5**
Cash	**2,897**	**10.0**	**2,665**	**9.8**	**2,644**	**9.9**
Pooled funds[c]	**284**	**1.0**	**284**	**1.0**	**284**	**1.1**
Other[b]	**189**	**0.7**	**94**	**0.5**	**97**	**0.3**
Fair value of scheme assets	**28,874**	**100.0**	**27,079**	**100.0**	**26,827**	**100.0**
As at 31 December 2013						
Equities - quoted	3,420	13.3	2,465	10.3	2,355	10
Equities - non quoted	1,299	5.0	1,278	5.3	1,270	5.4
Bonds - fixed government[a]	1,342	5.2	949	4.0	888	3.8
Bonds - index-linked government[a]	6,356	24.8	6,365	26.5	6,365	26.8
Bonds - corporate and other[a]	3,715	14.5	3,603	15.1	3,533	14.9
Property - commercial[b]	1,376	5.3	1,321	5.5	1,320	5.6
Derivatives[b]	1,425	5.5	1,425	6.0	1,425	6
Cash	4,202	16.3	3,909	16.4	3,903	16.5
Pooled funds[c]	2,342	9.1	2,342	9.8	2,342	9.9
Other[b]	266	1.0	249	1.0	260	1.1
Fair value of scheme assets	25,743	100.0	23,906	100.0	23,661	100.0

Notes
a Assets held are predominately quoted.
b Assets held are predominantly non-quoted.
c Pooled funds relate to a variety of investments which are predominantly non-quoted.

Included within the fair value of scheme assets were: £3m (2013: £5m) relating to shares in Barclays PLC, £39m (2013: £31m) relating to bonds issued by the Barclays Group, £6m (2013: £7m) relating to property occupied by Group companies, and £14m (2013: £10m) relating to other investments including deposits with Barclays banks. The UKRF also invests in investment vehicles which may hold shares or debt issued by the Group.

The UKRF scheme assets also includes £36.2m (2013: £35.9m) relating to UK private equity investments and £1,502m (2013: £1,255m) relating to overseas private equity investments. These are disclosed above within equities – non quoted.

Approximately a third of the UKRF assets are invested in liability driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

Funding

The latest triennial funding valuation of the UKRF was carried out with an effective date of 30 September 2013. This was completed in 2014 and showed a deficit of £3.6bn and a funding level of 87.4%. The Bank and Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan to eliminate the deficit in the Fund. The main differences between the funding and IAS 19 assumptions are a more prudent longevity assumption for funding and a different approach for the setting discount rate.

The recovery plan to eliminate the deficit will result in the Bank paying deficit contributions to the Fund until 2021. Deficit contributions of £300m are payable in 2015, and also in 2016. Further deficit contributions of £740m p.a. are payable during 2017 to 2021. Up to £500m of the 2021 deficit contributions are payable in 2017 depending on the deficit level at that time. These deficit contributions are in addition to the regular contributions to meet the Group's share of the cost of benefits accruing during each year.

In non-valuation years the Scheme Actuary prepares an annual update of the funding position. The latest annual update was carried out as at 30 September 2014 and showed a deficit of £4.6bn and a funding level of 85.4%. The increase in funding deficit over the year to 30 September 2014 can be mainly attributed to the fall in real gilt yields during the year.

Defined benefit contributions paid with respect to the UKRF were as follows:

Contributions paid	£m
2014	**241**
2013	238
2012	742

The Group's expected contribution to the UKRF in respect of defined benefit schemes in 2015 is £622m (2014: £218m). In addition the expected contributions to UK defined contribution schemes in 2015 is £41m (2014: £46m) to the UKRF and £107m (2014: £103m) to the BPSP. For the material non-UK schemes the expected contributions in 2015 are £56m (2014: £107m).

Notes to the financial statements
Scope of consolidation

This section presents information on the Group's investments in subsidiaries, joint ventures and associates and its interests in structured entities. Detail is also given on securitisation transactions the Group has entered into and arrangements that are held off-balance sheet.

36 Principal subsidiaries

Barclays applies IFRS 10 *Consolidated Financial Statements*. The consolidated financial statements combine the financial statements of Barclays Bank PLC and all of its subsidiaries. Subsidiaries are entities over which the Group has control. Under IFRS 10, this is when the Group is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect the amount of its returns.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not result in loss of control.

The significant judgements used in applying this policy are set out below.

Accounting for investment in subsidiaries

In the individual financial statements of Barclays Bank PLC, investments in subsidiaries are stated at cost less impairment. Cost includes any directly attributable costs of the investment.

Investments in subsidiaries, the principal of which are engaged in banking related activities, are recorded on the balance sheet at historical cost less any impairment. At 31 December 2014 the historical cost of investments in subsidiaries was £22,623m (2013: £19,214m), and allowances recognised against these investments was £4,278m (2013: £4,840m) of impairment.

Principal subsidiaries for the Group are set out below. This includes those subsidiaries that are most significant in the context of the Group's business, results or financial position.

Company name	Principal place of business or incorporation	Nature of business	Percentage of voting rights held %	Non-controlling interests - proportion of ownership interests %	Non-controlling interests - proportion of voting interests %
Barclays Capital Securities Limited	England	Securities dealing	100	-	-
Barclays Private Clients International Limited	Isle of Man	Banking	100*	-	-
Barclays Securities Japan Limited	Japan	Securities dealing	100	-	-
Barclays Africa Group Limited	South Africa	Banking	62	38	38
Barclays Bank S.A.U.	Spain	Banking	100*	-	-
Barclays Capital Inc.	United States	Securities dealing	100	-	-
Barclays Bank Delaware	United States	Credit card issuer	100	-	-

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. Investments in subsidiaries held directly by Barclays Bank PLC are marked *. Information on the Group's subsidiaries, as required by the Companies Act, will be included in the Annual Return to be filed at the UK Companies House.

Ownership interests are in some cases different to voting interests due to the existence of non-voting equity interests, such as preference shares. See Note 32 Non-controlling interests for more information.

At the balance sheet date, a contractual agreement for the sale and transfer of Barclays Bank S.A.U. and its subsidiaries, comprising all its associated assets and liabilities to a third party, Caixabank, S.A. was in place. The sale took place on 2 January 2015, but Barclays Bank S.A.U. was still a principal subsidiary at the balance sheet date.

Notes to the financial statements
Scope of consolidation

Significant judgements and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the managers of the structured entity are acting as its agent and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However certain entities are excluded from consolidation because the Group does not have exposure to their variable returns. These entities are controlled by external counterparties rather than the Group. Where appropriate, interests relating to these entities are included in Note 37 Structured Entities.

Country of registration or incorporation	Company name	Percentage of voting rights held (%)	Equity shareholder's funds (£m)	Retained profit for the year (£m)
UK	Fitzroy Finance Limited	100	-	-
Cayman Islands	Palomino Limited	100	1	-

Significant restrictions

As is typical for a Group of its size and international scope, there are restrictions on the ability of Barclays PLC to obtain distributions of capital, access the assets or repay the liabilities of members of its Group due to the statutory, regulatory and contractual requirements of its subsidiaries and due to the protective rights of non-controlling interests. These are considered below.

Regulatory requirements

Barclays' principal subsidiary companies have assets and liabilities before intercompany eliminations of £490bn (2013: £474bn) and £474bn (2013: £458bn) respectively. The assets and liabilities are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company, Barclays Bank PLC.

In order to meet capital requirements, subsidiaries may hold certain equity accounted and debt accounted issued financial instruments and non-equity instruments such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liability. See the non-controlling interests Note 32 and the subordinated liabilities Note 29 for particulars of these instruments. These instruments may be subject to cancellation clauses or preference share restrictions that would limit the ability of the entity to repatriate the capital on a timely basis.

Liquidity requirements

Regulated subsidiaries of the Group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are Barclays Capital Inc. and Barclays Africa Group Limited which must maintain daily compliance with the regulatory minimum.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Barclays Bank PLC, the ultimate parent, except in the event of a legal capital reduction or liquidation. In most cases the regulatory restrictions referred to above exceed the statutory restrictions.

Contractual requirements

Asset encumbrance

The Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets affected are disclosed in Note 40 Assets Pledged.

Assets held by consolidated structured entities

£379m (2013: £690m) of assets included in the Group's balance sheet relate to consolidated investment funds and are held to pay return and principal to the holders of units in the funds. The assets held in these funds cannot be transferred to other members of the Group. The decrease is materially driven by the closure of European wealth funds during the year.

Other restrictions

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,448m (2013: £4,722m).

Barclays Africa Group Limited assets are subject to exchange control regulation determined by the South African Reserve Bank (SARB). Special dividends and loans in lieu of dividends cannot be transferred without SARB approval.

37 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 39 Securitisations for further detail.

The Group provides liquidity facilities to certain securitisation vehicles. At 31 December 2014, there were outstanding loan commitments to these entities totalling £201m (2013: £195m).

Commercial paper (CP) and medium term note conduits

The Group provided £9.1bn (2013: £8.1bn) in undrawn contractual backstop liquidity facilities to CP conduits.

Fund management entities

Barclays has contractually guaranteed the performance of certain cash investments in a number of managed investment funds which have resulted in their consolidation. As at 31 December 2014, the notional value of the guarantee was £585m (2013: £991m). The decrease is materially driven by the closure of European wealth funds during the year.

Covered bonds

During the period the Group provided cash capital contributions totalling £0.7bn (2013: £1.3bn) to Barclays Covered Bonds Limited Liability Partnership as a result of regulatory requirements to pre fund upcoming covered bond redemptions. This requirement is expected to increase as more covered bonds approach their maturity in 2015.

Employee benefit trusts

The Group provides capital contributions to employee share trusts to enable them to meet their obligations to employees under share-based payment plans.

Unconsolidated structured entities in which the Group has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Group, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Group to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures overleaf.

The nature and extent of the Group's interests in structured entities is summarised below:

Summary of interests in unconsolidated structured entities

As at December 2014	Secured financing	Short-term traded interests	Traded derivatives	Other interests	Total
Assets	£m	£m	£m	£m	£m
Trading portfolio assets	-	14,538	-	3,668	18,206
Financial assets designated at fair value	-	-	-	963	963
Derivative financial instruments	-	-	5,207	1,594	6,801
Available for sale investments	-	-	-	1,216	1,216
Loans and advances to banks	-	-	-	4,277	4,277
Loans and advances to customers	-	-	-	30,067	30,067
Reverse repurchase agreements and other similar secured lending	37,139	-	-	-	37,139
Other assets	-	-	-	38	38
Total assets	37,139	14,538	5,207	41,823	98,707
Liabilities					
Derivative financial instruments	-	-	5,222	1,514	6,736

Summary of interests in unconsolidated structured entities

As at December 2013	Secured financing	Short-term traded interests	Traded derivatives	Other interests	Total
Assets	£m	£m	£m	£m	£m
Trading portfolio assets	-	12,729	-	5,111	17,840
Financial assets designated at fair value	-	-	-	1,035	1,035
Derivative financial instruments	-	-	3,758	1,464	5,222
Available for sale investments	-	-	-	2,073	2,073
Loans and advances to banks	-	-	-	4,143	4,143
Loans and advances to customers	-	-	-	24,971	24,971
Reverse repurchase agreements and other similar secured lending	51,112	-	-	-	51,112
Other assets	-	-	-	35	35
Total assets	51,112	12,729	3,758	38,832	106,431
Liabilities					
Derivative financial instruments	-	-	4,895	1,457	6,352

Secured financing arrangements, short term traded interests and traded derivatives are typically managed under market risk management described in page 92 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests materially include a Non-Core portfolio which is being managed down, conduits and corporate lending where the interest is driven by normal customer demand.

Secured financing

The Group routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Group has minimal exposure to the performance of the structured entity counterparty. A description of these transactions is included in Note 21.

Short-term traded interests

The Group buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Group typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2014, £12,058m (2013: £11,634m) of The Group's £14,538m (2013: £12,729m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

Traded derivatives

The Group enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices amongst other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 14. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Group's normal credit policies.

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. Included in the traded derivatives total are £445m (2013: £752m) of derivative assets which are 'cleared derivative' type arrangements. These are transactions where the Group enters into a contract with an exchange on behalf of a structured entity client and holds an opposite position with it. The Group is exposed to settlement risk only on these derivatives which is mitigated through daily margining. Total notionals amounted to £176,584m (2013: £163,827m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Group's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets on a daily basis in most cases.

Other interests in unconsolidated structured entities

The Group's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

Nature of interest As at December 2014	Structured credit portfolio £m	Multi-seller conduit programmes £m	Lending £m	Mortgage-backed securities £m	Investment funds and trusts £m	Others £m	Total £m
Trading portfolio assets							
– Debt securities	3,590	-	-	-	-	51	3,641
– Equity securities	-	-	-	-	-	27	27
Financial assets designated at fair value							
– Loans and advances to customers	-	-	881	-	-	11	892
– Debt securities	-	-	-	-	-	35	35
– Equity securities	-	-	-	-	-	36	36
Derivative financial instruments	-	-	80	-	-	1,514	1,594
Available for sale investments							
– Debt securities	1	575	-	626	-	14	1,216
Loans and advances to customers	3,390	8,236	17,780	-	-	661	30,067
Loans and advances to banks	-	-	4,277	-	-	-	4,277
Other assets	-	5	9	-	21	3	38
Total on balance sheet exposures	6,981	8,816	23,027	626	21	2,352	41,823
Total off balance sheet notional amounts	1,078	8,075	6,359	-	-	2,104	17,616
Maximum exposure to loss	8,059	16,891	29,386	626	21	4,456	59,439
Total assets of the entity	50,279	97,298	390,522	147,422	25,556	5,816	716,893

Nature of interest As at December 2013	Structured credit portfolio £m	Multi-seller conduit programmes £m	Lending £m	Mortgage-backed securities £m	Investment funds and trusts £m	Others £m	Total £m
Trading portfolio assets							
– Debt securities	4,944	-	50	-	-	106	5,100
– Equity securities	-	-	-	-	-	11	11
Financial assets designated at fair value							
– Loans and advances to customers	-	-	935	-	-	34	969
– Debt securities	-	-	-	-	-	32	32
– Equity securities	-	-	-	-	-	34	34
Derivative financial instruments	-	-	7	-	-	1,457	1,464
Available for sale investments							
– Debt securities	1	564	2	1,476	-	30	2,073
Loans and advances to customers	3,115	7,927	13,183	-	-	746	24,971
Loans and advances to banks	-	-	4,066	-	-	77	4,143
Other assets	-	1	1	-	25	8	35
Total on balance sheet exposures	8,060	8,492	18,244	1,476	25	2,535	38,832
Total off balance sheet notional amounts	1,411	8,400	2,186	-	-	54	12,051
Maximum exposure to loss	9,471	16,892	20,430	1,476	25	2,589	50,883
Total assets of the entity	80,565	138,199	138,980	246,062	44,679	11,098	659,583

Maximum exposure to loss

Unless specified otherwise below, the Group's maximum exposure to loss is the total of its on balance sheet positions and its off balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Structured Credit Portfolio

This comprises interests in debt securities issued by securitisation vehicles, mainly Collateralised Loan Obligations (CLOs), Collateralised Debt Obligations (CDOs), Residential and Commercial Mortgage-Backed Securitisation structures (RMBSs and CMBSs), and drawn and undrawn loan facilities to these entities. In some cases, the securities are 'wrapped' with credit protection from a monoline insurer, which transfers the credit risk to the monoline. The entities are wholly debt financed through the issuance of tranches of debt securities or through direct funding, such as the loan facilities provided by the Group. As the underlying assets of the entities amortise and pay down, the debt securities issued by the entities are repaid in order of seniority. Where the entities experience significant credit deterioration, debt securities may be written off or cancelled in reverse order of seniority.

As at 31 December 2014, the Group's funded exposures comprised £3,591m (2013: £4,945m) debt securities at fair value and £3,390m (2013: £3,115m) amortised cost loans and advances. Of the £6,981m (2013: £8,060m), £4,822m (2013: £6,576m) is investment grade, with the remainder either non-investment graded or not rated. The Group also had £1,078m (2013: £1,411m) of unfunded exposures in the form of undrawn liquidity commitments. Of the £8,059m (2013: £9,471m) of funded and unfunded exposures, £7,897m (2013: £9,082m) is senior in the capital structure of the entity.

Though the Group's funded exposures are primarily investment grade and senior in the capital structure, there are cases where the interests that are subordinate to the Group's senior and mezzanine interests have minimal or no value, due to decreases in the fair value of the underlying collateral held by the entity.

The Group's income from these entities comprises trading income (largely gains and losses on changes in the fair value and interest earned on bonds) on items classified as held for trading and interest income on interests classified as loans and receivables.

During 2014, The Group recorded a fair value loss of £91m (2013: £639m gain) on debt securities. Impairment losses recorded on loans and advances were immaterial in both the current and prior year.

The fair value of the Group's interests in certain CLOs and CDOs is influenced by the protection directly provided to the structured entities by monoline insurers in addition to the value of the collateral held by the entities. The protection provided to the entities by the monoline insurers is in the form of a CDS. However, the ability of the monolines to make payments is uncertain, which is reflected in the valuation of the Group's interests in the monoline wrapped CLOs and CDOs.

Multi-seller conduit programmes

The conduits engage in providing financing to various clients and hold whole or partial interests in pools of receivables or similar obligations. These instruments are protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduits. The Group's off balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduits for the benefit of the holders of the commercial paper issued by the conduits and will only be drawn where the conduits are unable to access the commercial paper market. If these facilities are drawn, the Group is protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduits. The Group earns income from fees received on the liquidity facility and the letter of credit provided to the conduits. There were no impairment losses on this lending in either of the current year or the prior year.

Lending

The portfolio includes lending provided by the Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period The Group incurred an impairment of £31m (2013: £20m) against such facilities. The main types of lending are £4bn (2013: £4bn) of funding loans to bankruptcy remote structured entities to either invest or develop properties, £5bn (2013: £2bn) of loans to structured entities which have been created by an individual to hold one or more assets, £2bn (2013: £2bn) to entities whose operations are limited to financing or funding the acquisition of specific assets such as schools, hospitals, roads and renewable energy projects under the Private Finance Initiative (PFI), and £1bn (2013: £1bn) of funding loans to bankruptcy remote structured entities to enable them to purchase capital equipment for parent companies and are supported by government export guarantees.

Mortgage-backed securities

This represents a portfolio of floating rate notes, mainly mortgage-backed security positions, used as an accounting hedge of interest rate risk under the Group's structural hedging programme. All notes are investment grade. The portfolio has decreased owing to a reduced requirement for hedge accounting capacity in sterling.

Investment funds and trusts
In the course of its fund management activities, the Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

The Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. Barclays has no other risk exposure to the trusts.

Other
This includes £1,514m (2013: £1,457m) of derivative transactions with structured entities where the market risk is materially hedged with corresponding derivative contracts.

Assets transferred to sponsored unconsolidated structured entities
Assets transferred to sponsored unconsolidated structured entities were immaterial.

38 Investments in associates and joint ventures

Accounting for associates and joint ventures

Barclays applies IAS 28 *Investments in Associates* and IFRS 11 *Joint Arrangements*. Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. Generally the Group holds more than 20%, but less than 50%, of their voting shares. Joint ventures are joint arrangements which have joint control and have rights to the net assets of the entity.

The Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post acquisition profit (or loss). The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

There are no individually significant investments in joint ventures or associates held by Barclays.

	2014			2013		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	£m	£m	£m	£m	£m	£m
Equity accounted	303	408	711	275	378	653
Held at fair value through profit or loss	307	366	673	610	400	1,010
Total	610	774	1,384	885	778	1,663

Summarised financial information for the Group's equity accounted associates and joint ventures is set out below. The amounts shown are the net income of the investees, not just the Group's share for the year ended 31 December 2014 with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

	Associates		Joint ventures	
	2014	2013	2014	2013
	£m	£m	£m	£m
(Loss) or profit from continuing operations	(9)	(51)	146	144
Other comprehensive income	13	3	(5)	(20)
Total comprehensive income/(loss)	4	(48)	141	124

Unrecognised shares of the losses of individually material associates and joint ventures were nil (2013: nil).

The Group's associates and joint ventures are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to Barclays PLC without agreement from the external parties.

The Group's share of commitments and contingencies of its associates and joint ventures comprised unutilised credit facilities provided to customers of £1,566m (2013: £2,156m). In addition, the Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £183m (2013: £74m).

39 Securitisations

Accounting for securitisations

The Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

In the course of its normal banking activities, the Group makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficial (where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Group may retain an interest in it (continuing involvement) requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

Securitisations

The Group was party to securitisation transactions involving its residential mortgage loans, business loans and credit card balances. In addition, the Group acts as a conduit for commercial paper, whereby it acquires static pools of residential mortgage loans from other lending institutions for securitisation transactions.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third-party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

Notes to the financial statements

Scope of consolidation

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2014				2013	
	Assets Carrying amount	Fair Value	Liabilities Carrying amount	Fair Value	Assets Carrying amount	Liabilities Carrying amount
	£m	£m	£m	£m	£m	£m
The Group						
Loans and advances to customers						
Residential mortgage loans	2,830	2,619	(2,352)	(2,360)	3,930	(3,545)
Credit card, unsecured lending and other retail lending	7,060	7,162	(5,160)	(5,178)	6,563	(5,017)
Corporate loans	157	154	(135)	(146)	331	(294)
Total	10,047	9,935	(7,647)	(7,684)	10,824	(8,856)
Assets designated at fair value through profit or loss						
Retained interest in residential mortgage loans	66	n/a	-	n/a	68	-
The Bank						
Loans and advances to customers						
Residential mortgage loans	2,830	2,619	(2,352)	(2,360)	2,364	(1,984)
Credit card, unsecured lending and other retail lending	10,758	10,858	(10,448)	(10,423)	10,198	(9,923)
Corporate loans	350	316	(301)	(298)	548	(487)
Total	13,938	13,793	(13,101)	(13,081)	13,110	(12,394)

Balances included within loans and advances to customers represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

For The Group only, residential mortgage loans in 2014 exclude Barclays Non-Core securitised assets of £1,345m (2013: £1,566m) and liabilities of £1,305m (2013: £1,561m) which relate to the European Geneva which has been designated as held for sale. The 2013 balances have not been restated.

Retained interests in residential mortgage loans are securities which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets. For The Group only, the carrying amount of the loans before transfer was £120m (2013: £124m). The retained interest is initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained.

For transfers of assets in relation to repurchase agreements, see Notes 21 and 40.

Continuing involvement in financial assets that have been derecognised

In some cases, the Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Group's involvement with CLOs, CDOs, RMBS and CMBS. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

The table below shows the potential financial implications of such continuing involvement. There is no difference between the continuing involvements of The Group and The Bank.

Type of transfer	Continuing involvement as at 31 December 2014			Gain/(loss) from continuing involvement	
	Carrying amount	Fair value	Maximum exposure to loss	Cumulative to 31 December 2014	Cumulative to 31 December 2014
	£m	£m	£m	£m	£m
CLO and other assets	**1,370**	**1,354**	**1,370**	**14**	**(720)**
US sub-prime and Alt-A	**208**	**195**	**208**	**-**	**(1,365)**
Commercial mortgage backed securities	**200**	**200**	**200**	**15**	**(8)**
Total	**1,778**	**1,749**	**1,778**	**29**	**(2,093)**

Type of transfer	Continuing involvement as at 31 December 2013			Gain/(loss) from continuing involvement	
	Carrying amount	Fair value	Maximum exposure to loss	Cumulative to 31 December 2013	Cumulative to 31 December 2013
	£m	£m	£m	£m	£m
CLO and other assets	1,911	1,883	1,911	46	(712)
US sub-prime and Alt-A	398	377	398	3	(1,221)
Commercial mortgage backed securities	241	241	241	3	(33)
Total	2,550	2,501	2,550	52	(1,966)

Assets which represent The Group's continuing involvement in derecognised assets are recorded in the following line items:

Type of transfer	Loans and advances	Trading portfolio assets	Derivatives	Available for sale investments	Total
	£m	£m	£m	£m	£m
As at 31 December 2014					
CLO and other assets	**829**	**541**	**-**	**-**	**1,370**
US sub-prime and Alt-A	**200**	**8**	**-**	**-**	**208**
Commercial mortgage backed securities	**-**	**200**	**-**	**-**	**200**
Total	**1,029**	**749**	**-**	**-**	**1,778**
As at 31 December 2013					
CLO and other assets	1,130	778	2	1	1,911
US sub-prime and Alt-A	321	77	-	-	398
Commercial mortgage backed securities	-	241	-	-	241
Total	1,451	1,096	2	1	2,550

40 Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m[a]
Trading portfolio assets	50,782	69,886	19,988	29,730
Loans and advances	62,459	62,607	56,764	58,177
Other	17,056	9,043	10,116	12,893
Assets pledged	**130,297**	141,536	**86,868**	100,800

Barclays has an additional £9bn (2013: £11bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and available to support future issuance.

Other assets in The Group in 2014 include £6bn of loans pledged in the Spanish business which has been designated as held for sale. The 2013 balances have not been revised.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

	The Group		The Bank	
	2014	2013	2014	2013
	£m	£m	£m	£m[a]
Fair value of securities accepted as collateral	396,480	428,276	336,895	311,450
Of which fair value of securities re-pledged/transferred to others	313,354	355,991	246,441	249,987

The full disclosure as per IFRS7 has been included in collateral and other credit enhancements (page 66).

Note
a 2013 has been revised to align with European Capital Requirements Regulations (CRR)

The notes included in this section focuses on related party transactions, auditors' remuneration and directors' remuneration. Related party transactions include any subsidiaries, associates, joint ventures, entities under common directorships and Key Management Personnel.

41 Related party transactions and Directors' remuneration

a) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and The Group's pension schemes.

(i) The Group

Parent company

The parent company, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank PLC.

Subsidiaries

Transactions between Barclays Bank PLC and subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in The Group financial statements. A list of The Group's principal subsidiaries is shown in Note 36.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures, The Group pension funds (principally the UK Retirement Fund) and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts and other such banking services. Group companies also provide investment management and custodian services to The Group pension schemes. All of these transactions are conducted on the same terms as third-party transactions. Summarised financial information for The Group's associates and joint ventures is set out in Note 38.

Entities under common directorships

The Group enters into normal commercial relationships with entities for which members of The Group's Board also serve as Directors. The amounts included in The Group's financial statements relating to such entities that are not publicly listed are shown in the table opposite under Entities under common directorships.

Amounts included in The Group's financial statements, in aggregate, by category of related party entity are as follows:

	Parent	Associates	Joint ventures	Entities under common directorships	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m	£m
For the year ended and as at 31 December 2014					
Income	**(1)**	**(5)**	**9**	**51**	**4**
Impairment	**-**	**-**	**(1)**	**-**	**-**
Total assets	**620**	**130**	**1,558**	**219**	**-**
Total liabilities	**173**	**264**	**188**	**36**	**149**
For the year ended and as at 31 December 2013					
Income	14	(10)	24	1	3
Impairment	-	(3)	(4)	-	-
Total assets	451	116	1,521	33	5
Total liabilities	773	278	185	73	207

Guarantees, pledges or commitments given in respect of these transactions in the year were £911m (2013: £961m) predominantly relating to Joint Ventures. No guarantees, pledges or commitments were received in the year. Derivatives transacted on behalf of the Pensions Funds Unit, Trusts and Investment Funds were £587m (2013: £613m).

(ii) The Bank

Subsidiaries

Details of principal subsidiaries are shown in Note 36.

The Bank provides certain banking and financial services to subsidiaries as well as a number of normal current and interest bearing cash accounts to The Group pension funds (principally the UK Retirement Fund) in order to facilitate the day to day financial administration of the funds. Group companies also provide investment management and custodian services.

In aggregate, amounts included in the accounts are as follows:

	Parent	Subsidiaries	Associates	Joint ventures	Entities under common directorships	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m	£m	£m
For the year ended and as at 31 December 2014						
Total assets	**543**	**230,822**	**130**	**1,558**	**219**	**-**
Total liabilities	**173**	**203,212**	**264**	**188**	**36**	**149**
For the year ended and as at 31 December 2013						
Total assets	399	311,209	116	1,521	33	5
Total liabilities	773	319,138	278	185	73	207

It is the normal practice of The Bank to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities. For dividends paid to Barclays PLC see Note 11.

Key Management Personnel

The Group's Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays Bank PLC (directly or indirectly) and comprise the Directors of Barclays Bank PLC and the Officers of the Group (listed on page 32), certain direct reports of The Group Chief Executive and the heads of major business units and functions.

There were no material related party transactions with Entities under common directorship where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key management personnel (or any connected person) of Barclays.

The Group provides banking services to Directors and other Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding at 31 December were as follows:

The loans outstanding	2014 £m	2013 £m
As at 1 January	**13.5**	6.2
Loans issued during the year	**1.3**	14.0
Loan repayments during the year	**(3.3)**	(6.7)
As at 31 December	**11.5**	13.5

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person).

The deposits outstanding	2014 £m	2013 £m
As at 1 January	**100.3**	37.4
Deposits received during the year	**25.7**	156.5
Deposits repaid during the year	**(23.0)**	(93.6)
As at 31 December	**103.0**	100.3

Total commitments outstanding

Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding were £1.3m (2013: £2.6m).

All loans to Directors and other Key Management Personnel (and persons connected to them), (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features; with the exception of £4,380 (2013: £3,825) provided on an interest free basis.

The loan of £4,380 (2013: £3,825) provided on an interest free basis was granted to a non-Director member of Barclays key management to purchase commuter rail tickets. The maximum loan outstanding during the year was £5,256 (3013: £5,100). Commuter rail ticket loans are provided to all Barclays staff members upon request on the same terms.

Remuneration of Directors and other Key Management Personnel

Total remuneration awarded to Directors and other Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions and is consistent with the approach adopted for disclosures set out on pages 77 to 110 of the Barclays PLC Annual Report. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Directors and other Key Management Personnel.

	2014 £m	2013 £m
Salaries and other short-term benefits	**28.3**	22.5
Pension costs	**0.3**	0.6
Other long-term benefits	**8.1**	11.5
Share-based payments	**15.0**	29.7
Employer social security charges on emoluments	**5.9**	6.5
Costs recognised for accounting purposes	**57.6**	70.8
Employer social security charges on emoluments	**(5.9)**	(6.5)
Share-based payment awards - difference between awards granted and costs recognised	**(8.4)**	(18.3)
Other long term benefits - difference between awards granted and costs recognised	**(4.3)**	(3.9)
Total remuneration awarded	**39.0**	42.1

Disclosure required by the Companies Act 2006

The following information regarding directors is presented in accordance with the Companies Act 2006:

	2014 £m	2013 £m
Aggregate emoluments[a]	**7.8**	5.3
Gains made on the exercise of share options	**-**	1.7
Amounts paid under long-term incentive schemes[b]	**-**	0.7
	7.8	7.7

There were no pension contributions paid to defined contribution schemes on behalf of Directors. There were no notional pension contributions to defined contribution schemes (2013: £nil).

As at 31 December 2014, there were no Directors accruing benefits under a defined benefit scheme (2013: £nil).

Notes

a The aggregate emoluments include amounts paid for the 2014 year. In addition, a deferred share award has been made to each of the Executive Directors which will only vest subject to meeting service conditions. The total of the deferred share awards is £1.2m for 2014 (£0.7m for 2013).

b Amounts delivered under long-term incentive schemes are included in the Directors remuneration table above in the years in which the performance and service conditions are met and the awards are released to participants. The LTIP amounts shown in the Executive Directors' single total figure for 2014 remuneration table of the Directors' Remuneration Report are in respect of LTIP awards that are scheduled to be released in 2015 in relation to LTIP awards granted in 2012 (for the 2012-14 performance cycle).

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows:

	2014 £m	2013 £m
Aggregate emoluments	**3.0**	1.6
Amounts paid under long-term incentive schemes	-	-

There were no actual pension contributions paid to defined contribution schemes (2013: £nil). There were no notional pension contributions to defined contribution schemes in 2014 or 2013.

Advances and credit to Directors and guarantees on behalf of Directors
In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2014 to persons who served as Directors during the year was £0.4m (2013: £0.2m). The total value of guarantees entered into on behalf of Directors during 2014 was £nil (2013: £nil).

42 Auditors' remuneration
Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
2014					
Audit of The Group's annual accounts	11	-	-	-	11
Other services:					
Fees payable for the Company's associates pursuant to legislation[a]	24	-	-	-	24
Other services supplied pursuant to such legislation[b]	-	4	-	-	4
Other services relating to taxation					
- compliance services	-	-	1	-	1
- advisory services[c]	-	-	-	-	-
Other	-	3	-	1	4
Total auditors' remuneration	**35**	**7**	**1**	**1**	**44**
2013					
Audit of The Group's annual accounts	10	-	-	-	10
Other services:					-
Fees payable for the Company's associates pursuant to legislation	25	-	-	-	25
Other services supplied pursuant to such legislation[a]	-	3	-	-	3
Other services relating to taxation[b]					-
- compliance services	-	-	2	-	2
- advisory services[c]	-	-		-	-
Other	-	3	-	2	5
Total auditors' remuneration	35	6	2	2	45

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates for continuing operations of business. Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company's subsidiaries were £4m (2013: £5m).

Notes
a Comprises the fees for the statutory audit of the subsidiaries and associated pension schemes both inside and outside Great Britain and fees for the work performed by associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company. Fees relating to the audit of the associated pension schemes were £0.2m (2013: £0.2m).
b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.
c Includes consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

43 Financial risks, liquidity and capital management
To improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication, disclosures required under IFRS relating to financial risks and capital resources have been included within the Risk Management and Governance section as follows:

– Credit Risk, on pages 64 to 90;
– Market Risk, on pages 91 to 97;
– Capital Resources, on pages 98 to 101; and
– Liquidity Risk, on pages 102 to 120.

44 Transition Notes – Changes in accounting policies, comparability and other adjustments
Amendments to IAS 32 Financial Instruments (Offsetting Financial Assets and Financial Liabilities)
In December 2011, the IASB issued amendments to IAS 32 Financial Instruments that provide clarifications on the application of the offsetting rules and the circumstances in which netting is permitted, in particular what constitutes a currently legally enforceable right of set-off and the circumstances in which gross settlement systems may be considered equivalent to net settlement.

These amendments do not have any impact on the income statement, statement of comprehensive income and the statement of change in equity. The impacts on the balance sheet and the cash flow statement are highlighted below.

Movement between the published and restated balance sheet as at 31 December 2012 and 31 December 2013

The Group
The adoption of IAS 32 (revised) amendments resulted in total assets and liabilities increasing by £31bn and £24bn for 2013 and 2012 respectively. This was due to the gross up of financial assets and financial liabilities which were previously offset as shown in the table below:

Consolidated balance sheet - movement between published and restated

The Group

	2013			2012		
	Published	IAS 32 (R) impact	Restated	Published	IAS 32 (R) impact	Restated
As at 31 December	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	324,495	25,965	350,460	469,156	15,984	485,140
Loans and advances to banks	38,253	1,569	39,822	40,871	1,337	42,208
Loans and advances to customers	430,410	3,827	434,237	423,906	6,695	430,601
Total assets	1,312,840	31,361	1,344,201	1,488,761	24,016	1,512,777
Liabilities						
Deposits from banks	54,834	781	55,615	77,012	333	77,345
Customer accounts	427,936	4,096	432,032	385,500	5,417	390,917
Derivative financial instruments	320,634	26,484	347,118	462,721	18,266	480,987
Total liabilities	1,249,620	31,361	1,280,981	1,428,838	24,016	1,452,854

The Bank

The adoption of IAS 32 (revised) amendments resulted in total assets and liabilities increasing by £9bn and £13bn for 2013 and 2012 respectively. This was due to the gross up of financial assets and financial liabilities which were previously offset as shown in the table below:

The Bank

	2013			2012		
	Published	IAS 32 (R) impact	Restated	Published	IAS 32 (R) impact	Restated
As at 31 December	£m	£m	£m	£m	£m	£m
Assets						
Derivative financial instruments	337,566	7,868	345,434	476,129	9,057	485,186
Loans and advances to banks	50,105	1,545	51,650	51,175	1,337	52,512
Loans and advances to customers	463,044	(461)	462,583	474,723	2,765	477,488
Liabilities						
Deposits from banks	63,892	775	64,667	83,741	332	84,073
Customer accounts	497,320	(61)	497,259	481,126	3,282	484,408
Derivative financial instruments	326,985	8,238	335,223	466,321	9,545	475,866

Other restatements

The 2013 and 2012 balance sheet has been restated to reflect additional netting on reverse repurchase agreements and repurchase agreements between The Bank and Group subsidiaries. Reverse repurchase agreements and repurchase agreements have reduced by £39.5bn in 2013 (2012: £35.7bn).

Impact of IAS 32-Financial Instruments: Presentation (Revised) on the balance sheet as at 31 December 2014

The Group

The adoption of the IAS 32 amendments resulted in a change of £53.6bn in the balance sheet.

Impact of IAS 32 revised on consolidated balance sheet

The Group

As at 31 December 2014	IAS 32 (R) impact £m
Assets	
Derivative financial instruments	50,557
Loans and advances to banks	76
Loans and advances to customers	2,939
Total assets	**53,572**
Liabilities	
Deposits from banks	(15)
Customer accounts	4,063
Derivative financial instruments	49,524
Total liabilities	**53,572**

The Bank

The adoption of the IAS 32 amendments resulted in a change of £8.5bn in the balance sheet.

The Bank

As at 31 December 2014	IAS 32 (R) impact £m
Assets	
Derivative financial instruments	9,295
Loans and advances to banks	(143)
Loans and advances to customers	(652)
Total assets	**8,500**
Liabilities	
Deposits from banks	(149)
Customer accounts	(1,324)
Derivative financial instruments	9,973
Total liabilities	**8,500**

Impact of IAS 32 – Financial Instruments: (Revised) on the cash flow statement as at 31 December 2014.

The Group

The adoption of the IAS 32 amendments impacted the net cash from operating activities which decreased by £1,493m.

Impact of IAS 32 revised on consolidated cash flow statement

The Group

For the year ended 31 December 2014	Pre-IAS 32 £m	IAS 32 (R) impact £m	Restated £m
Continuing operations			
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and advances to banks and customers	2,650	888	3,538
Net (decrease)/increase in deposits and debt securities in issue	(1,154)	(829)	(1,983)
Net decrease/(increase) in derivative financial instruments	4,138	(1,552)	2,586
Net cash from operating activities	(10,598)	(1,493)	(12,091)
Net (decrease)/increase in cash and cash equivalents	(1,782)	(1,493)	(3,275)
Cash and cash equivalents at beginning of year	80,185	1,569	81,754
Cash and cash equivalents at end of year	78,403	76	78,479
Cash and cash equivalents comprise:			
Loans and advances to banks with original maturity less than three months	36,206	76	36,282
	78,403	76	78,479

The Bank

The adoption of the IAS 32 amendments impacted the net cash from operating activities which decreased by £1,687m.

Impact of IAS 32 revised on consolidated cash flow statement

The Bank

For the year ended 31 December 2014	Pre-IAS 32 £m	IAS 32 (R) impact £m	Restated £m
Continuing operations			
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and advances to banks and customers	26,489	191	26,680
Net (decrease) in deposits and debt securities in issue	(63,305)	(2,186)	(65,491)
Net decrease/(increase) in derivative financial instruments	2,944	307	3,251
Net cash from operating activities	(6,175)	(1,687)	(7,862)
Net (decrease)/increase in cash and cash equivalents	(3,940)	(1,687)	(5,627)
Cash and cash equivalents at beginning of year	64,810	1,545	66,355
Cash and cash equivalents at end of year	60,870	(142)	60,728
Cash and cash equivalents comprise:			
Loans and advances to banks with original maturity less than three months	24,685	(142)	24,543
	60,870	(142)	60,728

Movement between the published and restated cash flow statement for 31 December 2012 and 31 December 2013

The Group

The adoption of the IAS 32 amendments impacted the net cash from operating activities which increased by £232m and £207m for 2013 and 2012 respectively.

Consolidated cash flow statement - movement between published and restated

The Group	2013			2012		
	Published £m	IAS 32 (R) impact £m	Restated £m	Published £m	IAS 32 (R) impact £m	Restated £m
Continuing operations						
Changes in operating assets and liabilities						
Net decrease/(increase) in loans and advances to banks and customers	(6,774)	2,868	(3,906)	767	(1,274)	(507)
Net (decrease)/increase in deposits and debt securities in issue	(12,574)	(873)	(13,447)	(4,312)	187	(4,125)
Net decrease/(increase) in derivative financial instruments	2,574	(1,763)	811	4,405	1,294	5,699
Net cash from operating activities	(25,514)	232	(25,282)	(15,121)	207	(14,914)
Net (decrease)/increase in cash and cash equivalents	(41,711)	232	(41,479)	(27,873)	207	(27,666)
Cash and cash equivalents at beginning of year	121,896	1,337	123,233	149,769	1,130	150,899
Cash and cash equivalents at end of year	80,185	1,569	81,754	121,896	1,337	123,233
Cash and cash equivalents comprise:						
Loans and advances to banks with original maturity less than three months	33,690	1,569	35,259	33,473	1,337	34,810
	80,185	1,569	81,754	121,896	1,337	123,233

The Bank

The adoption of the IAS 32 amendments impacted the net cash from operating activities which increased by £208m and £207m for 2013 and 2012 respectively.

The Bank	2013			2012		
	Published £m	IAS 32 (R) impact £m	Restated £m	Published £m	IAS 32 (R) impact £m	Restated £m
Continuing operations						
Changes in operating assets and liabilities						
Net decrease/(increase) in loans and advances to banks and customers	7,704	3,226	10,930	42,571	1,019	43,590
Net (increase)/decrease in reverse repurchase agreements and other similar lending	(8,006)	3,891	(4,115)	(12,848)	9,064	(3,784)
Net increase/(decrease) in deposits and debt securities in issue	(26,015)	(2,900)	(28,915)	2,762	(331)	2,431
Net (decrease)/increase in repurchase agreements and other similar borrowing	992	(3,891)	(2,899)	(6,305)	(9,064)	(15,369)
Net decrease/(increase) in derivative financial instruments	(772)	(118)	(890)	1,276	(481)	795
Net cash from operating activities	(26,564)	208	(26,356)	(4,256)	207	(4,049)
Net (decrease)/increase in cash and cash equivalents	(42,854)	208	(42,646)	(20,908)	207	(20,701)
Cash and cash equivalents at beginning of year	107,664	1,337	109,001	128,572	1,130	129,702
Cash and cash equivalents at end of year	64,810	1,545	66,355	107,664	1,337	109,001
Cash and cash equivalents comprise:						
Loans and advances to banks with original maturity less than three months	22,204	1,545	23,749	25,304	1,337	26,641
	64,810	1,545	66,355	107,664	1,337	109,001

45 Non-current assets held for sale and associated liabilities

Accounting for non-current assets held for sale and associated liabilities

The group applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less cost to sell.

The Group

Assets classified as held for sale

	Spanish business 2014 £m	Other 2014 £m	Total 2014 £m	Total 2013 £m
Available for sale financial instruments	10	152	162	-
Loans and advances to customers	13,177	1,766	14,943	-
Property, plant and equipment	-	92	92	280
Deferred tax assets	291	-	291	-
Other assets	439	118	557	215
Total	13,917	2,128	16,045	495
Balance of impairment unallocated under IFRS 5	(471)	-	(471)	-
Total agreed to consolidated balance sheet	13,446	2,128	15,574	495

Liabilities classified as held for sale

	Spanish business 2014 £m	Other 2014 £m	Total 2014 £m	Total 2013 £m
Deposits from banks	(4,312)	(1)	(4,313)	-
Customer accounts	(6,612)	(215)	(6,827)	-
Repurchase agreements and other similar secured borrowing	(77)	-	(77)	-
Other liabilities	(1,839)	(59)	(1,898)	-
Total	(12,840)	(275)	(13,115)	-

The Bank

Assets classified as held for sale

	Spanish business 2014 £m	Other 2014 £m	Total 2014 £m	Total 2013 £m
Available for sale financial instruments	-	152	152	-
Loans and advances to customers	-	390	390	-
Property, plant and equipment	-	41	41	42
Other assets	-	37	37	-
Total	-	620	620	42
Total agreed to consolidated balance sheet	-	620	620	42

Liabilities classified as held for sale

	Spanish business 2014 £m	Other 2014 £m	Total 2014 £m	Total 2013 £m
Deposits from banks	-	(1)	(1)	-
Customer accounts	-	(215)	(215)	-
Other liabilities	-	(59)	(59)	-
Total	-	(275)	(275)	-

Sale of the Spanish business

The disposal group includes all assets and liabilities of Barclays Bank S.A.U and its subsidiaries. These were disposed of as part of the rationalisation of the Non Core segment of the Group, announced in the Strategy Update on 8 May 2014.

The sale, initially announced to the market on 31 August 2014, was completed on 2 January 2015. A write down to fair value less costs to sell of £734m is recognised on the disposal group, of which £263m was allocated against the carrying amount of individual assets within the scope of measurement requirements of IFRS 5 and £471m has been allocated to the disposal group as a whole.

A loss of £446m is recognised in the Income Statement within (loss)/profit on disposal of subsidiaries, associates and joint ventures. This reflects the net impact of the write down of assets in line with IFRS 5 of £734m and other transaction related costs of £27m, partially offset by the gain on related hedging instruments of £315m. Accumulated currency translation reserve losses of £100m will be recognised on completion of the sale.

Sale of Barclaycard Loan Portfolio

Other assets includes £1.7bn relating to a customer loan book, intended for sale during the first half of 2015 as part of the strategy to wind down the Non Core segment of the Group.

No write down is recognised under IFRS 5 as the fair value less costs to sell is expected to exceed the current carrying value.