BARCLAYS

Building the bank of the future

Barclays Bank PLC
Annual Report 2016

What's inside this report

Barclays PLC and Barclays Bank PLC strategies remain aligned in 2017. In order to prepare for UK ring-fencing requirements the Group has begun re-organising the legal entity structure into the two clearly defined divisions of Barclays UK and Barclays International supported by the Group Service Company. In 2018, a newly created entity, the ring-fenced bank will consist of the Barclays UK division and Barclays Bank PLC will consist of the Barclays International division. The Group Service Company, Barclays Services Limited will provide services to both these entities. For an overview of the changes, resulting group structure and timeline please refer to page 155.

The Strategic Report

An overview of our 2016 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

Completing the restructuring of Barclays

A review of our operational performance

Overview of governance

The Detailed Report

Within the Annual Report, these disclosures inform of Barclays 2016 performance.

The content meets, and where insightful, goes beyond minimal regulatory reporting standards.

Governance

Risk review

Financial review

Financial statements

The Strategic Report was approved by the Board of Directors on 22 February 2017 and signed on its behalf by the Chairman.

The term Barclays PLC Group to the 'Group' means Barclays PLC together with its subsidiaries and the term Barclays Bank PLC Group means Barclays Bank PLC together with its subsidiaries. 'Barclays' and 'Group' are terms which are to refer to either of the proceeding Groups where the subject matter is identical.

Report of the Auditor The Auditor's report on the full accounts for the year ended 31 December 2016 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors' report are consistent with the accounts) of the Companies Act 2006 was unqualified.

Notes, Non-IFRS performance measures and forward-looking statements
Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements. This document also 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 the Group. For full details on Notes, Non-IFRS performance measures, and forward-looking statements used within this document, please see the back cover.

Completing the restructuring of Barclays

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.

For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Barclays PLC Annual Report 2016 at **home.barclays/annualreport**

While much is yet to be done, business restructuring will largely be completed in 2017...

Summary

Today the Group is smaller, safer, more focused, less leveraged, better capitalised and highly liquid, with the customer at the centre of the business. The sale of Africa, the settlement of legacy conduct matters and the exit of Non-Core will improve this significantly going forward.

For further information, see **home.barclays/annualreport**

2016 was pivotal for Barclays, which is engaged in one of the largest restructurings in history.

Jes Staley has had an impressive first year. Initially, he set out a new strategic agenda for the Group as a leading UK and transatlantic bank, with the customer at its heart, placing it at the forefront of our industry, and re-embracing banking as a profession.

Under his leadership, the Core business was redefined and reorganised in preparation for structural reform, together with plans to bring its returns above hurdle rates. It was decided to exit Africa and accelerate the reduction in Non-Core. The senior management team was strengthened with key internal and external appointments, and plans put in place to achieve successful structural reform in the UK and the US, as well as a major medium-term initiative to embrace digital technology, to upgrade our systems architecture, to become fully cyber ready and improve our control effectiveness.

While much is yet to be done, including the full transfer of business to the UK ring-fenced bank during the first half of 2018, business restructuring will largely be completed in 2017, and subject to the future impact of a number of legacy conduct issues, this should allow the Group to return to a good and more stable financial performance in 2018, and possibly in the late months of 2017.

The year itself saw external surprises, including the decision by the UK to exit the EU, a consequent decline in Sterling, as well as a new political climate emerging in the UK and the US. We also faced regulatory pressure to increase capital levels, and the need to improve further our control effectiveness and corporate culture.

Notwithstanding such pressures, I'm pleased with the progress that we have made. The Group implemented its geographic refocus around the UK and North America, while retaining international coverage for our clients. The business was reorganised into Barclays International (corporate/investment banking and international consumer) and Barclays UK (local consumer, small business, UK wealth and credit cards) in preparation for structural reform and to leverage the core competitive advantages of the Group. New senior management joined in Risk, Corporate and Investment Banking and Operations and Technology, and a new Group Executive Committee was constituted, with Jes investing heavily in its cohesion and effectiveness.

Overall, the Group returned to bottom-line profitability in the year, with attributable profits up £2.0bn and with basic earnings per share of 10.4p. Capital was strengthened, and the Common Equity Tier 1 ratio improved by 100bps to 12.4%. The Cost: Income ratio improved from 84% to 76%.

The Core business had a good year with attributable profit doubling to £3.4bn, together with an equivalent improvement in Return on Tangible Equity to 8.4% and basic earnings per share of 20.5p.

This was offset significantly by the £1.9bn loss (11.3p per share) associated with the run down of Non-Core, which saw its risk weighted assets reduce by 41% to £32bn with transactions announced in France, Italy, Spain, Portugal and in Asia. Given this progress, we now expect the run down of Non-Core to be completed six months earlier than planned, at the end of the first half of 2017. This will leave an anticipated residual £25bn of RWAs that will be re-absorbed by the Core businesses.

12.4%

Common Equity Tier 1 ratio

2016 CET1 ratio up 100bps vs 2015
(2015: 11.4%)

£58.4bn

Shareholders' equity

2016 shareholders' equity up 7% vs 2015
(2015: £54.5bn)

A major decision was made to sell down our 62% shareholding in Barclays Africa Group Ltd (BAGL) and the process began with a reduction to just over 50%. This investment became non-viable economically under current regulatory capital rules, and the UK bank levy. BAGL had a reasonable year in 2016, although profits were slightly down on 2015. Our shareholding benefitted from an improvement in the exchange rate and an increase in its stock price.

From these statistics, we can see the merits of improving further the Core return, the elimination of the drag from Non-Core, the sale of Africa, and further progressing the resolution of historical conduct matters.

It is worth stepping back to remind shareholders of the enormous changes that are taking place at Barclays. At our peak in 2008 we had:

- £2.1trn in assets against £1.2trn today, down over 40% and declining
- shareholders' equity was £36.6bn, and is now £58.4bn, up 60%
- balance sheet leverage (total assets to ordinary shareholders' funds) was a stretched 56 times, and has been reduced to 21 times
- shareholders' capital as a percentage of risk weighted assets was 8.5% and is now almost double at 16%.

Today therefore, the Group is smaller, safer, more focused, less leveraged, better capitalised and highly liquid, with the customer at the centre of the business. The sale of Africa, the settlement of legacy conduct matters and the exit of Non-Core will improve this significantly going forward.

Despite this progress, significant challenges remain. The interest rate and growth environment remains subdued in our core markets. Our Core business overall is still operating below our cost of equity. In the near term, we need to exit Non-Core and complete the sale of Africa at the best financial outcome possible. UK and US structural reform also needs to be implemented, with a major event involving the transfer of business from Barclays Bank PLC to the ring-fenced bank. A number of potentially material legacy conduct matters need to be resolved at acceptable cost. A way forward to capture the opportunity and mitigate the risk of the UK's exit from the EU needs to be found, depending on the final international agreement. Finally, we need to reach our required regulatory capital and desired control levels. I am confident we have the capacity to work our way through these.

Looking forward therefore, a great deal has changed at Barclays and much will change going forward. We are a major full-service player in the UK, have leadership in several important segments and are the digital banking leader. We also have a major corporate, investment banking and cards presence in the US. For example, our cards and consumer and payments businesses there, now produce more revenues than our equivalent UK business. We also retain a focused international presence to serve our customers internationally and bring overseas customers to our core markets.

This foundation gives us a new beginning and subject to the resolution of legacy conduct matters and the satisfactory execution of the near-term agenda. I genuinely believe we can see the light at the end of the tunnel. Restructuring will largely be completed in 2017, and subject to legacy matters, this should allow the Group to return to a good and more stable financial performance in 2018, and possibly in the late months of 2017. This augurs well for completion of the turnaround at Barclays, for future value creation, and at the appropriate time, a reconsideration of the dividend.

I would like to take this opportunity to thank our Board for their contribution to our company. I am also grateful for the enormous progress made by our senior management team, and thank our staff across the organisation for coming every day to serve our customers, without whom we would not have an enterprise. Finally, I would pay respect to our shareholders for their ongoing patience and support.

John McFarlane
Chairman

…positioning ourselves for growth while delivering a positive impact on society.

Summary

We will stay wedded to a fundamental principle of finance: earn and maintain the trust of your customers and clients. Just as 327 years ago when we were founded, Barclays will be known for the way in which we do business, the integrity with which we operate, having a positive impact on society, and delivering shareholder value.

For further information, see **home.barclays/annualreport**

A year ago we laid out our intention to accelerate the restructuring of Barclays and refocus our business as a transatlantic, consumer, corporate and investment bank, anchored in the two financial capitals of the world, London and New York.

I am pleased to report that the strategic actions we have undertaken in 2016 have allowed us to make strong progress against this agenda, including: reorganising our business into Barclays UK and Barclays International; renewing our commitment to operate a leading global corporate and investment bank; reducing our stake in Barclays Africa, over time, to a non-consolidated level; and accelerating the run down of our Non-Core assets.

Barclays UK and Barclays International are doing well, our Corporate and Investment Bank has solidified its position in the bulge bracket, our Non-Core run-down is ahead of schedule, and we expect to close that unit in the middle of 2017. We are also on track to complete the planned sell-down of our Barclays Africa stake to a non-consolidated level in due course. Certain legacy conduct issues remain and we intend to make further progress on them.

In short, we have accomplished a lot in a year, and I am thankful to each and every one of our colleagues who have made this possible. Their efforts mean that, in 2017, we can begin to move on from the restructuring of Barclays, shifting our focus solely to the future, and in particular to how we can generate attractive, sustainable, and distributable, returns for you, our shareholders.

This means increasing management focus on Barclays UK and Barclays International, the future of your firm. Together, they encompass a diverse set of market-leading consumer and wholesale businesses. From retail and business banking operations and our merchant acquiring business in the UK; to our corporate and investment banking and cards businesses in the US. Barclays UK and Barclays International are diversified by product, by customer and client, by currency and by geography. We deliver everything from institutional advisory to international cards and payments; from equity capital markets to corporate lending; from macro markets execution to mortgages.

> **“We have accomplished a lot in a year, and I am thankful to each and every one of our colleagues who have made this possible. Their efforts mean that, in 2017, we can begin to move on from the restructuring of Barclays, shifting our focus solely to the future, and in particular to how we can generate attractive, sustainable, and distributable, returns for you, our shareholders.”**

It is worth noting that just over half of our income in 2016 was from our consumer businesses, and just under half from our wholesale businesses. This balance between the two is a huge strength for Barclays, giving us opportunities for growth across a wide waterfront, and resilience in earnings if one side of the mix comes under pressure. I firmly believe that this model gives us the capacity to generate strong sustainable returns for you, our shareholders, through any cycle, especially with the reinvestment capacity we expect to generate through cost savings from the single core operational foundation that we are building.

BARCLAYS

Barclays UK
For further information, see pages 26 to 27

- **Personal Banking**
For further information, see page 28
- **Barclaycard Consumer UK**
For further information, see page 29
- **Wealth, Entrepreneurs and Business Banking**
For further information, see page 30

Barclays International
For further information, see pages 32 to 33

- **Corporate and Investment Bank**
For further information, see page 34
- **Consumer, Cards and Payments**
For further information, see page 35

Non-Core and Africa
For further information, see page 36

Operational and technological strength is going to be a key competitive advantage for any global bank in the future. And so our intent is to build Barclays on a foundation of world class core operations and technology. This will strengthen our core processes, provide our businesses with the ability to use data in new and innovative ways, allowing us to fundamentally rethink the way we run Barclays, and how we serve our customers and clients. Upon this foundation, we can generate efficiency from scale while at the same time ensuring that we deliver world-class customer experience which is key to driving loyalty and long-term growth.

As we complete the restructuring of our bank we will stay wedded to a fundamental principle of finance: earn and maintain the trust of your customers and clients. Just as 327 years ago when we were founded, Barclays will be known for the way in which we do business, the integrity with which we operate, having a positive impact on society, and delivering shareholder value.

We will do that through providing great service, as well as playing our full part in the communities in which we live and work. I am very proud in particular of how, following the EU referendum last June, Barclays continued to be a constructive partner to our customers and clients, and to the Government, as we dealt with the initial impact of that decision.

We stayed truly 'open for business' throughout 2016, lending £3.6bn to small and medium-sized businesses in the UK. We wrote nearly £19bn of mortgages to almost 90,000 households across the country, including to over 18,000 first-time buyers. We processed some £260bn of payments for consumers and businesses in the UK, with £1 in every 3 spent on cards going through our systems. We enhanced our customers' experiences, by introducing market-leading innovations like voice security, contactless cash, a new direct investing platform, and our 'collect' cash management service for businesses.

I was particularly proud when we became the first major UK bank to run TV advertising on how people can protect themselves from fraud. We also helped to up-skill 1.7 million people through a range of regional partnerships and our LifeSkills programme. More than 43,000 colleagues also contributed 212,000 hours of time volunteering for a range of charities and causes.

Our people, and their commitment to Barclays' customers and clients, are the reason why I have such confidence in our capacity to realise our potential as a company. Regardless of role or location, seniority or business unit, I am continually amazed by the talent that we have within Barclays and the dedication people show to this institution. That dedication is one of the company's strongest assets, and it is because of it that bright years lie ahead for our bank. I look forward to discussing this future with you when we meet at our AGM.

James E. Staley
Group Chief Executive

Operating environment

Our decision making considers developments in the external environment…

Summary

As a consumer, corporate and investment bank with operations around the world, Barclays is impacted by a wide range of macroeconomic, political, regulatory and accounting, technological, social and environmental developments. We continue to live in a period of significant change and uncertainty, which requires us to be vigilant in our review and assessment of the operating environment and as nimble as possible in the delivery of our strategy.

Global economic growth has been modest in recent years and 2016 was characterised by ongoing uncertainty with periods of volatility in global markets and a continuation of the low interest rate environment. A low growth, low interest rate environment makes income growth more challenging.

We experienced significant developments in the global political environment in 2016, including the UK's vote to leave the EU in June and the presidential election in the US in November. Significant policy uncertainty remains around the implications of these events and there is further potential political change in 2017 with several major European countries holding elections. We remain alert to the risks, including those posed by policy-induced disruptions of global trade and investment, as well as the impact of current and potential geopolitical tensions. However, we do not see these events impacting the broad direction of our strategy set out in March 2016 to be a leading transatlantic bank with global reach.

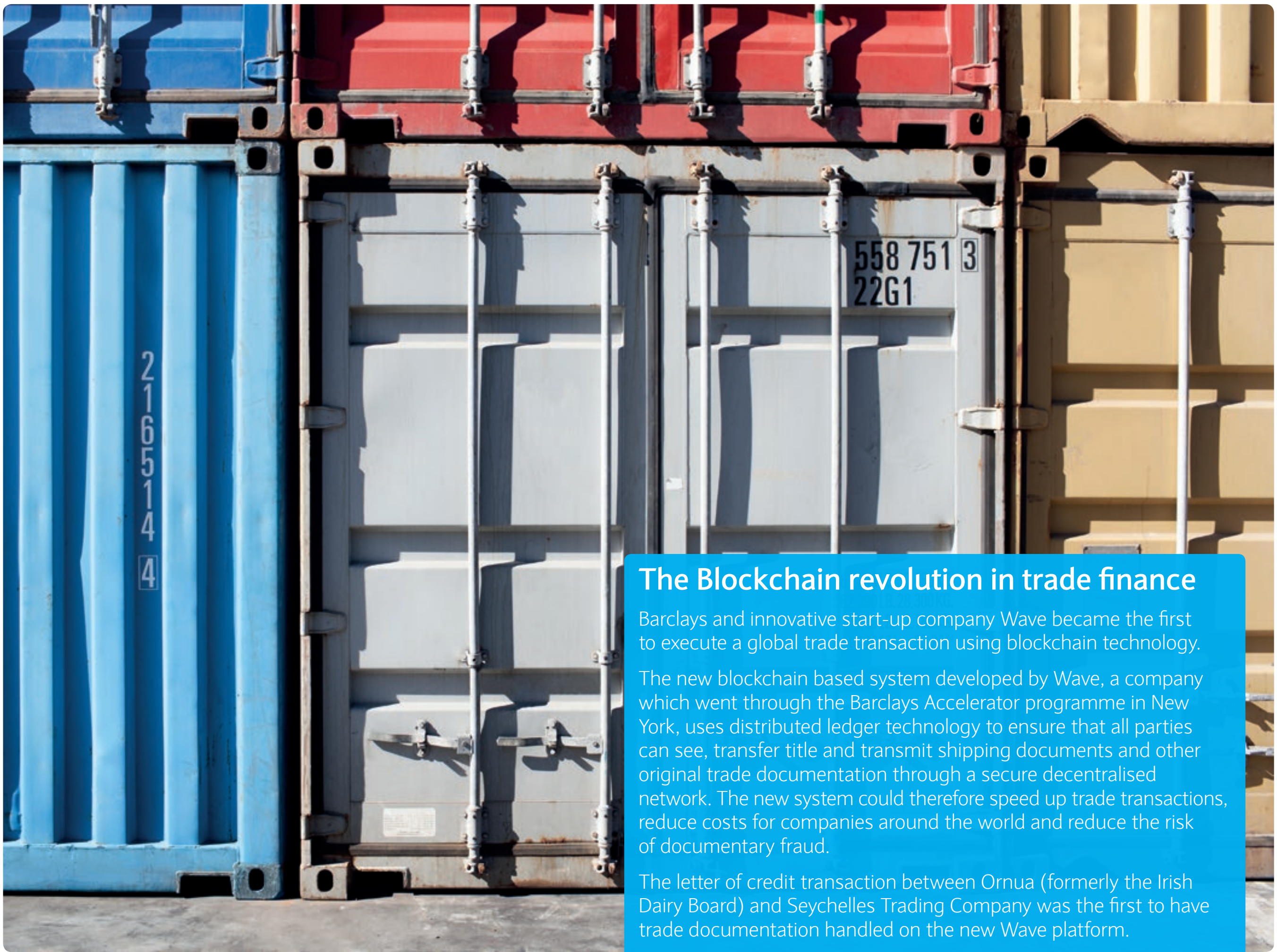
Over recent years a significant objective of change in financial regulation has been to create a stronger banking environment through enhancing capital, liquidity and funding in the sector. A sounder banking environment has been further supported by an increased focus on stress testing, with the UK regulatory authorities completing their third comprehensive stress-testing of the sector in November 2016. A key element of the regulatory agenda, known as Structural Reform, requires banks to 'ring-fence' certain activities and these requirements, particularly in the UK and US, were reflected in our strategy update in March 2016. The implementation of these changes requires significant focus and we continue to execute our approach in accordance with regulatory timelines. An additional consideration relates to future accounting changes, specifically the introduction of IFRS9 in 2018 which will see significant change in the accounting for impairment.

Regulatory scrutiny around conduct remains in sharp focus and we continue to embed a conduct-focused culture across the organisation, through the delivery of our strategy, in order to drive positive outcomes for all our stakeholders. We are also working to put legacy conduct issues behind us and the FCA's proposed deadline of the end of June 2019 for PPI complaints, although not yet confirmed, is a significant development.

Technological change continues at pace, significantly impacting customer expectations and leading to the ongoing review of established banking operating models and systems.

> **"One of the key benefits of digitisation and the growth in mobile banking has been improved customer and client experiences as transactions and interactions become faster and more convenient."**

However, the rapid speed of innovation also presents challenges. We have seen agile, digital players entering the market while new avenues for increasingly sophisticated fraudulent and criminal activity have been created. We continue to develop new technology and invest in digital and mobile capabilities to improve and differentiate our offering, while remaining constantly vigilant to, and investing in, fraud prevention, cyber risk, IT security and the appropriate management of data.



The Blockchain revolution in trade finance

Barclays and innovative start-up company Wave became the first to execute a global trade transaction using blockchain technology.

The new blockchain based system developed by Wave, a company which went through the Barclays Accelerator programme in New York, uses distributed ledger technology to ensure that all parties can see, transfer title and transmit shipping documents and other original trade documentation through a secure decentralised network. The new system could therefore speed up trade transactions, reduce costs for companies around the world and reduce the risk of documentary fraud.

The letter of credit transaction between Ornua (formerly the Irish Dairy Board) and Seychelles Trading Company was the first to have trade documentation handled on the new Wave platform.

For further information, see **newsroom.barclays.co.uk/r/3396/barclays_and_wave_complete_world_first_blockchain_trade**

During 2016 there has been activity to further the financial sector's understanding of the potential financial, operational and strategic implications of climate change. In addition, there has been an increase in the level of interest in companies' responses to climate change, largely driven by the ratification of the UN Climate Change Conference requirements and publication of draft recommendations by the Financial Stability Board's Taskforce on Climate-related Financial Disclosures for annual reports.

Developments in the external environment present both opportunities and risks. Without active risk management to address these external factors our long-term goals could be adversely impacted. Our approach to risk management and material existing and emerging risks to the Group's future performance are outlined in the Risk Review section on page 54.

…we create value for our stakeholders and deliver broader economic benefits to society…

Summary

Barclays PLC Group operates via two clearly defined divisions – Barclays UK and Barclays International – with a diversified business model that we believe helps to enhance our resilience to changes in the external environment.

For further information on our divisions see:

Barclays UK – pages 26 to 31
Barclays International – pages 32 to 35

We draw on the following to support our activities and deliver value to our stakeholders:

- the strength and reputation of our brand – serving customers and clients for over 325 years
- a strong, well-funded and diversified balance sheet
- customer and client relationships
- our geographic focus: firmly anchored in the two financial centres of London and New York, with global reach
- a track record of successfully innovating for customers and clients
- the skills and expertise of our people and the shared values which inform the way we work and how we act.

We aim to provide superior services to help customers and clients create, grow and protect wealth in a sustainable way

Barclays' customers and clients include:
individuals, small and medium-sized businesses, corporates, financial institutions and banks, and institutions and governments

We offer:

- a safe place to save, invest and manage cash and payments
- funding for purchases and growth
- management of business and financial risks
- financial and business support.

We support our stakeholders via a commercially successful business that generates long-term sustainable returns

- Our services generate income via net interest income and non-interest income, including fees and commissions as well as trading and investment income through our wholesale activities.
- We are a large financial institution and provide diversification by business line, geography and customer; supported by a conservative risk profile. We believe this diversification and prudence enhances our resilience.

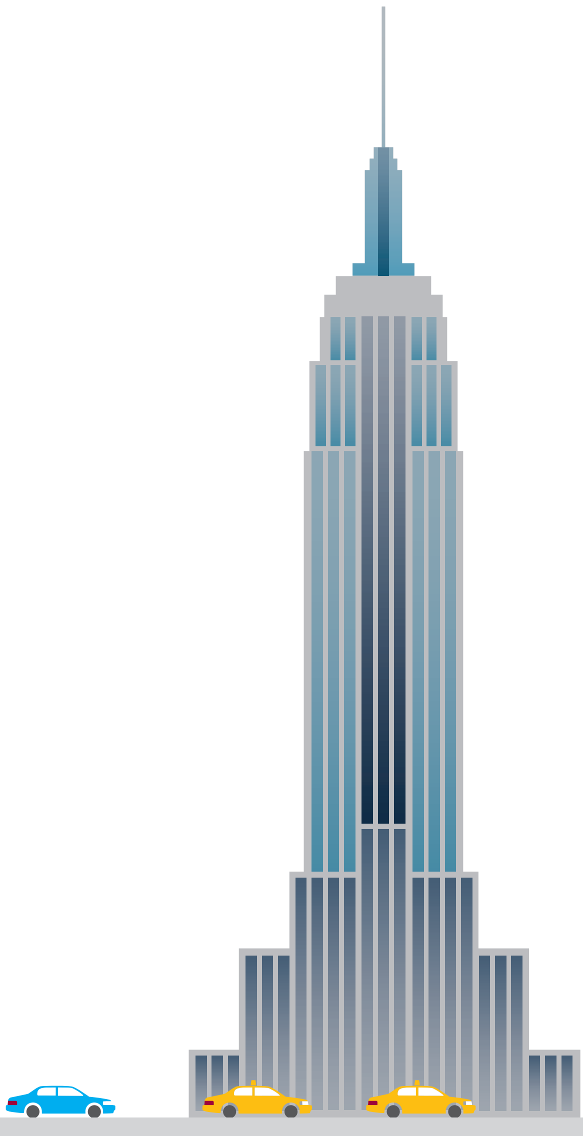
We aim to deliver broad value from the way we do business, including:

- superior service to enable customers and clients to achieve their ambitions
- challenging and fulfilling careers for our people in a values-driven organisation
- long-term sustainable returns for our investors
- we work together with regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term
- employment and growth in the economies in which we operate
- engagement with governments and society to address societal issues and needs.

…where success for us is to be a leading, diversified, transatlantic bank.

Summary

Our goal is to become the bank of choice by providing superior services to customers and clients and supporting our stakeholders via a commercially successful business that generates long-term sustainable returns.



The strategy of Barclays PLC Group is to build on our strength as a transatlantic consumer, corporate and investment bank, anchored in our two homes markets of the UK and US, with global reach. Our two clearly defined divisions, Barclays UK and Barclays International, provide diversification by business line, geography and customer, enhancing financial resilience and helping to contribute to the delivery of consistent returns through the business cycle. We have a strong core business with exciting prospects, well positioned to deliver long-term value for our shareholders.

Consistent with the objective of delivering long-term sustainable value for all our stakeholders, we have developed our Shared Growth Ambition – our approach to citizenship and the sustainability of the business model we operate. The aim is to make decisions and do business that provides our clients and customers, and the communities which we serve, with access to a prosperous future.

The delivery of our strategy is underpinned by the energy, commitment and passion of our people, and we are clear on our common purpose: to help people achieve their ambitions, in the right way. Our shared values inform the way we work and how we act, guiding the choices we make every day.

Building the Barclays of the future

In March 2016 we announced the following actions to materially progress our restructuring and lay the foundations for increased stability and improved performance:

- the creation of two clearly defined divisions, Barclays UK and Barclays International, consistent with the regulatory requirements of ring-fencing in the UK
- the sell-down of our 62.3% stake in Barclays Africa Group Limited (BAGL) to a non-controlling, regulatory deconsolidated, position
- a one-time increase to Barclays Non-Core, with a plan to accelerate the run down.

The priorities that emerged from our March 2016 announcement can be broadly summarised as:

- simplifying our core business
- accelerating the run down of our Non-Core operations
- continuing to address our remaining legacy conduct issues and improving our control environment.

Simplifying our core business

Our two divisions represent a balanced business mix that we believe helps to enhance our resilience to developments in the external environment, while remaining focused on helping our customers and clients achieve their ambitions.

Barclays UK is our UK consumer and business bank differentiated by scale and proven digital capability. Barclays UK will become the ring-fenced bank for the UK during 2018, providing transactional, lending and investment products and services to over 24 million Personal, Wealth and Business Banking customers and clients. For further information on Barclays UK's performance, please see page 26.

Non-Core run-down

In 2016, Barclays completed the sale of its Retail Banking, Wealth and Investment Management and part of its Corporate Banking business in Portugal which serves small and medium-sized enterprises to Bankinter S.A. Barclays also completed the sale of its insurance business in Portugal to Bankinter Seguros de Vida S.A. Seguros y Reaseguros, which operates an insurance joint-venture with Mapfre S.A.

Completion of this transaction was further progress towards completing the restructuring of Barclays, resulting in a further decrease in risk weighted assets of £1.8bn. The sale is also expected to reduce Group annualised costs by c.£70m.

For further information, see **newsroom.barclays.com/r/3331/accelerated_rundown_of_barclays_non_core_continues_sale**

Barclays International is our diversified transatlantic wholesale and consumer bank which will be housed within Barclays Bank PLC, the future non-ring-fenced bank. We seek to compete in markets where we have the competitive advantage and provide best-in-class service to our clients and customers. On 1 July 2016 our US Intermediate Holding Company (IHC) became operational, as part of Barclays International. For further information on Barclays International's performance, please see page 32.

Our objective is to maintain solid investment grade ratings for our rated entities.

Barclays UK and Barclays International will be supported by a Group Service Company, a subsidiary which houses the majority of Barclays' Group Functions and the Chief Operating Office, which includes Operations and Technology.

Further details on the structure of the Group under Structural Reform can be found in the Supervision and Regulation section on page 155.

We are also reducing our stake in Barclays Africa Group Limited to a non-controlling, regulatory deconsolidated position, subject to required approvals. Having completed the first sell-down, to 50.1%, in 2016, we expect to continue to reduce our ownership and will execute this change in our investment responsibly.

Accelerating the run down of our Non-Core operations

Our Non-Core businesses act as a significant drag on Group profitability and exiting these businesses will enable us to focus on a simplified Group, centred on our key areas of strength. Over the year we have continued to run down our Non-Core business, reducing risk weighted assets and strengthening our Common Equity Tier 1 ratio in the process.

We have made strong progress in executing our strategy and are fully committed to the early closure of Non-Core in June 2017. For further details please refer to the Non-Core Performance Review on page 36.

Continuing to address remaining legacy conduct issues and improving our control environment

We are working hard to resolve our remaining legacy conduct matters as soon as is practical, while improving our control environment.

We aspire to be one of the world's most respected and well-regarded banks. We put our customers and clients at the heart of everything we do and seek to strengthen trust in the profession of banking, using transparency and integrity to engender the trust of our customers, clients and wider society.

…where success for us is to be a leading, diversified, transatlantic bank.

Unreasonable Impact

Barclays and Unreasonable Group have partnered to launch Unreasonable Impact, the world's first international network of accelerators focused on scaling up entrepreneurial solutions that will help employ thousands worldwide while solving some of our most pressing societal challenges. The programme supports the scale of growth-stage ventures by providing entrepreneurs with the resources, mentorship, and global network of support that they need to rapidly create jobs in high impact sectors such as clean energy, waste management and sustainable agriculture.

For further information, see **unreasonableimpact.com**

We balance risk against opportunity…

Summary

Risk management at Barclays is directed and overseen by the independent Risk Management function. The function's primary roles are to define the level of risk taking for the Group in normal and stressed economic conditions and to oversee that business activities are undertaken to be consistent with these levels.

For further information, see **home.barclays/annualreport**

The Risk Management function is accountable to the CEO and the Risk Committee of the Board. In 2016, Barclays' financial condition and our results were subject to various external developments, including market volatility related to the UK's vote to leave the EU in June, as well as reflationary expectations related to the US elections in November. In 2017, we will continue to monitor the external environment, including: macro-economic risks in the UK and Europe, heightened risk of global reflation and the possible end of central bank quantitative easing, as well as ongoing regulatory developments.

Barclays engages in activities which entail risk taking, every day, throughout its business. The firm is vulnerable to credit losses in its lending and banking transactions. It experiences gains and losses from market risk in its traded positions. It is subject to treasury risk (including liquidity, leverage and capital gains or losses) in its financial management. Many important activities are managed and controlled through models, which introduce risk in themselves. Across its business, the firm is subject to operational risks, including from fraud, and process or technology failure. Our reputation is important when it comes to trust in the firm's integrity and competence. In addition Barclays may, in its activities, create conduct risk in relation to its customers, clients and the markets in which it operates. Lastly, Barclays faces the risk of being penalised for not meeting its legal obligations.

The firm sets a risk appetite based on current and anticipated exposures, and views on the evolution of markets and the economy in normal and stressed conditions. In effect, the risk appetite is designed to measure the amount of market volatility and stress the firm can withstand, while still meeting its financial goals and regulatory requirements. This enables the Risk function to set, monitor and enforce appropriate risk limits.

The overall governance of Risk is defined in an Enterprise Risk Management Framework (ERMF), which describes how Barclays identifies and manages risk. The framework defines the Principal Risks to which the firm is subject to (see table overleaf). Model risk, reputation risk and legal risk are newly classified as Principal Risks in the latest version of the ERMF, reflecting the heightened importance of these risk types in the current environment. Other risks may also arise from time to time, for example, the firm is also subject to political and regulatory risks. While these risks are not considered Principal Risks, they are also subject to the principles set out in the ERMF and overseen by Risk Management.

“The firm sets a risk appetite based on current and anticipated exposures, and views on the evolution of markets and the economy in normal and stressed conditions.”

All colleagues have a specific responsibility for risk management under a Three Lines of Defence model. The First Line includes customer and client-facing colleagues and supporting functions. The role of the first line is to identify and manage risks. The Risk and Compliance functions form the Second Line. They set and monitor compliance with the rules and limits needed to stay within risk appetite. Finally, Internal Audit is the Third Line, who provide assurance to the Board on the effectiveness of risk management. The ERMF also sets out Risk governance principles and committee structures. The ERMF is approved by the Board.

We balance risk against opportunity…

Principal Risks are overseen by a dedicated Second Line function[a]

Risks are classified into Principal Risks, as below		How risks are incurred/managed
Credit Risk	The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.	We incur credit risk when we lend money, e.g. to individual customers (including mortgages, credit cards and personal loans), small and medium-sized businesses, loans to large companies; and from derivatives contracts.
Market Risk	The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	We incur market risk via trading activities with clients and via the liquid assets Barclays holds to ensure we can meet our short-term obligations.
Treasury and Capital Risk	Liquidity Risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Capital Risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans. Interest Rate Risk in the Banking Book: The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	We can incur liquidity risk in the event of severe financial market disruptions or Barclays idiosyncratic events that impede the bank's ability to secure funding. Capital risk is mainly due to large unexpected losses, which can arise, e.g., from economic or market events or fines. Changes in regulations can also affect the assessment of capital adequacy. Interest rate risk arises because assets, such as loans to customers, and liabilities, such as deposits, carry different interest rates. Losses can occur when interest rate changes affect the performance of assets and liabilities differently. Interest rates have different impacts on assets and liabilities due to contractual differences, e.g. fixed vs floating interest rate profiles.
Operational Risk	The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud) where the root cause is not due to credit or market risks.	Operational risks are inherent in the firm's activities, and can rise, e.g. from fraud, process or technology failures.
Model Risk	The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Model risk is incurred through model misuse and poorly designed/implemented models.
Reputation Risk	The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.	Reputation risk is managed by maintaining a positive and dynamic culture within Barclays, ensuring that we act with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society.
Conduct Risk	The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.	All colleagues are responsible for the management and mitigation of conduct risk. The Compliance function sets the minimum standards that are required to ensure this risk is managed and provide oversight to ensure these risks are effectively managed and escalated where appropriate.
Legal Risk	The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.	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. The Group General Counsel and the Legal function support colleagues to mitigate legal risk.

Note
a Legal risk is overseen by the Group General Counsel and the Legal function, which are not part of the Three Lines of Defence

In 2016, markets experienced three distinct phases of volatility. At the start of the year, fears of a slowdown in China led to a sharp decline in global interest rates and equity markets. Mid-year, closer to home, the UK's vote to leave the EU led not just to volatility in financial markets but also drove a steep decline in Sterling to levels not seen in 30 years. Moreover, the referendum has sparked fears, which still persist, of resultant real weakness in the UK economy. Toward the end of the year, US election results buoyed international equity markets, and sparked rate rises on the anticipation of global reflation. The firm has aimed to prudently manage its exposures to financial markets over the last year, consistent with our risk appetite and engagement in global financial markets. The results of the UK referendum and the US elections will likely be felt over 2017 and beyond, and require continued care in managing the firm's exposures, not just in financial markets but in credit portfolios. In addition to financial risk, the firm continues to monitor its risk processes and operational risks closely.

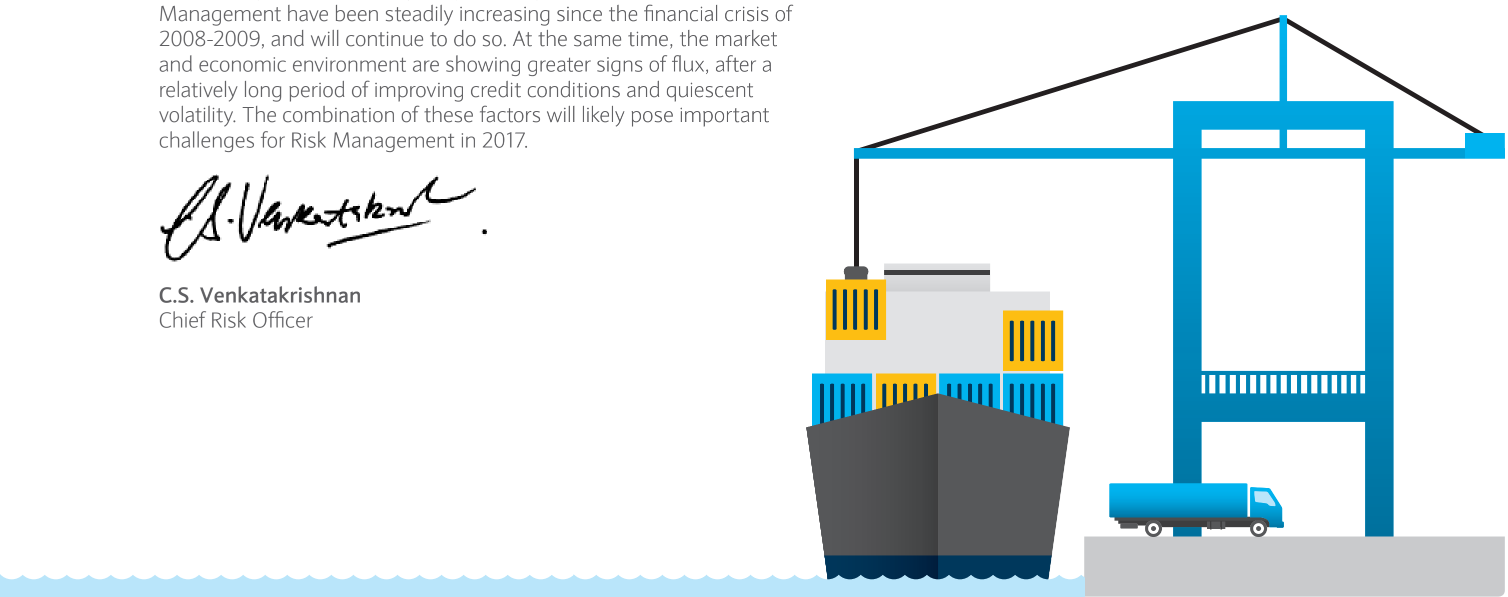
Focus areas in 2016 have included credit risk, with a management review of the UK and US cards portfolio impairment modelling leading to process enhancements, and operational risk focus areas including technology and information security. The number of well-publicised instances of cyber-attacks and related fraud has been increasing in both scope and size, placing a greater need to increase protection. Barclays also continues to pay careful attention to the management of conduct and reputational risks (please see pages 79 and 89).

“All colleagues have a specific responsibility for risk management under a Three Lines of Defence model.”

The firm continues to respond to evolving regulatory requirements, including in relation to IFRS9, stress testing, UK Structural Reform, and the institution of the Intermediate Holding Company (IHC) in the US. These changes require considerable risk management effort and monitoring (please see material existing and emerging risks outlined in the Risk Review section on page 54). In particular, IFRS9 implementation is expected to result in higher impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments. Finally, in 2016, the firm commenced the re-organisation of the risk management function by legal entity. This is being done in compliance with the requirements of Structural Reform and to support the IHC.

In summary, the scale, complexity and requirements of Risk Management have been steadily increasing since the financial crisis of 2008-2009, and will continue to do so. At the same time, the market and economic environment are showing greater signs of flux, after a relatively long period of improving credit conditions and quiescent volatility. The combination of these factors will likely pose important challenges for Risk Management in 2017.

C.S. Venkatakrishnan
Chief Risk Officer



… and positive outcomes for our stakeholders are integral to our long-term strategic success.

Summary

In 2013, we introduced a Balanced Scorecard to allow delivery of our strategy to be measured over a five-year time horizon. As we are now approaching the end of this period, we believe that a revised approach to measuring financial and non-financial performance, aligned to the strategic update announced on 1 March 2016, is more appropriate.

We comment in this section on our performance against the Balanced Scorecard in 2016, and introduce the revised performance measurement framework that we will use going forward to assess progress against our strategy.

Barclays PLC and Barclays Bank PLC strategies remain aligned in 2017. In order to prepare for UK ring-fencing requirements the Group has begun re-organising the legal entity structure into the two clearly defined divisions of Barclays UK and Barclays International supported by the Group Service Company. In 2018, a newly created entity, the ring-fenced bank will consist of the Barclays UK division and Barclays Bank PLC will consist of the Barclays International division. The Group Service Company, Barclays Services Limited will provide services to both these entities. For an overview of the changes, resulting group structure and timeline please refer to page 155.

In 2016, the Balanced Scorecard was used by the organisation as part of its performance management framework, to assess our performance against nine specific metrics that were designed to allow progress against our strategy to be measured. These metrics were aligned to five categories: Company, Customer and Client, Colleague, Citizenship and Conduct. In revising our approach to performance measurement going forward, we have kept elements of the Balanced Scorecard consistent, such as the objective of delivering positive outcomes for all our stakeholders and many of the metrics, but broadened the scope of the evaluation to produce a more detailed and informed reflection of how we are delivering against our strategic objectives.

Overall in 2016, the majority of these Balanced Scorecard metrics remained broadly stable, with the exception of our CET1 ratio and the percentage of women in senior leadership, both of which improved. Below you will find a summary of our performance in 2016 against the each of the Balanced Scorecard categories.

Delivery of 2016 Barclays PLC Group performance against our Balanced Scorecard

	Primary metrics		2014 Actual	2015 Actual	2016	2018 Target
Company[a]	Return on Tangible Equity	Excluding notable items[b]	5.9%	5.8%	**4.4%**	N/A
		Including notable items	(0.3%)	(0.7%)	3.6%	
	Cost: Income ratio[c]	Excluding notable items[b]	70%	69%	**72%**	N/A
		Including notable items	81%	81%	74%	
	Common Equity Tier 1 ratio		10.3%	11.4%	**12.4%**	N/A
Customer and Client	Net Promoter Score (NPS)		4th	4th	**4th**	1st
	Client Franchise Rank (CFR)		5th	5th	**5th**	Top three
Colleague	Sustained engagement of colleagues score		72%	75%	**75%**	87-91%
	% of women in senior leadership		22%	23%	**24%**	26%
Citizenship	Citizenship Plan – initiatives on track or ahead of plan		11/11	10/11	**8/10**	Plan targets
Conduct	Conduct Reputation (YouGov survey)		5.3/10	5.4/10	**5.4/10**	6.5/10

Notes
a New Company targets were introduced on 1 March 2016. The Adjusted Return on Equity metric was replaced with Return on Tangible Equity and the Cost: Income ratio was introduced
b Notable items comprise provisions for UK customer redress of £1bn (2015:2.8bn), a £615m (2015: £nil) gain on disposal of Barclays' share of Visa Europe Limited, and an own credit loss of £35m (2015: gain of £430m)
c Cost: Income ratio for the Balanced Scorecard expressed as total operating expenses of the Group, including Africa, divided by the total income of these businesses (both excluding notable items)

Company: our financial metrics were revised within the Balanced Scorecard at the beginning of 2016 when we announced our intention to simplify our financial targets for Barclays PLC Group to focus on three key metrics. We aligned our focus to Return on Tangible Equity, from Return on Equity, taking on board the feedback from our stakeholders and aligning ourselves to how many of our peers report their returns. We are also committed to the continued management of our cost base, as a proportion of income, and incorporated Cost: Income ratio as a new metric. Finally, we continue to focus on our CET1 ratio, by driving the capital strength and resilience of Barclays and ensuring a safer bank for all of our stakeholders. Further detail on how we performed against our financial metrics under our revised performance measurement framework can be found on page 19.

Customer and Client: despite improvements to our NPS across most consumer businesses, our ranking of 4th relative to our peer group remained the same, as improvements continued across the industry. We focused on making further enhancements to customer journeys and strengthening the level of engagement we have with customers, while continuing to offer innovative products and services that meet their needs. We were pleased that our Client Franchise Rank remained flat on 2015, demonstrating the strength of our banking and markets franchises in our home markets of the UK and US, despite the execution of our strategic realignment announced on 1 March 2016. Further detail on how we delivered positive outcomes for Customers and Clients under our revised performance measurement framework can be found on page 20.

“We remain resolutely focused on creating an environment in which our colleagues feel enabled to fulfil their potential.”

Colleague: we saw an improvement in the gender diversity of our leadership, with initiatives to promote diversity proving successful. Our colleague engagement remained constant despite some significant organisational change. We remain resolutely focused on creating an environment in which our colleagues feel enabled to fulfil their potential. Further detail on how we delivered positive outcomes for Colleagues under our revised performance measurement framework can be found on page 22.

Citizenship: previously, performance was measured against 11 metrics embedded in the 2015 Citizenship Plan, which has now been completed. In June 2016, Barclays launched the Shared Growth Ambition and we have developed new metrics as part of the evolution of our performance measurement framework. 2016 is a transition year in moving to our new approach, with distinct performance frameworks for Barclays Group (excluding Africa) and Barclays Africa.

For Barclays Group (excluding Africa), performance was assessed against six initiatives: three reflecting the new Shared Growth Ambition focus areas of ‘access to financing’, ‘access to financial and digital empowerment’ and ‘access to employment’; and three initiatives that are consistent with the previous Citizenship Plan, namely ‘Barclays Way training’, ‘carbon emissions reduction’ and ‘payment of our suppliers on time’. We exceeded our objectives on all six of these initiatives in 2016 (see page 23 for more detail).

Barclays Africa has a Citizenship strategy that is closely aligned, but focused on four regionally specific objectives. In 2016, Barclays Africa delivered strong performance on ‘investment in education’ and ‘SME financing’, both of which were on track for 2016. However, performance on two initiatives in Africa was off-track due to external challenges which impacted the delivery of ‘planned employability’ and ‘financial inclusion interventions’, and resulted in an overall Group score of 8/10 for Citizenship on the Balanced Scorecard.

Conduct: our Conduct Reputation measure was flat on 2015, at 5.4/10, as stakeholder audience perceptions weakened slightly across the components of the Conduct measure, with the exception of ‘Has high quality products and services’. While below our expectations, overall performance on the Conduct reputation measure remains stronger than two of the three prior years and reflects our ongoing commitment to promoting a positive conduct and values-based culture. In 2016, the Group continued to incur significant costs in relation to litigation and conduct matters and resolution of these matters remains a necessary and important part of delivering the Group’s strategy, together with an ongoing commitment to improve oversight of culture and conduct. As we transition to our revised performance measurement framework (see page 18 for more detail), how we behave through our conduct and culture underpins our objective of achieving positive outcomes for all our stakeholders and is embedded across the organisation.

Supporting the UK economy
Barclays added £8.5bn[a] in economic benefit to the UK through our employment, supply chain and purchasing power, which creates a positive ripple throughout the economy. This is a bigger benefit than the entire UK pharma, IT or aviation industry.

Note
a From April 2015 to March 2016.

… and positive outcomes for our stakeholders are integral to our long-term strategic success.

Revised performance measurement framework

Evolving our approach to measuring progress towards our strategic goals and delivering positive outcomes for all our stakeholders.

In line with our objective of delivering a simplified bank, focused on delivering long-term sustainable value for all our stakeholders through the strategic actions announced on 1 March 2016, we are now evolving our approach to performance measurement to reflect better the way in which management monitors the performance of the Group. The framework incorporates a balance of key financial performance metrics, while broadening our approach to strategic non-financial measures, and represents an evolution from the Balanced Scorecard that has been used since 2013.

Our revised approach retains a similar focus on achieving positive outcomes for our key stakeholders. However, rather than focusing on a few narrowly defined targets to measure our performance, the revised approach allows for a more holistic assessment, and provides a better reflection of our progress towards the strategic goals of the organisation.

> "The revised approach will support the sustained delivery of our strategy over the medium to long-term and will influence executive remuneration from 2017. Our strategic success is intrinsically linked to the positive impact we have on all our stakeholders and society as a whole."

Financial performance metrics

The financial metrics are aligned to Barclays PLC Group Financial Targets: Group Return on Tangible Equity (RoTE) to converge with Core RoTE; Cost: Income ratio below 60%; and CET1 ratio 150-200bps above the minimum regulatory level, and will be reported quarterly as part of our financial results. Achieving these three targets within a reasonable timeframe is consistent with our aim of generating long-term sustainable returns for the shareholders of Barclays PLC Group.

Strategic non-financial performance measures

Non-financial measures remain an important element of how we evaluate our strategic performance, in achieving our ambition of delivering a sustainable business for all our stakeholders. We focus on the impact we make on our customers and clients, colleagues, and the benefit we bring to society via our new citizenship strategy – our Shared Growth Ambition. These measures are underpinned by how we behave towards all our stakeholders, through our conduct and our culture.

To assess our performance, we draw on a broad range of information sources that are aligned to our management reporting framework, including internal management reports and external measures, ensuring a balanced view. As our management reporting framework develops, the sources may also evolve, but we will retain a consistent approach, with quantitative and qualitative evaluation to provide context to the performance assessment.

Revised Barclays PLC Group Performance Measurement Framework

Financial performance metrics – to be delivered within a reasonable timeframe

▪ Group RoTE to converge with Core RoTE	▪ Group Cost: Income ratio below 60%	▪ CET1 ratio 150-200bps above minimum regulatory level

Strategic non-financial performance measures – delivering positive outcomes for our stakeholders

Customer and Client	Colleague	Citizenship
▪ Building trust with our customers and clients, such that they are happy to recommend us to others ▪ Successfully innovating and developing products and services that meet their needs ▪ Offering suitable products and services in an accessible way, ensuring excellent customer and client experience	Promoting and maintaining: ▪ A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential ▪ Engaged and enabled colleagues ▪ A positive conduct and values-based environment	▪ Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future, through our Shared Growth Ambition ▪ Proactively managing the environmental and societal impacts of our business

Underpinned by how we behave towards all our stakeholders through our **conduct and culture**

Financial performance metrics

Key outcomes we will look to achieve include:
Achieving Barclays PLC Group financial targets within a reasonable timeframe, consistent with our aim of generating long-term sustainable returns for the shareholders

How we measure success
Current financial targets that we aim to achieve within a reasonable timeframe:

- Group Return on Tangible Equity (RoTE) to converge with Core RoTE
- Cost: Income ratio below 60%
- CET1 ratio 150-200bps above the minimum regulatory level.

How and why we are renewing our approach
On 1 March 2016, we set out three financial targets to allow shareholders to track our progress towards our strategic objectives. Our revised approach aligns our financial performance metrics to the Barclays PLC Group targets, which are reported quarterly in line with our financial results.

How we are doing

3.6%

Group Return on Tangible Equity
(2015: (0.7%))

8.4%

Core Return on Tangible Equity
(2015: 4.8%)

RoTE measures our ability to generate acceptable returns for shareholders. It is calculated as profit after tax attributable to ordinary shareholders, divided by average shareholders' equity for the year, excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill.

Group RoTE increased to 3.6% (2015: (0.7%)) predominately reflecting the significantly lower impact of notable items in 2016, as profit before tax increased 182% to £3,230m. Notable items totalled a net loss before tax of £420m (2015: £3,330m) comprising provisions for UK customer redress of £1,000m (2015: £2,772m), a £615m (2015: £nil) gain on disposal of Barclays' share of Visa Europe Limited and an own credit loss of £35m (2015: gain of £430m). Excluding notable items, Group RoTE was 4.4% (2015: 5.8%).

Core RoTE increased to 8.4% (2015: 4.8%), or 9.4% (2015: 11.2%) excluding notable items, on an average tangible equity base that was £4.2bn higher at £41.0bn. While we expect Group and Core RoTE to converge over time, Group RoTE in 2016 was significantly impacted by the loss before tax of £2,786m (2015: £2,603m) incurred by Non-Core as its run-down was accelerated.

76%

Cost: Income ratio
(2015: 84%)

Cost: Income ratio measures operating expenses as a percentage of total income, and is used to gauge the efficiency and productivity of our business.

Group Cost: Income ratio reduced to 76% (2015: 84%) primarily as a result of lower litigation and conduct charges, as total operating expenses declined 12% to £16,338m. Group Cost: Income ratio, excluding notable items, was 73% (2015: 70%), with the increase primarily driven by negative income in Non-Core reflecting the acceleration of the run-down. Core Cost: Income ratio, excluding notable items, was 61% (2015: 62%), as Core income increased by 7% to £22,035m, while total operating expenses increased by 6% to £13,507m. We are on track to achieve our Group target of below 60% over time.

… and positive outcomes for our stakeholders are integral to our long-term strategic success.

12.4%

Common Equity Tier 1 (CET1) ratio
(2015: 11.4%)

The CET1 ratio is a measure of the capital strength and resilience of Barclays. The Group's capital management objective is to maximise shareholder value by prudently managing the level and mix of its capital to: ensure the Group and all of its subsidiaries are appropriately capitalised relative to their minimum regulatory and stressed capital requirements; support the Group's risk appetite, growth and strategic options, while seeking to maintain a robust credit proposition for the Group and its subsidiaries.

The ratio expresses Barclays' capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of Capital Requirements Directive IV (CRDIV - an EU Directive prescribing capital adequacy and liquidity requirements), and is part of the regulatory framework governing how banks and depository institutions are supervised.

The Group's CRD IV fully loaded CET1 ratio increased to 12.4% (2015: 11.4%) due to an increase in CET1 capital to £45.2bn (2015: £40.7bn), driven largely by profits generated during the year. This was partially offset by an increase in RWAs to £366bn (2015: £358bn), driven by the appreciation of US Dollar, Euro and South African Rand against Sterling.

We have increased our expected end-state management buffer from a 100-150bps range to 150-200bps above the minimum regulatory level, providing 400-450bps buffer to the Bank of England stress test systemic reference point. On this basis we currently expect our end-state CET1 ratio to be in a range of 12.3-12.8% and we remain confident in our capital trajectory.

For full details of our financial performance, please refer to the financial statements from page 183.

Strategic non-financial performance measures: Customer and Client

Key outcomes we will look to achieve include:

- Building trust with our customers and clients, such that they are happy to recommend us to others
- Successfully innovating and developing products and services that meet their needs
- Offering suitable products and services in an accessible way, ensuring excellent customer and client experience

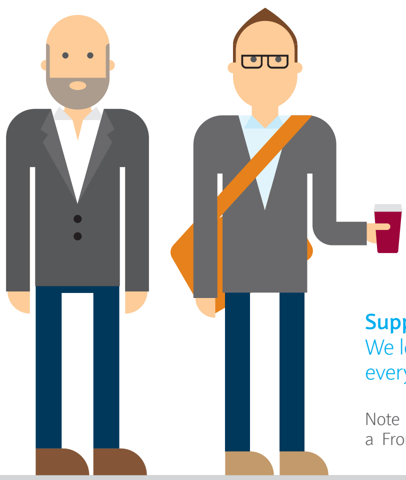
How we measure success

Progress towards these outcomes is informed by a number of sources including internal dashboards, regular management reporting materials and external measures, ensuring a balanced review of performance. Evaluation includes, but is not limited to:

- Net Promoter Scores (NPS)[1]
- Client rankings and market shares
- Complaints performance
- Lending volumes provided to customers and clients

How and why we are renewing our approach

These measures build on the previous Balanced Scorecard metrics for Customer and Client, defined as Relationship NPS and Client Franchise Rank. Our revised approach allows for a broader consideration of how well we are serving our customers and clients, including our complaints performance and the volume of lending we have provided to support consumers and businesses, as well as examples of innovation.



Supporting SMEs
We lent to a UK SME every four minutes[a].

Note
a From April 2015 to March 2016

How we are doing
In 2016, we focused on delivering excellent customer and client experience, by offering innovative products and services to meet their needs in an appropriate and accessible way, while also promoting fair, open and transparent markets. Although our NPS increased across many of our businesses, customer expectations also continued to increase, meaning continual improvements to our customer journeys across our businesses are necessary. And while the repositioning of our CIB involved challenging strategic choices to reduce our activities in certain products and geographies, our client rankings and market shares demonstrate the strength of our proposition in our home markets of the UK and US. Complaints reduction remains a priority and we have more work to do, as can be seen from our position in the FCA complaint tables in the UK[2]. This is a key focus area for management as part of our ongoing commitment to improve our oversight of conduct.

Net Promoter Scores[1]
Relationship NPS (RNPS) across Barclays UK in 2016 reached a high of +13, an increase of 6 points compared to 2015, with more customers advocating our brands across key product categories, notably UK current accounts and UK credit cards. The continuous improvements we made to customer journeys through automation, digitisation and omni-channel capabilities were reflected in an average increase of five Transactional NPS (TNPS) points, with particularly strong scores in Barclays Mobile Banking and Pingit. Our Barclaycard International business also continued to have strong RNPS, driven by a clear focus on advocacy and improvements in our products and digital experience. Despite minor improvements to our NPS in business banking, we are intently focused on improving customer experience in 2017 to meet and exceed industry benchmarks. We are placing particular focus on our TNPS for business banking telephony and complaints, which are below expectations.

Client rankings and market shares
In Barclays International, within the Corporate and Investment Bank, we ranked in 2016: 5th by fee share, up from 6th in 2015, across our UK and US home markets in M&A, equity and debt capital markets and syndicated loan transactions (Dealogic) and 4th based on 2016 Global Fixed Income market share (Greenwich Associates). Among our largest UK corporate clients, 90% considered the service they receive from Barclays to be good, very good or excellent, broadly stable with 2015 (Charterhouse[3]).

Complaints
Underlying complaint volumes in Barclays UK reduced by 11% as a result of our ongoing focus on improving customer journeys. However, with PPI complaints increasing by 16%, total Barclays UK complaint volumes were up 1% year on year in 2016. Barclays International complaints increased 8%, mostly in our consumer business, driven by 6% growth in US credit card average open accounts, although complaints per account still remain close to an all-time low.

Lending volumes
Barclays is an important provider of financial services to UK businesses – we provided around £70bn of loans, up 6%, and just over £3.6bn to SMEs, demonstrating our commitment to supporting growth in the UK. We also extended or renewed mortgage facilities worth nearly £19bn, up 8% year on year, to nearly 90,000 UK households. Building on the success of our digital consumer loan offering to existing customers, we recently became the first UK bank to offer instant business lending via a mobile app. And we processed one third of all payments made in the UK, through customer spending and our merchant acquiring network.

“In 2016 we focused on delivering excellent customer and client experience, by offering innovative products and services to meet their needs in an appropriate and accessible way.”

Making customers’ and clients’ lives easier
We are making our customers’ and clients’ lives much easier through pioneering innovation. For example, Barclays will be the first UK bank to offer a contactless mobile withdrawal service of up to £100 with the tap of a smartphone. We also launched our new online direct investing service (Smart Investor) and are the first high street bank to provide fully integrated banking and investments via online banking. Barclaycard also continued to lead in innovation, being the first of our competitors to launch a proprietary contactless Android capability through its app.

We also offered initiatives to help high-growth businesses flourish – for example, our Barclays Eagle labs provided innovation hubs for pioneering businesses in bank branches around the UK (see case study on page 28). Our UK credit cards’ Specialist Support team won the Vulnerable Customer Support Initiative Award at the 2016 Collections and Customer Service Awards; testament to the significant work we have done to provide the best possible experience to customers in difficult situations.

Our customers and clients are at the heart of our purpose and strategy. For further information on our customer propositions provided via our two core divisions, Barclays UK and Barclays International, please refer to pages 26-35.

Notes
1 NPS is a ranking widely used in banking and other industries that facilitates comprehensive benchmarking and identifies best practice. Relationship NPS is measured at a business level, whereas Transactional NPS is measured for key customer journeys.
2 FCA reporting methodology changes were implemented for the second half of 2016, with reporting to commence from the end of February 2017.
3 Charterhouse Research Business Banking survey, 804 interviews with businesses in the UK turning over £25m-£1bn in 2016. Data is weighted to be representative of the UK business market. Percentage rating for overall service of bank named as main bank.

… and positive outcomes for our stakeholders are integral to our long-term strategic success.

Strategic non-financial performance measures: Colleague

Key outcomes we will look to achieve include:
Promoting and maintaining:

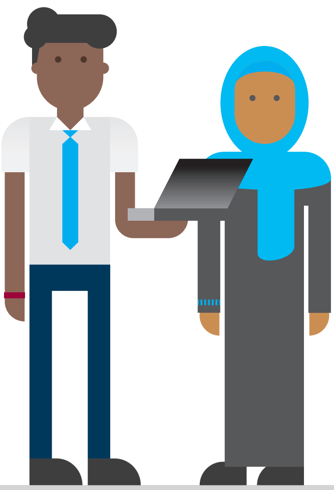
- A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- Engaged and enabled colleagues
- A positive conduct and values-based environment

How we measure success
Progress towards these outcomes is informed by a number of sources including internal dashboards, regular management reporting and external measures, ensuring a balanced review of performance. Evaluation includes, but is not limited to:

- Diversity and Inclusion statistics
- Employee sustainable engagement survey scores
- Conduct and culture measures

How and why we are renewing our approach
These measures build on the previous Balanced Scorecard Colleague metrics, the sustainable engagement of colleagues and proportion of women in senior leadership. Our revised approach allows for broader consideration of the extensive initiatives at Barclays that promote a diverse and inclusive environment where colleagues are engaged and enabled, while maintaining a positive conduct and values-based culture.

“Although this is evidence of good progress, we continue to strengthen our gender pipeline and enable women to fulfil their career aspirations.”



Supporting our employees
We provide 2m hours of training to our employees.

How we are doing
In 2016, we received positive external recognition for our work towards promoting a diverse workforce, with initiatives ongoing across each of our diversity pillars. At the same time, engagement of our colleagues remained stable overall, with opportunities identified to enable our colleagues to deliver excellent performance. We also made solid progress in embedding a positive conduct and values-based environment which will continue to evolve into 2017 and beyond.

For further information on our People, please see page 43.

Diversity of our workforce and inclusion of our colleagues[a]
In 2016 we remained committed to increasing the diversity of our workforce, with increased female representation at all levels remaining a key focus – on our Board this remained at 31% (2020 target of 33%). Across our senior leadership, female representation was 24% (2018 Women in Leadership goal of 26%). Following the recommendations from the Hampton Alexander Review, from 2017, we will publish the combined number of women on the Group Executive Committee and their direct reports, which was 25% at the end of 2016 (2020 target of 33%). In addition, in 2016 we increased female graduate hires to 39% from 31% in 2014.

Although this is evidence of good progress, we continue to strengthen our gender pipeline and enable women to fulfil their career aspirations, through activity such as: the 2016 Barclays Global Women in Leadership summit, promoting Dynamic Working, our Encore! Returnship Programme, our HeForShe campaign and the Barclays Women's Initiatives Network.

The other pillars of our global Diversity and Inclusion strategy are:

- **Disability**: Barclays 'Able to Enable' Apprenticeship Programme launched in 2016 along with the Business Disability Forum awarding Barclays a score of 98%, the highest company rating in the history of the index
- **LGBT**: Our Spectrum Allies programme includes over 7,000 colleagues supporting our LGBT agenda
- **Multicultural**: 30% of our apprentices identify as Black, Asian and Minority Ethnic, 19% points above the national apprenticeship average
- **Multigenerational**: Barclays Armed Forces Transitioning, Employment and Resettlement (AFTER) programme with nearly 400 ex-military hires since 2010.

External recognition from organisations such as Stonewall, The Times Top 50 Places to Work for Women, 100% on the Human Rights Campaign Corporate Equality Index and a Working Mother Media's Top Employer for Women, confirms the progress we have made. In 2017, we will focus on our multicultural agenda through the launch of our Embracing Us Campaign and partnerships with organisations including the Wall Street Project and Race for Opportunity.

Note
a Under Companies Act 2006, we are also required to report on the gender breakdown of our employees and 'senior managers' – a narrower scope than our Women In Senior Leadership definition. Of our global workforce of 119,300 (60,100 male, 59,200 female), 756 were senior managers (531 male, 225 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.

Engaged and enabled colleagues

Engaged employees are critically important as they are more likely to remain at and recommend Barclays, and deliver beyond the day to day requirements of their role. By promoting internal mobility and career development, we hope to not only attract talented individuals, but retain them. In 2016 we launched our 'Apply Within' internal mobility campaign, increasing our rate of internal hiring to 48%, from 37% at the end of 2015 (excluding Africa).

This year our annual 'Your View' employee opinion survey became a quarterly pulse survey (excluding Africa) allowing for more real-time feedback on how it feels to work at Barclays. At the end of 2016, sustainable engagement of our colleagues remained stable at 75%. Areas of particular strength from the survey included: 'colleagues feeling proud of the contribution Barclays makes to the community and society' (88% favourable, up 3% points on 2015) and 'employees feeling respected regardless of their job' (83% favourable, up 4% points on 2015).

Areas of opportunity include 'removing the obstacles people face in doing their jobs well' and 'ensuring people have the necessary tools and resources to achieve excellent performance' (both 52% favourable). To address this we continue to look at ways to improve the simplicity and efficiency of our systems, tools and resources to drive a culture of excellence.

A positive conduct and values-based culture

Fostering the right culture at Barclays is critical to our success and we continue to build a positive conduct and values-based culture through initiatives aimed at strengthening the profession of banking. The 'Let's talk about how' performance management campaign, launched this year, supports the behaviours that underpin our values and reinforces the importance that we place on measuring and rewarding both 'what' our employees deliver and 'how' they deliver.

During 2016, we developed a culture measurement framework, anchored in our values, to manage and measure progress in embedding a positive conduct and values-based culture. The initial results demonstrate that we have been particularly successful in continuing to embed Stewardship and Integrity through focus on innovation and citizenship and by creating an environment where colleagues 'feel increasingly safe to speak up' (81% favourable, up 6% points on 2015); and are 'unafraid to report unethical behaviour' (first reported outcome 86% favourable). In addition, Service and Respect remain strong with 83% of colleagues agreeing with the proposition that 'Barclays is truly focused on achieving good customer and client outcomes' and 89% of colleagues agreeing that 'Leaders at Barclays support diversity in the workplace'. Excellence remains our biggest opportunity for improvement with 36% of colleagues agreeing that 'Barclays has been successful in eliminating obstacles to efficiency'.

Strategic non-financial performance measures: Citizenship

Key outcomes we will look to achieve include:

- Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future, through our Shared Growth Ambition
- Proactively managing the environmental and societal impacts of our business

How we measure success

Progress towards these outcomes is informed by an assessment against our Shared Growth Ambition. These are supplemented by internal dashboards and external measures. Evaluation includes, but is not limited to:

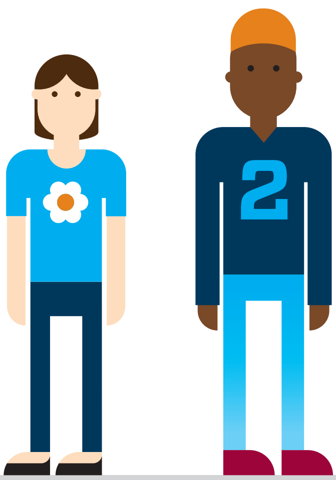
- Delivery against our Shared Growth Ambition
- Colleague engagement in Citizenship activities
- External benchmarks and surveys

How and why we are renewing our approach

Since 2012, we have measured progress against initiatives in our four-year Citizenship plan. In June 2016, we launched our new plan, the Shared Growth Ambition.

> **"Our long-term aim is to create and grow a collection of products, services and partnerships that improve the lives of people in the communities which we serve, while providing the commercial return our shareholders deserve."**

We are moving away from setting narrow targets for our Shared Growth Ambition, as we focus more on impact and use a broader range of quantitative and qualitative indicators to assess performance. We will continue to have targets for carbon emissions reduction and training on the Barclays Way. We aim to enhance the impact of our Shared Growth Ambition over time and may expand our assessment to include additional measures in future years.



LifeSkills
Since 2013, 3.6m young people have participated in the programme, gaining real-world experiences for a better future.

… and positive outcomes for our stakeholders are integral to our long-term strategic success.

How we are doing

We exceeded our own objectives on all six initiatives in the first year of our Shared Growth Ambition. Performance was ahead of plan against our internal milestones for three initiatives around 'access to financing', 'access to digital and financial empowerment' and 'access to employment'. We also exceeded our 2016 targets for Barclays Way training, carbon emissions reduction and payment of suppliers on time.

Access to financing: We continued to deliver innovative financing solutions for areas including renewable energy, water and low carbon technologies; social infrastructure; development institutions; and small business financing. Barclays delivered £21.1bn in financing for selected social and environmental segments across our business lines. This included a range of green bond transactions for corporate, supranational and municipal clients as well as lending facilities for renewable energy projects. For further information, please see our Environmental, Social, Governance (ESG) Supplement 2016 available at home.barclays/annualreport

Access to financial and digital empowerment: Inclusive financial systems are key to achieving economic and societal progress, but there can be several barriers to access. We believe digital offerings can help break down these barriers. We helped empower around 249,000 people in 2016 through initiatives such as Barclaycard Initial for those with a limited credit history; our Digital Eagles network, who are specially trained Barclays employees working to provide free technology support to customers and non-customers; and the continued development of learning platforms such as Financial Wings and Digital Wings.

Access to employment: In the 21st century new jobs are increasingly coming from fast-growing small businesses and entrepreneurs, which require support to scale up. Barclays is committed to working on both the supply and demand side – enhancing supply by helping people gain access to skills, and facilitating demand by supporting entrepreneurs to drive job creation. We helped upskill over 1.7 million people in 2016, driven by a range of regional partnerships and our LifeSkills programme. We also launched 'Unreasonable Impact' in partnership with Unreasonable Group, focused on scaling ventures that solve environmental and societal problems. The first cohorts in the UK started in September and in the US in November 2016, with Asia launching in 2017.

Business conduct and environmental impact

The Barclays Way outlines the Purpose and Values which govern our way of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships. 99.6% of our colleagues completed annual training on The Barclays Way in 2016 (Target: above 97%).

We reduced carbon emissions by 15.8% against the 2015 baseline, making good progress against our new target of 30% reduction by 2018. We also achieved 88% on-time payment by value to our suppliers (Target: 85%).

Engaging our colleagues

Our people are Barclays' greatest ambassadors, contributing time, skills and expertise to create a positive and sustainable societal impact. In 2016 more than 43,000 colleagues participated in a range of causes, contributing over 212,000 hours, donating a total of almost £25m, including Barclays matched funding.

> **"We reduced carbon emissions by 15.8% against the 2015 baseline, making good progress against our new target of 30% reduction by 2018."**

Benchmarking our performance

In 2016, we improved our performance and maintained membership of both the Dow Jones Sustainability Index series, where our score increased by 2 percentage points to 84%, and the FTSE4Good Index series, with an absolute score of 3.9/5, up from 3.6 in 2015.

Further detail on policies, including Barclays Group Statement on Modern Slavery, can be found on our website at **home.barclays/citizenship**

We also provide disclosures on key initiatives aligned to the Global Reporting Initiative guidelines, in the Environmental, Social, Governance (ESG) Supplement 2016 available at home.barclays/annualreport

A review of our operational performance

Barclays UK

Summary

Our aim at Barclays UK is to help people move forward. We do this by creating meaningful relationships with our customers, offering them relevant products and services, and by using our leading data and analytic capabilities to ensure suitability and delivery of excellent customer experience.

During 2018, Barclays UK will become the ring-fenced bank for the UK, continuing to provide transactional, lending and investment products and services to over 24 million Personal, Wealth and Business Banking customers and clients, via a separate legal entity.

Ashok Vaswani is the CEO for Barclays UK and has spent the last seven years with Barclays in a variety of roles following an extensive career at Citigroup. Ashok represents Barclays as a Non-Executive Director on the Board of Barclays Africa Group Limited and is a member of the Board of Directors of Telenor ASA. He also sits on the advisory boards of a number of institutions such as Citizens Advice, FICO, Rutberg & Co and is Founder Director of Lend-a-Hand, a non-profit organisation focused on rural education in India.

Market and environment in which the division operates
2016 was a year in which a number of significant events took place, such as the UK's vote to leave the EU and the presidential election in the US – both of which impacted our customers and our operating environment.

In addition, the UK retail banking environment is increasingly competitive and dynamic, and is experiencing significant regulatory and technological change. The speed of change and innovation is expected to continue to accelerate with the introduction of new data regulations, such as the Open Banking Standards. Unfortunately, we are also seeing significant growth in sophisticated cyber-fraud.

Customer expectations are also increasing. Our customers want prompt responses to their banking requirements. They want their transactions to be accurate and efficient, yet still have that personalised support during key moments in their lives.

Barclays UK has a tremendous opportunity to grow our business and generate sustainable returns by building meaningful relationships with the 24 million customers we currently do business with. By innovating and harnessing technology we are able to provide simple and relevant solutions for our customers and clients, build sustainable revenue flows, structurally remove cost and achieve prudent, balanced growth within our risk appetite.

We achieve this through:

- leveraging our data capabilities to identify when our customers need solutions e.g. SmartBusiness, our first big data product providing SMEs with key information, metrics and insights to help them grow their business
- enhancing functionality on mobile and internet banking to enable customers to undertake all their routine transactional banking quickly and easily. Over 9.5 million of our customers are digitally active
- building the Direct Bank. We have built capabilities, such as voice recognition and video banking, which allow us to interact with our customers 24/7, increase capacity, and have more meaningful interactions with our customers
- tailoring services, such as pre-selecting existing banking customers for a Barclaycard, providing instant digital fulfilment and personalised experience through Barclays Mobile Banking
- providing fully-integrated banking and investments with new, sophisticated digital platforms with a range of helpful tools, planners and information to help customers make informed decisions and take control of their investments
- giving customers and clients market data they need to make personalised choices across business, property, education or investment – by using our annual Barclays UK Prosperity Map or through our Unlock Britain campaign
- keeping our customers and clients safe with increased focus and investment in tackling cyber-fraud.

We are also leading the digital revolution with our colleagues, working hand in hand with our communities, and helping our customers feel comfortable in the digital environment by introducing them to our Digital Eagles and our Digital Wings initiatives.

Barclays UK provides diversification to the Group with our balance of products and services in the UK banking sector. This diversification helps protect revenue flows in the changing environment, and allows us to remain close to our customers for all their banking needs.

Risks to the operating model
We monitor the market environment closely – in particular the effect of low interest rates, the expected growth in credit and unsecured lending, and adjust our financial and economic assumptions in a considered

manner. As a large UK retail bank, we are cognisant of the credit risk faced through our lending. Our conservative risk profile for lending through products such as mortgages and credit cards, is continually monitored to ensure our exposure is aligned to our risk appetite.

Barclays UK is the largest contributor to margin-led income for the Group. Our focus on pricing discipline, reflected in our stable net interest margin in recent years, and our structural hedge programme – investing in interest rate swaps to provide a smoothing effect on interest rate step changes – have both provided protection against adverse changes in the interest rate environment in 2016, and will continue to do so going forward, albeit the beneficial impact of the structural hedge will decline over time.

We are committed to ensuring continued growth of the UK business, and are developing our product offering and services to suit customers' needs, in their local environments. We understand the challenges posed by significant technological change and know it is essential that we stay relevant and provide up-to-date solutions for our customers. The pace of development also means a changing set of risks; from data integrity to continuity of service. We ensure our contingency systems are pressure-tested to ensure there is no disruption to customer service. Cyber-risk is a continuing concern, and we have invested heavily in cyber-crime prevention, working very closely with the UK government and other providers to create a secure digital environment.

We want to ensure we can put past conduct issues behind us, and have continued to de-risk and simplify our product portfolio.

You can read more about changes in regulation, and risks to the business in the Risk section and the Supervisory and Regulation sections in the Annual Report.

Business highlights
One of our highlights of 2016 has been the creation of Barclays UK and an even greater focus on transforming how we interact with our customers and use data to identify opportunities to meet their needs.

In 2016, Barclays UK RoTE excluding notable items was 19.3% (2015: 21.1%), as profit before tax decreased 5% to £2,587m driven by an increase in credit impairment charges, partially offset by a reduction in total operating expenses. Including notable items, reflecting provisions for UK customer redress, RoTE was 9.6% (2015: (0.3%)). We have seen strong deposit growth, a stable net interest margin and prudent growth in loans and advances, focused on remortgage and lower loan-to-value segments, and unsecured loans to existing customers.

We now have 5.7 million registered users on Barclays Mobile Banking. On average, customers come into our mobile app 31 times a month, an indication of deep engagement.

This year, we launched automated valuations for home purchases, shaving four to five days off processing time and transforming both the colleague and customer experience. We've also introduced Mortgage Agreement in Principle in 338 branches, allowing a customer to obtain a mortgage decision in less than 15 minutes. We are also offering bespoke mortgage products for Premier customers. Overall, our mortgage business is seeing significant sustainable growth.

We have focused on automating the end-to-end customer journey across all parts of our business, which is resulting in improved customer experience, reduced costs and a double-digit drop in customer complaints. We have made it easier for business clients to open accounts and borrow money from us with digital on-boarding, the Solicitor Portal – a dedicated portal for managing the end-to-end business lending journey – and pre-approved limits. Business Instant Lending has reduced cycle times for customers requesting unsecured loans of less than £25,000, from five days to a matter of minutes.

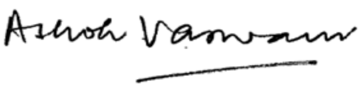
We have also launched an exciting new product for SMEs. SmartBusiness is a data analytics tool that allows a business to know its monthly sales, annual debit card transactions, year-on-year sales, or average transaction values in a simple snapshot, using all of our debit card and credit card data for that business. We believe providing these analytics to small businesses will help move their business forward.

We are delivering on significant opportunities in UK Cards, both by providing credit cards to existing current account customers, leveraging what we have learnt in digital delivery of consumer lending, and by extending programmes like SmartSpend and Features Store to all UK Cards customers.

Pingit, our app where you can undertake a transaction whether or not you are a Barclays customer, now has 3.2 million registered users. Its companion app is our reference tool, Cloudit, which allows all correspondence with the bank to be stored on a customer's personal cloud.

We are the only bank in Europe to have launched video banking, rolling it out at scale, and encrypting the process. And we're the first bank in the UK to introduce contactless cash – a completely new way for our customers to withdraw cash, using contactless technology.

We have made significant changes to our business in 2016, and I am confident that in 2017 we will continue on our path of innovation and growth.



Ashok Vaswani
CEO, Barclays UK

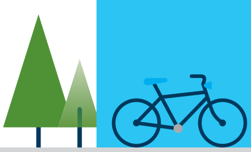
Barclays UK operational model

Customers and Clients
- Individuals
- SMEs

Products and services
- Personal banking services
- Credit cards and transactional lending
- Investment products and services
- Business banking solutions

Value creation
- **To our customers & clients** – Building meaningful relationships to provide relevant financial solutions
- **To society** – Helping communities move forward
- **To Barclays** – Ring-fenced UK-focused bank with sustainable revenues and prudent balance growth

Contribution to Group
- £7.5bn Income
- £1.7bn Profit before tax
- 9.6% RoTE
- 65% Cost: Income ratio
- £67.5bn Risk Weighted Assets



Personal Banking

Summary

Personal Banking provides simple and transparent banking products to around 16 million customers, helping them to anticipate and fulfil their financial needs. This can range from opening a first bank account as a young person to managing finances in retirement, or from everyday insurance to buying a home.

A core element of our Personal Banking business is to use technology to automate transactions, enabling us to interact with customers about what is important to them, when and how they want.

The scale and reach of Personal Banking offers a unique opportunity to help people move forward, with confidence, in an increasingly dynamic and changing financial environment.

We are continuing to transform our customer experience, by building innovative technology to make banking easier. This more efficient technology also allows our colleagues more time to spend with customers, all of which positions us well for the future.

Our focus is, therefore, on delivering an outstanding experience for our customers, our colleagues and the communities in which we operate. We believe in building relationships that show we understand individual and collective circumstances to such a degree that we can provide a solution that is both relevant and meaningful. We offer choice and flexibility in how to meet the different needs of our diverse customer base and we are proud to be the first UK bank to launch voice security and secure video banking.

Discovering the value of connecting customers with other people within their communities has proved to be a great success. Our branches are providing spaces for Incubators and Barclays Accelerator projects, for Digital Eagle sessions and also Eagle Labs – not only educating customers on new and different technologies, but providing them with space to meet, collaborate, network and build on ideas.

Our innovative technology is industry leading and we are award-winners for our work on intuitive products and ways of banking that suit customer needs. Launching such a broad combination of products, services and convenient ways to conduct everyday banking has meant, however, that we continue to see counter transactions decline. Nevertheless, we have evolved our physical estate and invested in areas such as Newcastle, with our new city centre branch, and also redesigned our Fenchurch Street and Hanover Square branches in London, to better suit the banking needs of the communities there. Our highly-automated consumer lending business to existing customers is growing fast, making Barclays the biggest digital unsecured personal lender in the UK.

Significant improvements have been made to the customer experience, by looking at the end-to-end experience from our customers' viewpoint. This is an ongoing programme, but has already resulted in a double-digit drop in customer complaints, as well as helping to lower costs and improve control.

What's an Eagle Lab?

Our Eagle Labs form part our Digital Eagles initiative, opening up under-used space in our branches and offices. The aim is to boost the UK's innovation, digital and 'maker' skills by offering support and training on new technologies and techniques. We have opened nine Labs so far, including Cambridge, Bournemouth and Brighton. As well as businesses, our Labs are open to their communities. They are developing manufacturing skills to inspire future innovators, and giving the UK's digital skills a much needed boost. Our Brighton Lab helped transform the life of Rilee, aged three, who was born with only one hand and forearm. Rilee was too young to receive a prosthetic hand from the NHS. Over several months, our lab technician Jon Paterson, designed and 3D-printed a prosthetic hand and arm for Rilee. By using open source innovation and the latest manufacturing methods, our Eagle Lab has helped Rilee in a way that is immeasurable.

For further information, see
labs.uk.barclays

Rewarding customers' loyalty has been a focus for 2016. Blue Rewards, including cashback, Premier Exclusives and the launch of welcome gifts for first-time homebuyers, are good examples of this. We wanted to create moments that stand out for our customers, and to make their lives easier by simplifying our processes. This supports our ambition to build better relationships with our customers at all levels.

“We are continuing to transform our customer experience by building innovative technology to make banking easier.”

We have improved the support we offer the communities we serve, making it easier for students and young professionals to open an account. In addition, we are continuing our support to military personnel to improve their access to banking.

We are creating an environment for our colleagues that inspires them to be passionate and empathetic and that makes them feel empowered to find solutions for our customers – in turn, helping our customers move forward and achieve their financial ambitions

Barclaycard Consumer UK

Summary

Barclaycard Consumer UK is a leading credit card provider in the UK.

We are a responsible lender and help consumers fund purchases by providing credit based on their credit history, ability to afford credit and our risk appetite. We enable consumers to pay in the way that suits them – by card, online, mobile or using a wearable device, including Barclaycard Contactless Mobile and Apple Pay.

We are customer focused and invest in people, processes and future technologies in order to continue to play a leading role in the industry and help our customers move forward every day.

In 2016, Barclaycard celebrated its 50th anniversary, having launched the first credit card in the UK in 1966. We have been responsible for many firsts – from company credit cards through Chip & PIN to contactless, mobile payments and most recently our range of wearable payment options. As Barclays is the only major UK card issuer and payment acceptance provider, we are in a unique position to shape the payments landscape, make businesses more successful and give people greater control over their money.

In UK Cards, we offer three core credit card products. Our Barclaycard Initial credit card is aimed at customers who are looking for a first credit card, or have a limited credit history, and helps them to build a credit profile. Our Barclaycard Platinum card offers promotional savings on balance transfers and purchases for borrowers with good credit history. Alternatively, shoppers can earn reward points everywhere they shop with our Barclaycard Freedom Rewards credit card. All our products are underpinned by terms and conditions that have received the Plain English Crystal Mark.

Every Barclaycard comes with additional features and benefits, including ways to manage accounts online and on the go with the Barclaycard App. We offer free Experian Credit Scores and a range of entertainment benefits. We also give support to consumers by providing guides on how to protect themselves from fraud, how they can protect their purchases and what to do if they have money worries.

We're continuously looking for ways to improve the customer experience we deliver. We track our Transactional Net Promoter Score (TNPS) after customer interactions and use social media as a way to get feedback from our customers and improve our processes. Since UK Cards was brought under the Barclays UK structure in March, we have been looking for ways to enhance the services we provide to our joint customers. For example, Barclays customers can now apply for a Barclaycard through the Barclays Mobile Banking app, with guaranteed pre-approvals for eligible customers.

The unsecured lending and consumer payments markets continue to experience considerable change, driven by new entrants, new technologies, changing consumer expectations and behaviour. We are continuing to invest in new technology and to develop pioneering new products and services for our consumers, for example we launched proprietary contactless Android capability through our app, six months ahead of our nearest competitor.

We are pleased to have won a number of awards, acknowledging the market-leading products and services we offer our consumers. We won Best Overall Credit Card Provider at the Money Pages Personal Finance Awards 2016/17. In addition, we have won awards for our support for vulnerable customers and our use of social media.

Money Worries hub

Many people hide from debt problems because they are embarrassed, and can find it difficult to ask their bank for help. We have created the Money Worries hub, in partnership with StepChange Debt Charity, to encourage customers to come forward and ask for support by showing that we understand their situation and are here to help. The Money Worries hub is designed to help customers understand how UK Cards has helped people who have been in similar situations and how they can help someone they care about.

For further information, see
barclaycard.co.uk/personal/customer/money-worries

Wealth, Entrepreneurs and Business Banking

Summary

Barclays' wealth offering delivers a truly holistic wealth management service that includes domestic private banking, wealth planning, trust and fiduciary services, investment management and brokerage.

Business Banking supports over one million clients, across the UK, run and grow their business, from start-ups to mid-sized businesses. Our model is relationship-based and digitally-driven.

We aim to allow clients to access the products they need, in the way they want – online, mobile or by working with a Relationship Manager. We put our clients at the heart of our business, delivering the service they need, in the way they choose.

Wealth Overview

In our Wealth business, our bankers provide overall advice to our clients and co-ordinate access to specialists within Wealth and the wider Barclays UK division. Clients benefit from our expertise in personal banking, credit cards, business banking and digital innovation.

A sharp focus on our fundamental business drivers in Wealth, throughout 2016, has resulted in strong underlying asset growth, generating both sustainable income growth and an improvement in our Cost: Income ratio.

We have continued to enhance our Wealth client experience in 2016, most notably with the launch of the Barclays Mobile Banking for Wealth app, which introduced innovative features, such as historical performance analysis, benchmark comparison functionality and asset class drilldowns.

We have reduced our risk by refocusing our Wealth business on our core markets in the UK. The overall wealth market remains stable and we anticipate that it will remain competitive. We feel the business is relatively insulated from the effects of FinTech on traditional financial services, as our clients have a preference for personal service and human interaction.

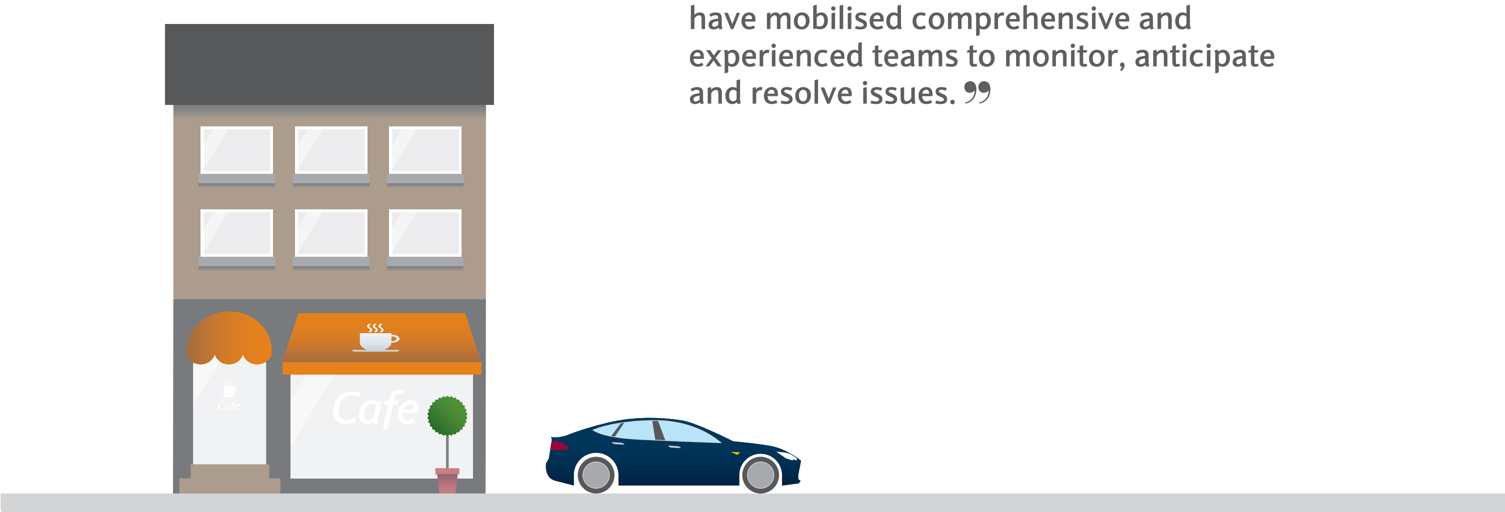
Business Banking Overview

We provide coverage for clients across the UK at every stage of their business cycle in every industry, delivering distribution models which match clients' needs and sophistication. We serve our clients through a relationship-based and digitally-driven model, combining an on-the-ground and direct relationship model with unique digital solutions. A number of innovations were launched in 2016, including instant lending online, and on mobile, plus on-demand cash pick-up. We are the only UK bank to offer these services.

In 2016, we launched new tools for our Business Banking colleagues bringing relevant, up-to-date industry information together in one place, enhancing our service to clients through deeper insights and understanding.

The Industry Knowledge Hub, for example, brings together 150 client-shareable industry snapshots, external industry news, industry marketing and thought leadership into one easily-accessible place for colleagues. We are looking to continue enhancements to the platform in 2017, including the ability for colleagues to personalise their industry reports and bookmark their most used reports.

> **"We ensure a strong focus on conduct and customer outcomes through creating a secure and controlled environment and have mobilised comprehensive and experienced teams to monitor, anticipate and resolve issues."**



Voice Security

Voice Security is a new and innovative way for our customers across Barclays UK to identify themselves via telephone banking as they no longer need to remember passwords, passcodes or transactional information. The service launched in August 2016 and is so far available to over 750,000 Personal customers. Customer feedback has been extremely positive; 'it's so easy and more natural', 'it's great for me because I can never remember my banking passcode', 'that was so quick'.

For further information, see **barclays.co.uk/voice-security**

The launch of our market-leading 'Direct regionally focused Relationship managers' for small businesses provides a firm platform for growth and, in 2016, we transitioned 830,000 clients into the new model. We will use the Direct team to help businesses grow, through our personal contact at key moments.

An area of focus for us in 2016 has been a programme of education on cyber-fraud, for both clients and colleagues. We have provided all colleagues with training to equip them to discuss the main cyber-threats with their clients. We have also provided clients with in-depth sessions via face-to-face events and webinars. Many of these have been run in partnership with local Chambers of Commerce, councils and various business partners, allowing us to support our clients alongside their supply chains and communities.

Barclays International

Summary

Barclays International is a diversified transatlantic, wholesale and consumer bank which will be housed within Barclays Bank PLC, the future non-ring-fenced bank. We seek to compete in markets where we have the competitive advantage and scale to provide best-in-class service to our clients and customers. We seek to maintain and further our position as a leading provider of financial services to corporates, institutions and individuals.

Tim Throsby joined Barclays in January 2017 as President of Barclays International and Chief Executive Officer of the Corporate and Investment Bank. He sits on the Group Executive Committee and reports to the Group CEO, Jes Staley. Tim has had an extensive career in banking and private equity and has most recently worked for JP Morgan, becoming the Global Head of Equities in 2012.

Market and environment in which the division operates

In 2016, heightened political uncertainty in both of our home markets, caused significant volatility in capital markets and material movements in currency markets, particularly in Sterling.

In spite of this, the environment in which we are operating in is more stable than it has been for a number of years. The implications of a number of post-crisis regulations on the business models of banks, in particular investment banks, have become clearer through 2016 as a number of key regulations have either taken effect or been clarified. As part of complying with Section 165 of the Dodd-Frank Act, Barclays and other large foreign banking organisations operating in the US were required to establish a US Intermediate Holding Company (IHC) by 1 July 2016. The IHC is an umbrella holding company for the Bank's US subsidiaries, and is subject to Federal Reserve prudential standards to ensure safety and soundness, particularly around capital, liquidity and risk management. Barclays' IHC became operational on 1 July 2016 and its key subsidiaries include Barclays Capital Inc. (US broker-dealer) that operates key investment banking businesses and Barclays Bank Delaware that operates Barclaycard US.

The implementation of our strategy, which is in-line with the UK ring-fencing regulations, has resulted in the creation of Barclays International as a sister division to Barclays UK under the Barclays PLC Group umbrella. Barclays Bank PLC, the future non-ring fenced banking entity, will continue to house the Barclays International division.

Supported by the newly created Group Service Company, Barclays International is reliant on the support of internal operations and technology to maximise efficiency for customers and clients and meet the requirements of our regulators. In a dynamic environment we need to be setting trends, by using forward-looking technology and adapting quickly and proactively to the evolving regulatory and market conditions.

For example, in the payments space, technological evolution, regulation and consumer behaviour is driving disruption, which is likely to transform the way in which consumers and businesses transact.

Barclays International encompasses the following businesses:

- Corporate & Investment Bank (CIB)
- Consumer, Cards & Payments (CC&P)

These businesses combine to form a diversified, yet highly complementary portfolio of businesses that has proved to be resilient in a year of significant uncertainty and change. We consciously focus our efforts and resources on products, sectors and geographies where we have a meaningful competitive advantage.

Our dual home markets, in the UK and US, anchor our business in the two most important global financial centres and two of the most resilient western economies.

Barclays International brings together a portfolio of businesses serving consumers, SMEs, corporates and institutional investors. On the consumer side, Barclaycard International provides consumers with credit cards and lending. In Private Bank & Overseas Services, we provide banking, investment and wealth management services across the client continuum, globally. For SMEs and corporates, we enable payment acceptance, commercial card payments and point-of-sale finance. Through our CIB, we also serve corporates by providing advice on raising new equity or debt capital, and support our institutional investors by enabling them to trade stocks and bonds.

Our business model in Barclays International, especially CIB, is dependent upon client relationships and the services that we provide to these clients. Armed with these financial tools, we help our clients execute their business strategies and grow their businesses. This may result in capital raised to build a new production centre and in turn, create employment as well as product creation for pension funds to invest in.

Risks to the operating model
Global volatility and macroeconomic uncertainty in some markets remains a risk. While the UK's vote to leave the EU does not change our overall strategic objectives, we realise that it will add complexity in the shorter term to our operations in the EU.

The volume and reach of regulatory change continues to require significant attention and presents a number of challenges in the medium term. However, we have demonstrated our ability to react early to regulatory changes, and the impact they have on our operating environment, often turning challenges into competitive advantages.

Data and technology drive benefits for our customers and clients. The importance of complying adequately with data protection laws and protecting this information from increasingly sophisticated criminals remains at the forefront of our operations.

The frequency and reach of cyber-attacks has markedly increased, and financial institutions, such as Barclays, are obvious targets for malicious cyber-activity. We are very focused on ensuring our cyber-defences stay ahead of the increasingly sophisticated threats that we face.

In addition, preparing the business for structural reform continues. Barclays International is now operating as a separate segment within the Group, but a number of execution milestones remain before we achieve the Group's target state structure. We are very conscious of ensuring that our clients and customers face the minimum possible disruption from this transition.

We continue to strengthen our resilience to conduct risk and are working to put legacy conduct issues behind us.

Business highlights
Barclays International RoTE was 8.0% (2015: 9.5%), excluding notable items, as profit before tax decreased 3% to £3,747m driven by increased credit impairment charges and increased operating expense. This was partially offset by strong income growth, including the benefit from the appreciation of the US Dollar and the Euro against GBP. On a statutory basis, RoTE was 9.8% (2015: 7.2%).

Barclays has taken a leadership role in Blockchain technology in the banking sector, together with enhancements in data analytics, cyber-security and innovative identification and verification techniques. This has enabled us to utilise innovation to deliver improved client service.

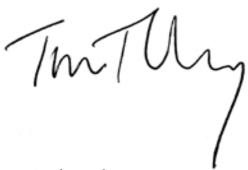
We became the first organisation in the world to use a Blockchain-enabled trade transaction to transfer original shipping documentation. The initiative helped the client complete a process that usually takes 10 days in just 4 hours, mostly due to allowing for paperless exchange of documents, full transparency through the supply chain and mitigation of financial crime risks. For further information refer to the case study on page 7.

Transparency and the intelligent use of data has been a key focus. We continued to roll out the SPECS platform across Barclays. SPECS provides buy-side traders with an online portal to view, verify and request changes to client order handling settings. It meets requirements for greater control, transparency, trade analytics and a consolidated view of order settings.

Our payments expertise and dedication to our customers and clients has enabled us to retain and grow relationships with partners and clients such as American Airlines, in US Cards, and TfL, through our payment acceptance proposition, as well as launching new partnerships such as with JetBlue Airways. In addition, we expanded our lending offering with new personal loans launched in the US and Germany and a new partnership with Apple on the iPhone upgrade programme in the UK.

We have made encouraging progress in fraud and cyber-protection in 2016, and will continue to focus on this critical area. For instance, in the Corporate Bank we have introduced cutting-edge malware and remote attack detection solutions and introduced a new PIN Pad reader and Barclays Biometrics reader in the UK, to tackle PIN capture fraud.

The services we offer to our customers and clients have been recognised by industry awards: International Financing Review (IFR) magazine named Barclays its house of the year for North America high-yield bonds, Americas loans and Sterling bonds in its 2016 review of the year. Our research platform ranked third for Developed Markets Research across Equities and Fixed Income in the Institutional Investor 2016 survey, reflecting alignment with our transatlantic strategy. In addition, we won 'Best Investment Bank Western Europe' in the 2016 Euromoney Awards for Excellence.



Tim Throsby
President, Barclays International and Chief Executive Officer, Corporate and Investment Bank

Barclays International operational model

Customers and Clients
- Corporates
- Financial institutions
- Institutional investors
- Governments
- Consumers
- High, and Ultra-High Net Worth Individuals
- Family Offices

Products and services
- Financial advice
- Primary capital raising and capital markets execution
- Risk and liquidity management
- Lending
- Sales and trading
- International credit cards
- Consumer payments
- Banking
- Investments
- Wealth management

Value creation
- **To our customers & clients** – we create value by facilitating the transmission of money from providers to users of capital
- **To society** – we provide financing, including to select social and environmental segments
- **To Barclays** – as a diversified transatlantic, wholesale and consumer bank

Contribution to Group
- £15bn Income
- £4.2bn Profit before tax
- 9.8% RoTE
- 63% Cost:Income ratio
- £213bn Risk Weighted Assets

Corporate and Investment Bank

Summary

The CIB offers wholesale banking products and services to corporate and institutional investor clients. The business is anchored around our two home markets – two of the largest capital markets in the world. We have adapted early to regulatory and markets changes, positioning the business to retain our position as a leading European CIB.

The creation of Barclays International has helped us to better align our businesses so that we now present a single integrated view of Barclays to our corporate and institutional clients through our CIB and deliver synergies to the business. The CIB offers clients a full service capability through its two divisions:

- Banking offers long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions, equity and credit origination capabilities, coupled with lending and transaction banking products
- Markets provides execution, prime brokerage and risk management services across the full range of asset classes, including equity and fixed income and currency products.

We have extensively simplified our CIB over the past three years, making challenging strategic choices to reduce our activities in certain products and geographies, to better position the business for the regulatory and market conditions that we now face. In spite of the heightened political uncertainty that we have seen through 2016, the environment that we are operating in is more stable than it has been for a number of years, and we are beginning to see the positive implications of making early strategic decisions on our CIB business model. We aim to retain our position as a leading European CIB, competing with the US-domiciled banks in our chosen products and markets.

As part of our Banking division, we aim to help clients large and small, improve performance and enable businesses to grow. We review individual business needs to offer bespoke solutions suited to particular business objectives. For example, through our asset finance operations, Barclays can be an enabler in the transition to greener operations through financing more efficient manufacturing sites and green supply chains. We support lending to high growth businesses who typically have difficulty accessing bank finance, as well as through larger infrastructure project finance, where we have supported the financing of over 500 Mega Watts of clean energy in the UK and Ireland in 2016, equivalent to powering c.220,000 homes per annum.

Further information can be found in the case study below, and in the ESG supplement available at home.barclays.com/annualreport

Performance

Our Banking business had a strong performance in 2016 gaining share, particularly in our home markets of the UK and US where we ranked 5th by fee share for all clients in M&A, equity and debt capital markets and syndicated loan transactions in 2016 (Dealogic). This momentum helps us retain and hire talented individuals and further develop our relationships with our corporate client base. Landmark transactions that we have closed in 2016 include:

- financial advisor to Teva Pharmaceutical in its acquisition of Allergan's generic drug business
- joint bookrunner on the two largest US leveraged loan financings of 2016 for Dell and Avago
- active joint bookrunner and global coordinator in the second-largest corporate investment grade bond offering ever, ABInBev's M&A IG Bond financing.

Markets income increased compared to 2015 with strong performances in the underlying businesses. Credit income benefitted from a strong performance in fixed income flow credit and emerging markets businesses, which benefitted from increased market volatility and client demand. Macro income benefitted from an increase in activity post the UK's vote to leave the EU and US elections. These performances were partially offset by a decrease in Equities, reflecting the simplification of the EMEA business and lower client activity in Asia.

Financing innovation

As part of our High Growth and Entrepreneurs Proposition, we have partnered with The European Investment Fund (EIF) through the InnovFin SME Guarantee scheme to support firms who typically have difficulty accessing bank finance. The scheme is financially backed by the EIF, enabled by the European Commissions Horizon 2020 programme, which covers 50% of loan losses that supports Barclays when lending to these early stage businesses. Pod Point is an electric vehicle charging developer. Its founder and chief executive, Erik Fairbairn, started the business in 2009 with his own savings, and then secured backing from the angel investor Peter Hiscocks, before he turned to crowdfunding in 2014 raising £1.5m, and a further £2m in 2015.

In 2016 Barclays provided Pod Point with funding in the form of a £1m EIF-backed loan, to help the business fulfil its mission of having a 'top-up' charge point anywhere people park for an hour or more.

The company now has over 25,000 customers and provides public charging stations at over 1.500 locations nationwide.

To find out more, see
barclayscorporate.com/insight-and-research/lending

Consumer, Cards and Payments

Summary

Consumer, Cards and Payments is the consolidated reporting structure for Barclaycard International and the Private Bank and Overseas Services.

Barclaycard International provides branded and co-branded consumer credit cards and lending to our customers and business solutions to our clients, globally.

Private Bank and Overseas Services provides banking, investment and wealth management services to over 163,000 clients, globally.

Travis Perkins PLC

Travis Perkins PLC, a leading company in the builders' merchant and home improvement markets, was looking for a unified customer payments platform across its different brands. It wanted to work with a partner that would reduce the complexity of managing and maintaining a highly secure, diverse payments environment, while allowing the flexibility to innovate and explore new customer interactions.

Barclaycard Business Solutions was able to provide a true omni-channel payments platform that offers single point management across multiple brands and channels, from online pay pages to in-store points of sale. The implementation has already seen Travis Perkins PLC benefit from increased card payment security and protection of its brand, as well as cutting transaction response times by up to 94%.

For further information, see
www.the-logic-group.com/cp/case-studies

Barclaycard US

Our core co-brand and branded credit card business in the US has continued to grow strongly; we remain the ninth-largest issuer by balances, growing 14% over the last year. We have strengthened our relationship with existing partners, for example signing a major deal with American Airlines, and have launched a new partnership programme with JetBlue Airways. Our Barclaycard brand continues to get stronger in the US; with our Barclaycard Arrival Plus World Elite MasterCard winning the Best Travel Credit Card for Frequent Fliers by MONEY® Magazine.

Our successful online retail deposits business has reached US$11bn, supporting our overall funding strategy in the US. In November we launched a personal loans offering, further diversifying our product mix.

Barclaycard Business Solutions

Barclaycard provides payment acceptance, commercial payments and point-of-sale finance solutions to all client segments in the UK. We are a leading provider in all areas, including being the second-largest payment acceptance provider in Europe by volume.

Among our achievements this year, we have launched market-leading business card propositions, developed full omni-channel capabilities including strong data security features, and partnered with Apple to help launch their Apple iPhone Upgrade.

Our large corporate portfolio continued to grow, with a number of major new client wins and retentions, including TfL, Greggs and Centrica.

Barclaycard Germany and EnterCard

This year, Barclaycard Germany celebrated its 25th anniversary and now serves over 1.1 million customers. With a share of 34%, Barclaycard Germany is the leading issuer for revolving credit cards in Germany by outstanding balances. In the instalment loans market, Barclaycard Germany has a strong challenger position with a growth rate of 15% and 1% share. Innovative products and features such as the fully digital Express-Kredit or the Equal Payment Plan, as well as continued customer focus, drive exceptional customer satisfaction rankings, with the business leading the market for credit cards and in the top two for loans, respectively.

We also provide cards and lending in Norway, Sweden and Denmark via our EnterCard joint venture.

Private Bank

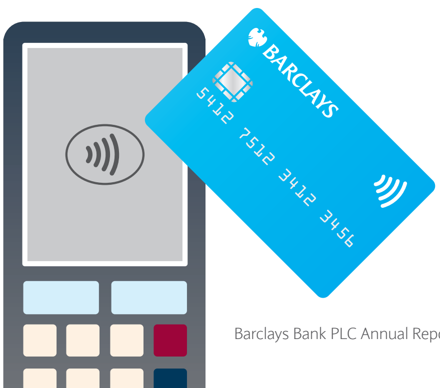
The Private Bank strategy going forward is to deliver personalised banking, investment and wealth management solutions to high net worth and ultra high net worth individuals, providing full access to complex and innovative products and services across Barclays' platforms. Clients are supported by a dedicated Private Banker and team of investment and wealth specialists. In addition, the Private Bank facilitates access to Barclays' Corporate and Investment Bank full suite of products and services. The Private Bank is now even more focused on our core competencies and poised to grow, demonstrated by strong underlying asset and income growth in 2016.

Overseas Services

With a full suite of banking, credit, investment and wealth management operations principally in the Isle of Man, Jersey and Guernsey, our Overseas Services business supports client types that stretch across the client continuum, personal to corporate. Overseas Services is the gateway to the wider Barclays Group, providing offshore capabilities and expertise. The business delivered solid results in 2016, with strong liability growth, coupled with continued focus on cost management, resulting in a strong Cost:Income ratio and returns in 2016.

Supporting our communities

Building on our commitment to make a positive difference to the communities in which we live and work, we delivered a number of successful initiatives across Barclaycard International in 2016. In the UK, we have launched a major new partnership with The Prince's Trust, helping young people build their skills and confidence, and have won The Prince's Trust Service to Young People Award for corporate volunteering. In the US and Germany we have been supporting start-ups through our programmes with West End Neighbourhood House and our Social Impact Lab incubator respectively, and helping individuals develop essential coding skills through our Apps Camp programme and partnerships with Tech Impact and Delaware State University.



Non-Core and Africa

Non-Core

Summary

The Non-Core run-down is a key driver of the simplification of Barclays, helping to improve Group returns and deliver value for shareholders. After our accelerated progress in 2016, we now intend to close Non-Core six months early at 30 June 2017.

Non-Core was formed in 2014 to oversee the divestment of Barclays' non-strategic assets and businesses, releasing capital to support strategic growth in our Core businesses. Non-Core brought together businesses and assets that did not fit our strategy, remained sub-scale with limited growth opportunities, or were challenged by the regulatory capital environment.

Non-Core is run by a dedicated management team operating within a clear governance framework to optimise shareholder value as businesses and assets are divested. It maintains a robust risk management framework to mitigate the risks inherent in our businesses and assets, as well as our divestiture and run-down processes. The clearly defined objectives for Non-Core are to bring down RWAs, reduce the ongoing operational cost base and simplify the residual portfolio and risks in preparation for their return to Core.

To divest Non-Core successfully we are partly dependent on external factors that can impact our planned run-down profile. For instance, the income from our businesses and assets, the quantum of associated RWAs and finally market appetite for Non-Core components are all influenced by the market environment. In addition, our ability to complete divestitures depends on regulatory approvals in various jurisdictions and regulatory changes in the treatment of RWAs can impact our 'stock' of RWAs.

2016 was an important year for Non-Core as RWAs were reduced by 41% to £32bn, preparing the division for reintegration into the Core in 2017. The loss before tax increased to £2.8bn, reflecting the acceleration of the run-down during the year, where significant progress was made across all three components of Non-Core. Business RWAs were reduced by £4bn, with the completion of the sales of Barclays Risk Analytics and Index Solutions, the Asia Wealth and Investment Management business, the Southern European cards business, and the Italian retail business. We also made good progress in the run-down of Derivatives, reducing RWAs by £10bn, and Securities & Loans by £3bn respectively.

Given the progress made in 2016, we intend to close Non-Core six months early at 30 June 2017, with c.£25bn of RWAs, meaning that we will have reduced Non-Core RWAs by c.£85bn in just over three years. We expect Non-Core losses in 2017 to be significantly lower than in 2016, with further reductions thereafter once the remaining assets are reabsorbed back into the Core where they will continue to be managed down.

Africa

Summary

As part of the strategic review on 1 March 2016, Barclays announced its intention to sell down its stake in BAGL to a level that would permit regulatory deconsolidation.

Barclays Africa Group Limited (BAGL) is a leading pan-African diversified financial services provider headquartered in South Africa, with meaningful operations across the continent (Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia), and is listed on the Johannesburg Stock Exchange.

During 2016, we sold a 12.2% stake, reducing our previous 62.3% holding to 50.1%. Further sell-down to a level that will permit regulatory deconsolidation is expected, and it is currently the Boards intention to maintain a minority shareholding and a commercial relationship with BAGL. Both would need to be consistent with the aim of achieving regulatory deconsolidation.

BAGL is represented in Barclays accounts through Africa Banking. Africa Banking represents BAGL accounts converted to GBP, in addition to Barclays' goodwill on acquisition and Head Office allocations that are deemed to be incrementally incurred as a consequence of Barclays operations in Africa, such as the UK bank levy. For clarity, the income statement is provided on page 176. As Africa Banking meets the requirements for presentation as a discontinued operation, the results are presented as two lines in the Group income statement, representing profit after tax relating to our 50.1% stake, and the 49.9% portion attributable to the non-controlling interests in BAGL.

Barclays and BAGL have been working closely together to plan and prepare for the successful separation and migration of BAGL's operations from the Barclays Group while Barclays assesses sell-down options, both on and off-market. This work has culminated in the agreement of terms for transitional services and supporting arrangements with BAGL, the details of which have been submitted to relevant regulators as part of a request for approval for Barclays to sell down to below a 50% holding.

A successful regulatory deconsolidation of BAGL's operations will lead to further simplification for the Group, resulting in CET1 ratio uplift and will constitute a further step towards focusing on our core transatlantic consumer, corporate and investment bank operations.

Details on the performance of BAGL can be found at **barclaysafrica.com**

Overview of governance

Our shared values guide the choices we make every day…

Summary

A comprehensive corporate governance framework is vital… it helps ensure that your investment in Barclays is protected, while at the same time recognising the interests of our wider stakeholders.

For your Board, 2016 was a year of continued focus on execution and managing through a period of change. Our Group Chief Executive Officer, Jes Staley, completed his first full year in the role and the momentum that has been achieved under his leadership over a relatively short period has been notable. During this time, he has articulated a clear strategy for the future and put together an executive management team that is focused on delivering that strategy and generating sustainable returns for our shareholders. A comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long-term sustainable performance. It helps ensure that your investment in Barclays is protected, while at the same time recognising the interests of our wider stakeholders.

Supporting strategy execution

The Board's agenda during 2016 was focused on overseeing and supporting executive management in delivering on Barclays' strategic objectives. You will read elsewhere in this report of the progress that has been made with the performance of our Core business, with the accelerated run-down of the Non-Core businesses and with the sell-down of our holding in Barclays Africa. As a Board, we also spent a considerable amount of our time on Structural Reform, in particular the project to separate our retail banking operations into an independent legal entity within the Barclays Group. This is a significant and far-reaching change to Barclays' operating structure. In tracking the progress of implementation, your Board debated the risks and challenges across the stakeholder spectrum, including the potential impacts on shareholders, employees, clients and customers. Structural Reform will also have a profound impact on the way in which the Barclays Board itself operates, especially in terms of how it interacts with the boards of the newly-established legal entities and with regard to talent management and succession planning for executive management and board appointments across the Barclays Group.

“Personal accountability is a central tenet of our culture, enabling us to achieve the highest standards of performance and deliver value for our customers and clients. It is also key to ensuring that trust finds its way back into banking and therefore underpins our long-term success.”

It is during such periods of transformational change that leadership and good governance are more important than ever. The challenge was heightened during 2016 by the result of the UK's referendum on its membership of the EU. Your Board spent time assessing Barclays' contingency plans and evaluating the potential impact of the UK exiting the EU on each of Barclays' businesses. This included the possible consequences for capital, operations and regulation, along with the impact for employees, clients and customers. Of course, the precise terms of the UK's exit from the EU and the long-term effects are not yet known and will only become clear over time. However, our strategy remains focused on building on our strengths as a transatlantic consumer, corporate and investment bank, anchored in the UK and the US.

Governance in Action

Sound corporate governance serves to support better decision-making and accountability throughout Barclays.

Greater detail about the work of your Board and its Committees may be found in our Directors' report on pages 49 to 133 of the Barclays PLC Annual Report 2016 and online at **home.barclays/annualreport**. You will find a series of case studies describing the role of the Board and its principal Committees in some of the significant issues we considered and decisions we took during 2016, including:

- preparing for Structural Reform and the material impact it will have on the way in which Barclays operates in future
- statutory auditor transition, to facilitate a smooth handover of responsibilities
- contingency planning for the UK's EU Referendum, a significant external business risk event both before and after the vote
- measuring cultural progress, providing challenge and support to management in its delivery of conduct, culture and value change

Culture, values and accountability

As Chairman, an important part of my role is to promote the highest standards of corporate governance in Barclays and to ensure that this is supported by the right culture, values and behaviours from the top down. The implementation in March 2016 of the UK's Senior Managers Regime introduced new regulatory standards for individual accountability and conduct, which align closely with our established purpose, culture and values. Personal accountability is a central tenet of our culture, enabling us to achieve the highest standards of performance and deliver value for our customers and clients. It is also key to ensuring that trust finds its way back into banking and therefore underpins our long-term success.

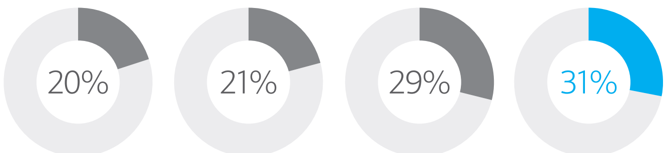
John McFarlane
Chairman

22 February 2017

Your Board

John McFarlane	Group Chairman
Jes Staley	Group Chief Executive; Executive Director
Mike Ashley	Non-executive Director
Tim Breedon	Non-executive Director
Mary Francis	Non-executive Director
Crawford Gillies	Non-executive Director
Sir Gerry Grimstone	Deputy Chairman and Senior Independent Director
Reuben Jeffery III	Non-executive Director
Tushar Morzaria	Group Finance Director; Executive Director
Dambisa Moyo	Non-executive Director
Diane de Saint Victor	Non-executive Director
Diane Schueneman	Non-executive Director
Steve Thieke	Non-executive Director

Board diversity – gender balance



31.12.2013	31.12.2014	31.12.2015	**31.12.2016**
3 Female 12 Male	3 Female 11 male	4 Female 10 Male	**4 Female** **9 Male**

For further information, see pages 39 to 133

Our shared values guide the choices we make every day…

Summary

A snapshot of how Barclays complies with the requirements of the UK Corporate Governance Code (the Code) is set out below.

Compliance with the UK Corporate Governance Code

Leadership

There is clear division of responsibilities between the Chairman, who runs the Board, and the Group Chief Executive, who runs the Group's business. Individual roles on the Board and their responsibilities are set out in Barclays' *Charter of Expectations*.

The Senior Independent Director, Sir Gerry Grimstone, provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to shareholders if they have concerns that have not been addressed through the normal channels.

The Board has set out Barclays' culture, values and behaviours in Barclays' *Purpose and Values* and *The Barclays Way*, which are embedded throughout the Group.

Directors are expected to provide rigorous and constructive challenge on matters that, owing to their strategic, financial or reputational implications or consequences, are considered significant to the Group.

Effectiveness

The skills, knowledge and experience needed for an effective Board are recorded on a skills matrix, which is used by the Board Nominations Committee to inform Director recruitment, induction and on-going development.

The composition of principal Board Committees meets the independence criteria of the Code and there is appropriate cross-membership to further promote effectiveness.

10 of 13 Directors are independent non-executive Directors (77%), while the Chairman was independent on appointment.

At the end of 2016, there were four women Directors (31%), compared to our target of 33% by 2020.

The Board Nominations Committee regularly considers Board and senior management succession plans.

Appointments to the Board are made via a formal, rigorous and transparent process, based on merit, taking into account the skills, experience and diversity needed on the Board in the context of Barclays' strategic direction.

All Directors are expected to commit sufficient time to fulfil their duties to Barclays. In 2016, Directors' attendance at scheduled Board meetings was 98% and across the scheduled Board Committee meetings was an average of 98%.

The Board assesses its effectiveness and that of its Committees and the individual Directors annually in a process that is externally facilitated by an independent third party.

Directors are subject to re-election each year by shareholders at the Annual General Meeting (AGM).

Barclays' *Charter of Expectations* sets out responsibilities for providing the Board with accurate, timely and high-quality information necessary for it to fulfil its duties.

Accountability

The Board is responsible for setting Barclays' risk appetite, i.e. the risks it is prepared to take in the context of achieving Barclays' strategic objectives.

Barclays' *Enterprise Risk Management Framework* is designed to identify and set minimum requirements in respect of the main risks to achieving the Barclays' strategic objectives and to provide reasonable assurance that internal controls are effective.

The Board conducts robust assessments of the principal risks facing Barclays, including those that would threaten its business model, future performance, solvency or liquidity.

The Directors also review the effectiveness of the Group's systems of internal control and risk management.

The Board has put in place processes to support the presentation to shareholders of fair, balanced and understandable information.

The Board Audit Committee, comprising independent non-executive Directors, oversees the effectiveness of Barclays' internal and external auditors.

Remuneration

The Board Remuneration Committee, comprising independent non-executive Directors, sets overarching Group remuneration policy and approves the remuneration arrangements of the Chairman, the executive Directors and other senior executives.

The Board Remuneration Committee seeks the views of Barclays' major shareholders on remuneration matters. This engagement is meaningful and contributes directly to the decisions it makes.

Barclays' reward framework is simple and transparent and is designed to support and drive business strategy and long-term success.

To ensure alignment with shareholder interests, a significant part of performance-related pay is delivered through Barclays' shares.

Unvested deferred remuneration is subject to malus. Clawback also applies to any variable remuneration awarded to PRA Material Risk Takers after 1 January 2015.

Engagement

The Chairman and Senior Independent Director, together with other Board representatives and the Company Secretary, hold meetings with investors focusing on corporate governance matters.

The Chief Executive and Group Finance Director present quarterly results briefings and the Group Finance Director holds briefings for equity and debt sellside analysts.

Regular engagement with Barclays' brokers ensures that the Group's strategy and performance is being communicated effectively and provides a better understanding of investor views.

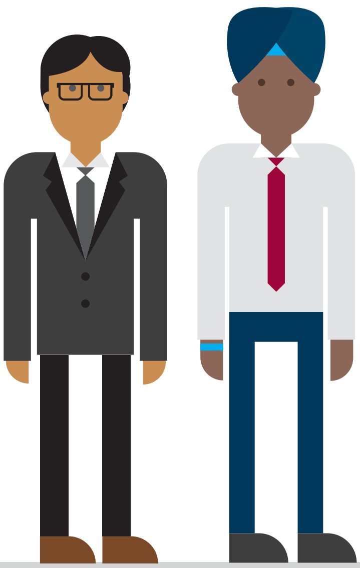
The Board receives feedback on investor relations activity, along with regular reports of changes in holdings of substantial shareholders and reports on share price movements.

A number of events are held throughout the year to maintain an open dialogue with investors, of which the AGM is the most important.

… and the energy, commitment and passion of our colleagues enhances our success…

Summary

We recognise that fostering the right culture at Barclays is critical to our success and we want to play a leading role in defining the future of banking, restoring trust and respect for our profession.



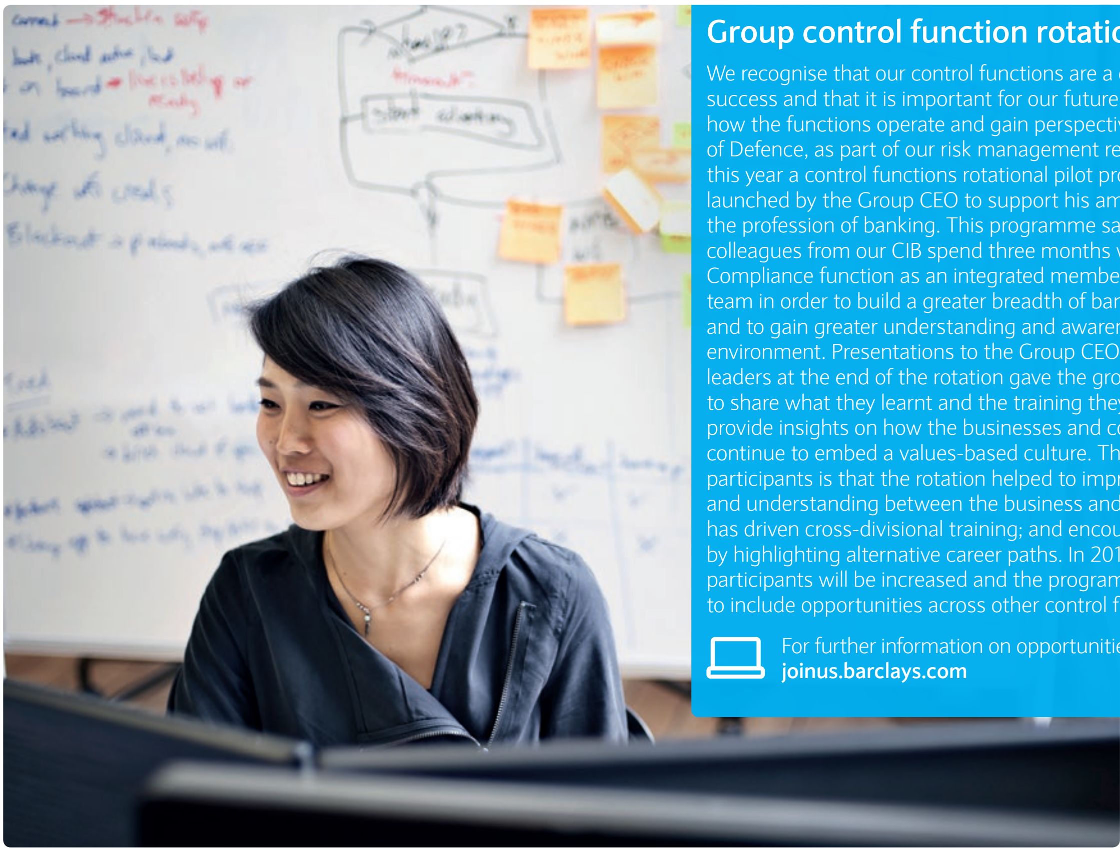
We are four years into a cultural change journey at Barclays and we have a clear set of values that guide how we work and how we act. We are continuing to make progress to further embed and sustain a values-based culture through initiatives aimed at strengthening the profession of banking. We recognise that fostering the right culture at Barclays is critical to our success and we want to play a leading role in defining the future of banking, restoring trust and respect for our profession. We have placed continued focus on the importance of a values-based culture and with that in mind, conduct, culture and values were established as part of our key strategic priorities for the year. Throughout 2016 we have launched a number of initiatives to foster the right culture at Barclays and we developed a culture measurement framework, anchored in our values, to measure and manage progress in embedding a values-based culture across the organisation. We also seek to share across different parts of the business the initiatives that are having a positive impact on our culture and engagement of our employees.

“Having constructive and empathetic conversations with customers reflect our continued focus on a values-based culture.”

To ensure we constantly review and reappraise to see what is working, in 2016 the annual Your View survey became a quarterly pulse survey (excluding Africa), providing colleagues the opportunity on a more regular basis to say what they are experiencing and how it feels to work at Barclays. In the third quarter of the year, we surveyed 50% of all colleagues and the remaining 50% were surveyed in the fourth quarter. Starting from 2017, each quarter, 25% of colleagues (excluding Africa) will be invited to take part in Your View.

The Your View results have continued to measure Sustainable Engagement and this year we have been provided with more regular snapshots. The quarterly results were then aggregated at the end of the year into an overall annual picture of engagement. At the end of 2016, Sustainable Engagement of our colleagues has remained stable year-on-year at 75%. The quarterly results of the Your View survey and the indicators and insights from our culture measurement framework help us to assess what we are doing well and guide and focus management action as required across our businesses and functions. Each quarter the results are analysed in depth and our senior leadership teams across the businesses and functions work to identify relevant actions that will continue to foster a culture that builds the Barclays of the future. The results from the Your View survey, and the insights from the quarterly indicators within the culture measurement framework, evidence that we continue to make strong progress in embedding a values-based culture across the bank.

‘Apply within’, our internal mobility programme, and the ‘Let’s talk about how’ performance management campaign, both launched this year, are initiatives that support the behaviours that underpin our values. The ‘Let’s talk about how’ campaign reinforces the importance that we place on both ‘what’ our employees deliver and ‘how’ they deliver. A new event launched this year, sponsored by the Group CEO, this was a step forward in developing the next generation of enterprise leaders who actively contribute towards rebuilding the profession of banking through their own leadership and their influence of others. By bringing together high potential senior leaders from across our businesses and functions we seek to strengthen collaboration and an enterprise-wide perspective amongst our senior leaders to deliver improved solutions and products for our customers and clients.



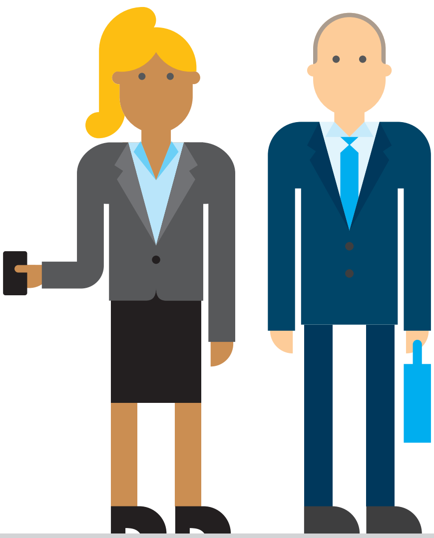
Group control function rotation

We recognise that our control functions are a critical part of our success and that it is important for our future leaders to understand how the functions operate and gain perspective of the Second Line of Defence, as part of our risk management responsibilities. In May this year a control functions rotational pilot programme was launched by the Group CEO to support his ambition to strengthen the profession of banking. This programme saw a group of colleagues from our CIB spend three months working in our Compliance function as an integrated member of the Compliance team in order to build a greater breadth of banking experience and to gain greater understanding and awareness of the control environment. Presentations to the Group CEO and other senior leaders at the end of the rotation gave the group the opportunity to share what they learnt and the training they received, as well as provide insights on how the businesses and control functions can continue to embed a values-based culture. The feedback from the participants is that the rotation helped to improve communication and understanding between the business and the control functions; has driven cross-divisional training; and encouraged internal mobility by highlighting alternative career paths. In 2017, the number of participants will be increased and the programme will be expanded to include opportunities across other control functions.

For further information on opportunities at barclays, see **joinus.barclays.com**

Our Wellbeing programme; Barclays Shared Growth Ambition which focuses on access to employment, access to financial and digital empowerment and access to financing; as well as the Conversation Framework and Empathy Diagnostic launched in Barclays UK to support colleagues in having constructive and empathetic conversations with customers, reflect our continued focus on a values-based culture that ensures we do the right thing for our customers and clients.

Tristram Roberts
Group Human Resources Director



Governance
People

Barclays PLC and Barclays Bank PLC remain strongly aligned in governance for the current year. In order to prepare for UK ring-fencing requirements the Group has begun reorganising the legal entity structure into the two clearly defined divisions of Barclays UK and Barclays International supported by the Group Service Company. In the future the Barclays UK division will be transferred to the ring-fenced bank and Barclays Bank PLC will continue to house the Barclays International division. The process to transfer operations to the Group Service Company has begun in 2016 and will continue in 2017 leading to some variances in staff numbers. However, Barclays PLC and Barclays Bank PLC remain comparable and the Governance section has been presented on this basis.

Culture and Values
We are four years into a cultural change journey at Barclays. Over this period we have defined a common set of values and embedded them across the organisation, ensuring they are recognised and understood by our employees. We recognise that fostering the right culture at Barclays is critical to our success and we have placed continued focus on the importance of a values based culture to the organisation. Early in 2016 conduct, culture and values was established as one of the strategic priorities for the year, and within that we have developed a culture measurement framework to manage and measure progress in embedding a values based culture across Barclays. This framework is anchored in our values and through quarterly indicators and insights we are able to assess what we are doing well and where we might need to focus attention and prioritise management action across our businesses and functions. The quarterly indicators and insights are presented to the Board Reputation Committee and the Group Executive Committee and shared with our senior leadership teams with a view to becoming an integral part of our regular management reporting so that we can ensure our priorities and decisions are focused in the right areas. The insights from the indicators and metrics within the culture measurement framework this year support the view that our ongoing efforts are having a positive impact in continuing to create a culture that will help us build the Barclays of the future.

Your View
Engagement of our employees is one of the key indicators of cultural health and we recognise the importance of listening to our colleagues and maintaining an open, two-way dialogue. The views of our colleagues shape the decisions we make, helping us create an environment in which colleagues want to work, and which in turn we believe will drive high performance. To ensure that we constantly review and reappraise to see what is working, in 2016, the annual Your View survey, our employee opinion survey, became a quarterly pulse survey (excluding Africa), providing colleagues the opportunity on a more regular basis to say how it feels to work at Barclays. In the third quarter of the year, we surveyed 50% of all colleagues and the remaining 50% were surveyed in the fourth quarter. Starting from 2017, each quarter 25% of colleagues (excluding Africa) will be invited to take part in Your View.

The Your View results have continued to measure Sustainable Engagement and this year we have been provided with more regular snapshots. The quarterly results were then aggregated at the end of the year into an overall annual picture of engagement. At the end of 2016 Sustainable Engagement of our colleagues has remained stable year-on-year at 75%. Areas of particular strength from the annual results include: colleagues feeling safe to speak up (81% favourable, up 6% points on 2015); colleagues feeling proud of the contribution Barclays makes to the community and society (88% favourable, up 3% points on 2015) and employees feeling respected regardless of their job (83% favourable, up 4% points on 2015). In addition, the commitment and discretionary effort of employees continues to be very high with 94% saying they believe they work beyond what is required of them to help Barclays succeed. Along with the insights from the quarterly indicators within the culture measurement framework, these results evidence that we continue to make strong progress in embedding a values based culture across the bank.

Leadership and Learning
Our leadership and learning solutions are underpinned by our values and are focused on supporting our colleagues to develop critical skills and capabilities. Both the Barclays Academy and our Global Curriculum provide colleagues with development resources, through a variety of formats and content. In 2016 our employees spent an average of 40 hours each on training in 2016 through formal programmes, in addition to having access to many other informal learning opportunities that are not captured through our learning management system.

We continue to assess candidate alignment to our values and Behaviours through our recruitment and promotion processes and we also ensure new joiners attend the 'Being Barclays' Global Induction programme, which provides an in-depth experience of the values. All colleagues are required to attest and demonstrate their understanding of expected behaviours through the Global Code of Conduct (The Barclays Way).

This year a new event was launched, sponsored by the Group CEO, to begin to develop the next generation of enterprise leaders who actively contribute towards rebuilding the profession of banking through their own leadership and their influence of others. By bringing together high potential senior leaders from across our businesses and functions we seek to strengthen collaboration and an enterprise wide perspective amongst our senior leaders to deliver improved solutions and products for our customers and clients.

We have continued to launch and refresh learning and leadership initiatives with particular focus on supporting the development of line managers. Examples include our Manager Excellence Programme, the iLead programme for high potential Directors, and the Senior Leadership Development programme in the Banking business. All our leadership development activities follow a common principle of leaders teaching leaders, creating opportunities for knowledge sharing across different parts of Barclays.

Early careers and apprenticeships
Barclays is committed to helping people achieve their ambitions when they enter the world of work whether they are a young person entering the workplace for the first time or an experienced professional seeking to develop new skills. Barclays Early Careers proposition includes graduate, internship and apprenticeship programmes and in 2016 we hired over 750 interns and 700 graduates. Since 2012 we have created over 3,000 apprenticeships. We provide pathways for progression from apprentice to graduate supported by recognised qualifications and, in doing so, help to create an internal talent pipeline.

The ambition in 2016 for our apprenticeship programmes was to widen accessibility and ensure our programmes are fully inclusive. We expanded our Bolder Apprenticeship Programme, targeting long-term unemployed adults over the age of 24, and we also piloted our Able to Enable Programme targeting the long term unemployed who have a disability. These programmes, along with our place on the UK Government's Apprenticeship Delivery Board, reflect our commitment to tackling societal issues and attracting diverse talent. Throughout 2016 we have continued to receive external recognition for our apprenticeship programmes.

We have transformed the way we recruit for our EMEA Internship and Graduate programmes to deliver an improved candidate experience and to ensure that we are assessing candidates against the right skills and qualities. This recruitment process helps to drive diversity and inclusion as students are able to demonstrate ability and potential throughout the process so that recruitment outcomes are based on performance and not on the basis of academic grades, universities attended and previous work experience. This year in the Americas we rolled out our first 'Sophomore Springboard' programme aimed at preparing a diverse range of students for an internship in their junior year. This was the first phase of a two year strategy to identify diverse talent early on.

Industrial relations

Barclays has a long-standing partnership approach to industrial relations and we value the relationships we have with over 30 trade unions, works councils and staff associations around the world. Within the UK we have a formal partnership with Unite which has been in place for over 15 years and is one of the longest standing partnerships in the UK. Throughout 2016, we have continued to have regular, constructive dialogue with employee representatives on a wide range of topics that impact our employees in order to seek their feedback prior to implementation. Regional consultation forums have also provided a platform for bringing together and engaging employee representatives on a wide range of topics that affect the interests of our employees.

Managing change

Where restructuring is necessary to support our strategy, we have consulted on proposals with our recognised trade unions or employee forums and impacted employees, prior to implementation. In line with our values and to ensure we treat all colleagues with respect, we seek to avoid compulsory redundancies wherever possible and we try to find ways in which we can achieve this during consultation. We continue to place significant emphasis on both voluntary redundancy programmes as well as internal redeployment through our 'Internals First' programme. Internals First supports colleagues who have been impacted by change and provides individual support to ensure that we retain talent within Barclays. In 2016, over 1,000 colleagues registered for Internals First support and we redeployed 32% of them within Barclays. Throughout 2016, colleagues have attended Internals First careers and networking events and opted for outplacement support services. When an employee does leave Barclays as a consequence of restructuring, our commitment is to ensure that they are given the best support for the next stage in their career. To achieve this, Barclays provides a global career transition service which offers personalised advice and support for employees placed at risk of redundancy.

We also hope to keep in touch with former colleagues through the Barclays Global Alumni Programme which provides a platform for current and former employees to connect with Barclays and one another through global networking events, monthly e-newsletters and access to career opportunities.

Internal Mobility

During 2016 internal mobility has been a key focus. Being able to attract and retain talented individuals, as well as provide them with the opportunity to take control of their career and development at Barclays is one of our most important ambitions. Our aim is that by supporting internal mobility across Barclays and making it simple and easy for colleagues to move internally, we are successfully retaining and developing our internal talent. To promote this and provide colleagues with opportunities to broaden their experience, the Group CEO launched 'Apply Within', our internal mobility programme, early in 2016. We have developed multiple tools and resources for colleagues to find new internal career opportunities and for managers to find and assess suitable internal candidates. Global careers fairs, the Barclays Mentoring Tool and enhancements to the 'My Career' online portal, which was launched in 2015, are part of the campaign. Thousands of colleagues have visited the 'My Career' portal this year to update career profiles, upload CVs and import LinkedIn profiles and our Resourcing teams have sought to match vacant roles to colleagues' skills and aspirations. We have increased our internal recruitment percentage to 48% (excluding Africa).

Wellbeing

By actively supporting employees to be healthy and happy, we will deliver better outcomes for colleagues, for Barclays and for society. Our global wellbeing programme 'Be Well' launched in 2015 and has focused on health education, a Global Speaker Series, health risk identification, prevention and management as well as new leadership and management programmes to help line managers support colleagues. The insights developed this year through our wellbeing programme help to identify themes and areas to focus on in 2017.

Performance Management

Barclays approach to performance management is key to enabling the delivery of our strategy and to continue to embed a values-based culture. Colleagues align their objectives ('what' they will deliver) to business and team goals to support the delivery of our strategy and good customer outcomes. Behavioural expectations ('how' they will achieve their objectives) are set in the context of our values. This year we have enhanced the focus on balancing the 'what' and the 'how' through the launch of our 'Let's talk about how' campaign to remind colleagues that 'how' they achieve their objectives is just as important as 'what' they achieve. Both the campaign and the 'Values in Action' framework provide tools and resources for colleagues to bring to life the behaviours that underpin our values and to enhance the quality of performance reviews.

Our global recognition programme provides colleagues the opportunity to recognise the outstanding achievements of those who have demonstrated our values. We continue to see a year-on-year increase in the number of colleagues receiving a values 'Thank You' message from a fellow colleague, with over 250,000 sent in 2016.

Colleagues are also encouraged to be involved with the company's performance by participating in our all-employee share plans, which have been running successfully for over 10 years. Further details of our approach to remuneration are included in the Barclays PLC Annual Report 2016 Remuneration Report on pages 105 and 107.

Barclays regularly updates employees regarding the financial and economic factors affecting the company's performance throughout the year, using a variety of communications channels. These include CEO and senior leader communications, line manager briefing packs, video interviews and talking points which are distributed to employees every quarter to coincide with Barclays' financial reporting calendar. They are all designed to build awareness and understanding of Barclays' results and the broader macroeconomic environment, and to drive dialogue. We also hold a variety of events for employees to hear directly from the CEO and the Group Executive Committee and to ask them questions.

We have recently introduced an 'Ask the Experts' communication which gives perspectives from across the bank on what Barclays' results mean and how they are received by different stakeholders. Flagship campaigns are released to all employees each quarter, covering topics such as wellbeing, recognition and dynamic working to raise awareness of the tools being introduced to help them develop their careers at Barclays and to provide them with the opportunity to understand and engage in employee initiatives. Colleagues are also kept informed through regular intranet and email updates about the progress Barclays is making across activity such as Diversity and Inclusion and Performance Management.

Employees are invited to share their opinion on what it is like to work at Barclays through regular interactive events with senior leaders. These events provide employees with the opportunity to discuss their perspective on a range of areas to help senior management understand what is working well and where we need to improve. Any changes that are implemented as a result of colleague feedback are communicated through leadership briefings and engagement initiatives across each business and function.

Diversity and Inclusion

Barclays' global Diversity and Inclusion (D&I) strategy establishes objectives, initiatives and plans across each of five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational. As an organisation we remain focussed on increasing the diversity of our employees and by continuing to foster an inclusive culture we seek to ensure that employees of all backgrounds are treated equally and have the opportunity to be successful.

In recognition of this in 2016 we have continued to develop opportunities to attract and retain a diverse pipeline of talented employees across the bank. This year we have launched new initiatives including our 'Encore!' Returnship Programme which offers leadership development and training opportunities to professionals who have taken a career break and are looking to re-enter the workforce. Also launched in 2016 is our Able to Enable apprenticeship initiative which targets the long term unemployed who have a disability. Working with Remploy and by providing a bespoke, supportive selection process, which includes a 13 week development experience, we hope to provide opportunities for this population.

In June we announced enhancements to our US Leave of Absence policies for Childcare and Military Leave, supporting our commitment to creating a diverse and inclusive environment through policies that help employees successfully integrate their profession and personal lives.

Providing leadership development to ensure we are continuing to build an inclusive work environment is paramount to our diversity strategy and in 2016 our Unconscious Bias Training, previously delivered to over 8,000 senior leaders, was deployed to our junior populations with over 1,900 attending workshops to date.

We always have more to do, but are pleased when our progress towards greater inclusion is recognised. During 2016, we continued to receive national and international recognition from respected organisations such as the Business Disability Forum in the UK, Human Rights Campaign in the US and Community Business for our achievements, citing our D&I work as innovative, robust and sustainable.

Gender

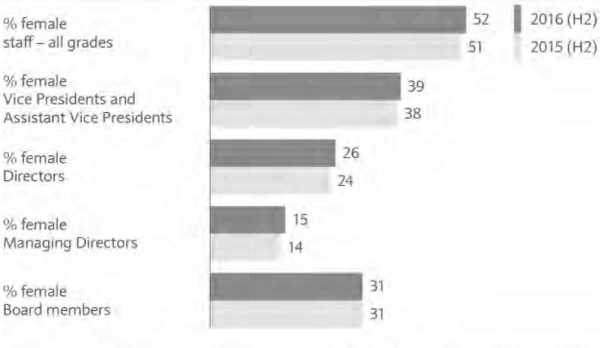
Sustaining progress towards increasing female representation at all levels across Barclays remains a core focus of our talent management and leadership succession processes. Across our organisation and the financial services industry we hope to see more females in senior roles and we are determined to enable women to fulfil their career aspirations. As referenced in the Barclays PLC Annual Report 2016 Board Nominations Committee section on pages 77-83 we revised our Board Diversity Policy in 2015 to reflect our new target of minimum 33% female representation on our Board by 2020. Our Board membership currently has 31% female representation, reflecting that we are on track to meet our 2020 target.

As a founding signatory of the HM Treasury Women in Leadership Charter and supporter of the Hampton-Alexander Review we proactively set gender targets and at the end of 2016 female representation across the senior leadership population stood at 24% representing the third consecutive year-on-year increase and progress towards our 2018 Women in Leadership goal of 26%. In line with the recommendations from the Hampton-Alexander Review, from 2017, we will publish the combined number of women on the Group Executive Committee and in the direct reports to the Executive Committee. At the end of 2016 female representation across this population stood at 25%. We will also use the review output to inform the update of our Women in Leadership targets.

At all levels our gender pipeline has continued to strengthen thanks to extensive programmes which focus on building capability and capacity, such as our Global Women in Leadership conference with over 5,000 colleagues participating, the 'Encore!' Returnship Programme and the number of female graduate hires we have made increasing from 31% in 2014 to 39% in 2016. The Barclays Women's Initiatives Network (WiN) also provides targeted development and networking opportunities such as group mentoring, careers fairs, and events helping to connect both junior and senior colleagues from across the organisation.

Recognising our efforts, we were invited to be a corporate IMPACT champion by the United Nations in their HeForShe campaign on gender equality. Internally we have asked colleagues to show their support by pledging a specific commitment that will contribute to gender parity. Since launching HeForShe, 60% of new members are male and many are now taking a more visible role as mentors and sponsors, helping to contribute towards gender diversity and greater inclusion. Staying at the vanguard of good practice requires sustained commitment and we value independent assessment that allows us to calibrate our approach. For the ninth year running, we were pleased to be included in The Times Top 50 Workplaces for Women in the UK, and for the fourth successive year to be named in 'Working Mother' 100 Best Companies in the US.

Female representation



Above shows the positive change in female representation within Barclays from 2015 (H2) to 2016 (H2)

LGBT

An inclusive culture is vital for colleagues to have the freedom and choice to bring their whole selves to work. Enabling that culture are our Spectrum Allies- colleagues who are committed to inclusion and equality. By educating others and visibly supporting equality, allies help to make LGBT colleagues, friends and family feel safer and more comfortable in leading their lives. The Spectrum Allies campaign has identified nearly 7,000 colleagues globally as LGBT allies in 2016.

'#nofilter' was the theme of Pride in London 2016, which we were proud to be the headline sponsor of for the third consecutive year. More than 1,100 colleagues, leaders, friends and family came together for Pride in London and hundreds of colleagues marched at the head of the parade in June. Events for our colleagues, customers and clients took place throughout June to celebrate Pride month, and a partnership between the BUK Marketing Team and Thomson Reuters resulted in a successful social media campaign, including over 10,000 downloads of the Pride in London smartphone application, in which Barclays' 'nofilter' advert was highlighted.

Barclays ATM messaging conveyed our advocacy for IDAHOBIT (International Day Against Homophobia, Biphobia and Transphobia) and for World Aids Day, £ for £ matching augmented colleague fundraising for organisations leading on the treatment and prevention of HIV and Aids.

Independent recognition reflects the sustained impact of our global work. Stonewall continue to name us as one of just eight 'Star Performer' organisations seen as leaders globally. Role-model colleagues were this year recognised in the Financial Times OUTstanding list of 100 LGBT business leaders, and in the Pride Power List. Awards simply serve to motivate us to continue to shape our culture so that colleagues really can bring their whole selves to work. Through the Your View survey we provide colleagues with the opportunity to identify as being LGBT, with 3% of colleagues identifying as being LGBT in 2016.

Disability

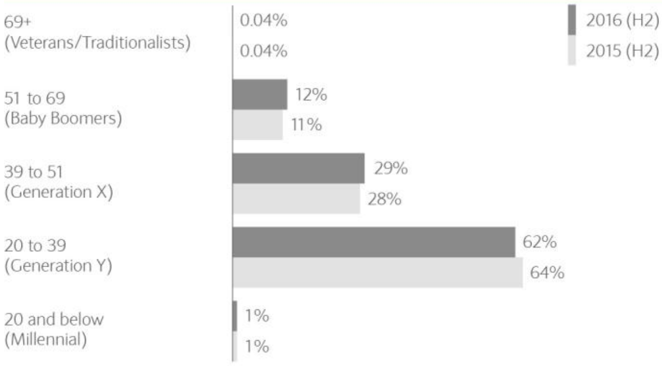
Our aspiration to become 'the most accessible bank' remains firm. Progressing our aim, this year in partnership with the Lord Mayor of the City we expanded our internal campaign, 'This Is Me', into the City of London to encourage other organisations to join in eliminating the stigma associated with mental health issues. Over 70 organisations have already signed up for 'This is Me in The City'.

Through our corporate accessibility portal, we have now made our learning on accessibility and inclusion available for any organisation.

We give continued to give full and fair consideration to applications from candidates who may have a disability. Our people processes ensure all colleagues can progress their careers, with comprehensive training and development including our Disability Confident eLearning, and through tailored and needs-based workplace adjustments where relevant. This year we reviewed our Workplace Adjustment process to make it simpler and easier for colleagues and our Adjustment Passport outlines colleagues' reasonable adjustments to eliminate the need for colleagues to inform new line managers and to increase the ease of internal mobility. Employees who become disabled during their employment with us can access a full range of services and support ensuring we retain their talent.

Our efforts were recognised when Barclays achieved 98% in the Business Disability Forum's world-renown Disability Standard – the highest ever score awarded to any organisation since the introduction of the Disability Standard in 2004.

Multigenerational



Above shows the different generations working at Barclays and the percentage change over 2015 (H2) and 2016 (H2)

We benefit from the diverse perspectives of employees from five generations and need to ensure our workplace is inclusive for all. Dynamic Working, our signature campaign relevant to colleagues every life stage with the strapline of 'how do your work your life', is encouraging the integration of personal and professional responsibilities through smarter work patterns.

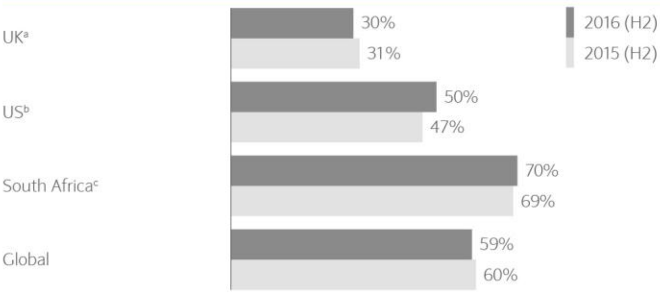
As an example of our commitment to colleagues in different life stages, we are one of the eight founding members in the Equality and Human Rights Commissions (EHRC) Working Forward campaign that aims to make British workplaces the best they can be for pregnant women and working mothers. Our Working Families network is supporting the campaign by running integration workshops for returners from parental and adoption leave.

The Emerge network supports colleagues early in their career or new to financial services and the multigenerational composition of our workforce. This year a global reverse mentoring programme was launched with over 200 successful reverse mentoring partnerships established. Our Bolder Apprentice Programme continues to grow and our Returnship programmes, both in the UK and US, are proving to be successful.

Changing careers is also important, which is why our Armed Forces Transitioning, Employment and Rehabilitation (AFTER) programme continued to see ex-military talent join our company, or be supported to gain relevant work-ready skills. Since the programme began in 2010 AFTER has assisted over 4,000 veterans in employment transition, we have hired nearly 400 ex-military talent and over £4m has been donated to military charities to assist wounded and injured personnel in employment transition. Meanwhile, our 'LifeSkills' programmes continue to prepare young people for their first steps into the world of work.

Working Families UK recognised Barclays for best embedded workplace flexibility through our Dynamic Working campaign. In Singapore, we won the Most Empowering Company for Mums award by the National Trades Union Congress, while in the US we were included in the '100 Best Companies for Working Mothers'. In the UK, our approach to talent attraction was recognised by Working Mums as well as by Business In the Community.

Multicultural



Above shows the percentage of underrepresented populations that make up our global and regional populations. Note that underrepresented populations are defined regionally to ensure inclusion with all groups in the workplace

a UK includes Asian, Mixed, Black, Other and Non-disclosed.
b US includes Hispanic/Latino, Asian, Mixed, Black, Other and Non-disclosed.
c South Africa includes African, Indian, Coloured, Other, and Non-disclosed.

Barclays global footprint makes multicultural inclusion imperative. Fostering cross-cultural connections is enabled by Embrace our multicultural network. Through the year Embrace has partnered with leaders and engaged colleagues across our global community to host discussions to gain insight and ideas on how we can better serve our multicultural customers and clients. Embrace also helped us mark important cultural and religious calendar dates throughout 2016 such as Diwali and Eid, creating communications and events to bring to life the rich multicultural diversity of our people. Day to day, this diversity is enabled by, for example, dedicated quiet rooms in many of our larger sites for prayer and reflection, and by serving halal and kosher food in our canteens.

Barclays Apprenticeship Programme reflects our commitment to recruit a diverse workforce. Since the programme launched in 2012, we have recruited over 3,000 apprentices who are considered NEET (Not in Education, Employment or Training). 30% identify as Black, Asian and Minority Ethnic, which is 19% higher than the national apprenticeship average of 11%. In addition, 43% of our apprentices are from a disadvantaged area, as defined by the Department of Education. Through this scheme we are making a positive impact on both youth unemployment and social mobility.

Ensuring Black, Asian and Minority Ethnic (BAME) female entrepreneurs can sustain and develop their businesses has been a shared focus via our partnership with the UK Women's Business Council, and in 2016 we also supported the Black British Business Awards to celebrate the achievements of BAME leaders in the UK. The multicultural profile of the organisation was acknowledged externally with senior leader role models recognised in the top 100 inaugural 'UPstanding Executive Power List' of BAME leaders in the UK and US and in the Powerlist an annual publication of Britain's most influential people of African and African Caribbean heritage.

Permanent Employees by region

	2016	2015	2014
United Kingdom	40,700	49,000	48,600
Continental Europe	3,200	7,400	9,900
Americas	9,700	10,600	10,900
Africa and Middle East	42,700	43,600	44,700
Asia Pacific	1,800	18,800	18,200
Total	98,100	129,400	132,300

Gender Breakdown

Under the Companies Act 2006, Barclays is also required to report on the gender breakdown of our employees and 'senior managers'. Of the workforce of 98,100 (45,100 male, 53,000 female), 635 were senior managers (445 male, 190 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.

Directors' report

The Directors present their report together with the audited accounts for Barclays Bank PLC (the 'Company') for the year ended 31 December 2016.

Section 414A of the Companies Act requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information which fulfils this requirement can be found on pages 1 to 42.

The Company 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.

The particulars of important events affecting the Company since the financial year end can be found in note 27 and note 44. An indication of likely future developments may be found in the Strategic Report.

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

Profits and dividends

The Group operates through branches, offices and subsidiaries in the UK and overseas. The results of the Group show a profit after tax of £3,729m (2015: £1,238m). The Group had net assets of £70,955m at 31 December 2016 (2015: £66,019m). The profit attributable to Barclays PLC, the Company's parent, for the year 2016 amounted to £3,324m (2015: £911m).

Barclays PLC will pay a final dividend in respect of 2016 of 2.0p per ordinary share on 5 April 2017 to shareholders on the share register on 3 March 2017. The Company will pay a dividend to Barclays PLC in order to fund the external dividend payment. The Directors recommend a dividend of no more than £320m to satisfy this requirement. Further details on total dividends on ordinary shares paid during 2016 are set out in Note 11 to the accounts. Dividends paid on preference shares for the year ended 31 December 2016 amounted to £339m (2015: £343m). As at 31 December 2016, the distributable reserves of the Company were £25,834m.

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 Company which may result in restrictions on the transfer of securities or voting rights. Further information on the Company's share capital can be found on pages 275 to 277.

Repurchase of shares

The Company did not repurchase any of its ordinary shares during 2016 (2015: none). On 15 June 2016, the 46,000,000 Series 4 US Dollar preference shares of US$0.25 nominal value each were redeemed in full at the option of the Company. On 15 September 2016, the 30,000,000 Series 2 US Dollar preference shares of US$0.25 nominal value each were redeemed in full at the option of the Company.

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 of Association. No shares were issued or bought back in 2016. The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2016 AGM. It will be proposed at the 2017 AGM that the Directors be granted new authorities to allot and buy-back shares.

Directors

The Directors of the Company are listed on page 51. The Directors' interests in shares are set out on page 129 of the Remuneration Report in Barclays PLC's Annual Report and Financial Statements. The membership of the Board of Directors of Barclays PLC and Barclays Bank PLC are identical. Changes to Directors during the year and up to the date of signing this report are set out below.

Name	Role	Effective date of appointment/resignation
Sir Gerald (Gerry) Grimstone	Non-executive Director	Appointed 1 January 2016
Mary Francis	Non-executive Director	Appointed 1 October 2016
Wendy Lucas-Bull	Non-executive Director	Retired 1 March 2016
Frits van Paasschen	Non-executive Director	Retired 28 April 2016

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 2016 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 Company 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 2016 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 Barclays Bank UK Retirement Fund.

Similarly, qualifying pension scheme indemnities were in force during 2016 for the benefit of Directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Limited Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), 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.

Environment

Barclays focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. We focus 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 on (i) financing solutions for the lower carbon economy (ii) environmental risk management and (iii) management of our carbon and environmental footprint in the Barclays Environmental, Social and Governance (ESG) Supplement available on our website at home.barclays.com/citizenship.

	Reporting Year[a] 2016	Reporting Year[b] 2015	Reporting Year[c] 2014	Reporting Year[d] 2013
Global GHG Emissions				
Total CO2e (tonnes)[e]	678,412	712,916	830,668	968,781
Scope 1 CO2e emissions (tonnes)[f]	46,571	56,642	49,994	58,176
Scope 2 CO2e emissions (tonnes)[g]	538,783	520,098	655,426	723,993
Scope 3 CO2e emissions (tonnes)[h]	93,059	136,176	125,248	186,612
Intensity Ratio[i]				
Total Full Time Employees (FTE)	119,300	129,400	132,300	139,600
Total CO2e per FTE (tonnes)	5.69	5.51	6.28	6.94
Scope 2 Market based emissions (tonnes)[j]	596,198			

Notes

a 2016 Reporting Year covers Q4 2015 and Q1, 2, 3 of 2016. The carbon reporting year is not fully aligned to the financial reporting year covered by the Director's report.

b 2015 Reporting Year covers Q4 2014 and Q1, 2, 3 of 2015.

c 2014 Reporting Year covers Q4 2013 and Q1, 2, 3 of 2014.

d 2013 Reporting Year covers Q4 2012 and Q1, 2, 3 of 2013.

e 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. We also capture consumption from properties which are yet to be consolidated by Barclays and as such Barclays still are responsible for the utility cost

f Scope 1 covers direct combustion of fuels and company owned vehicles (from UK and South Africa only, which is the most material contributors). Fugitive emissions reported in Scope 1 for 2013 – 2016 cover emissions from Americas, Asia-Pacific and South Africa. Scope 1fugitive emissions excludes the UK whilst we amend our governance procedures in the UK, Business travel is reported in Scope 1.

g Scope 2 covers emissions from electricity and steam purchased for own use. Scope 2 emissions are using location based emission factors. Please see Note j below for Scope 2 Market Based emissions

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

i Intensity ratio calculations have been calculated using location based emission factors only

j Scope 2 Market Based emissions have been reported for 2016 only.

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 64 to 75 and 83 to 140.

Change of control

There are no significant agreements to which the Company is a party that are affected by a change of control of the Company following a takeover bid. There are no agreements between the Company 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 reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the external auditors for non-audit services and the balance of audit and non-audit fees paid to them. More details on this can be found in Note 42 to the accounts.

During 2015 Barclays undertook an external audit tender in conformance with the auditor rotation requirements of the final statutory audit services order published by the UK's Competition and Markets Authority. At the conclusion of the audit tender process the Board Audit Committee recommended to the Board the appointment of KPMG LLP. KPMG LLP have been appointed as the Group's auditor with effect from the 2017 financial year onwards.

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 Company'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 Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Going concern

The Group's business activities, financial position, capital, 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 are discussed in the Strategic Report and Risk Management section.

The Directors considered it appropriate to prepare the financial statements on a going concern basis.

Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report set out on page 187, 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 Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared group and individual accounts in accordance with IFRS as adopted by the EU. The accounts are required by law and IFRS to present fairly the financial position and performance of the Company and the Group for that period. The Companies Act 2006 provides, in relation to such accounts, that

Directors' report

references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 190 to 197, and the additional information contained on pages 198 to 316, 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 Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors' responsibilities Statement

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors have a 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 and functions are set out on page 51, confirm to the best of their knowledge that:

(a) 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 the Company and the undertakings included in the consolidation taken as a whole; and

(b) The management report, which is incorporated in the Directors' Report on pages 48 to 50 includes a fair review of the development and performance of the business and the position of the Company 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

Claire Davies
Company Secretary
22 February 2017

Barclays Bank PLC
Registered in England, Company no: 1026167

Directors and Officers

Current Directors and Officers

John McFarlane – Group Chairman

Executive Directors
Jes Staley – Group Chief Executive
Tushar Morzaria – Group Finance Director

Non-Executive Directors
Mike Ashley
Tim Breedon
Mary Francis
Crawford Gillies
Sir Gerry Grimstone - Deputy Chairman
Reuben Jeffery III
Dambisa Moyo
Diane de Saint Victor
Diane Schueneman
Stephen Thieke

Group Executive Committee		Appointed to position
Ashok Vaswani	Chief Executive Officer, Barclays UK	2012
Bob Hoyt	Group General Counsel	2013
Michael Roemer	Group Head of Compliance	2014
Tristram Roberts	Group Human Resources Director	2015
Amer Sajed	Chief Executive Officer, Barclaycard International	2015
C.S. Venkatakrishnan	Chief Risk Officer	2016
Paul Compton	Group Chief Operating Officer	2016
Tim Throsby	President, Barclays International Chief Executive Officer, Corporate and Investment Bank	2017

Company Secretary		Appointed to position
Claire Davies	Secretary	2016

Risk review
Contents

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.

For a more detailed breakdown of our Risk Performance and Risk Management contents please see pages 63 to 146.

Risk review
Contents

Risk review
Material existing and emerging risks

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

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 material risks listed below are for Barclays PLC which includes the Barclays Bank PLC Group.

This section describes the material risks to which senior management pay particular attention, which they believe could cause the future results of the Group's operations, financial condition and prospects to differ materially from current expectations. These expectations include the ability to pay dividends, maintain appropriate levels of capital and meet capital and leverage ratio targets, and achieve stated commitments as outlined in the Strategic Report. In addition, risks relating to the Group that are not currently known, or that are currently deemed immaterial, may individually or cumulatively have the potential to materially affect the future results of the Group's operations, financial condition and prospects.

Material risks and their impact are described below in two sections: i) risks which senior management believe are likely to affect more than one Principal Risk; and ii) risks which senior management believe are likely to impact a single Principal Risk An 'emerging risk' is a risk that has the potential to have a significant detrimental effect on the Group's performance, but currently the outcome and the time horizon for the crystallisation of its possible impact is more uncertain and more difficult to predict than for other risk factors that are not identified as emerging risks. A revised ERMF was approved by the Board in December 2016. This includes a revised risk taxonomy comprising eight Principal Risks (Model Risk, Reputation Risk and Legal Risk were not previously classified as Principal Risks). Additional detail on ERMF and Principal Risks may be found on pages 64.

Additional detail on the management of risks may be found in Barclays' Approach to Managing Risk in the Barclays PLC 2016 Pillar 3 Report.

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

i) Structural reform

The UK Financial Services (Banking Reform) Act 2013 (the UK Banking Reform Act) and associated secondary legislation and regulatory rules require all UK deposit-taking banks with over £25bn of deposits (from individuals and small businesses) to separate certain day-to-day banking activities (e.g. deposit-taking) offered to retail and smaller business customers from other wholesale and investment banking services.

Through the creation of Barclays' ring-fenced bank, the Group will ensure that core deposits placed within the European Economic Area (EEA) are ring-fenced to meet the requirements of the legislation by 2019. The implementation of these changes involves a number of risks which include:

- The Group must restructure its intra-group and external capital, funding and liquidity arrangements to meet regulatory requirements and support business needs. The changes will impact the sources of funding available to the different entities, including preventing the non ring-fenced bank's access to certain categories of deposit funding. These changes may result in higher funding costs.
- The changes to the Group structure may negatively impact the assessment made by credit rating agencies and creditors. The risk profile and key risk drivers of the ring-fenced bank and the non
- ring-fenced bank will be specific to the activities and risk profile of each entity. As a result different Group entities are likely to be assessed differently and this may result in differences in credit ratings. Changes to the credit assessment at the Group or individual entity level, including the potential for ratings downgrades and ratings differences across entities, could impact access and cost of certain sources of funding.
- Implementation of ring-fencing introduces a number of execution risks. Technology change could result in outages or operational errors. Legal challenge to the ring-fence transfer scheme may delay the transfer of assets and liabilities to the ring-fenced bank. In particular, the setup of the Group Service Company as a separate legal entity servicing both trading entities (i.e. ring-fenced bank and non ring-fenced bank) will require a number of intra-group service level agreements to be established and agreed between the Group Service Company and the trading entities and will require the Group to set up a new approach to manage, fund and deliver the activities that will be provided by this entity. Delayed delivery could increase reputational risk or result in regulatory non-compliance. Uncertain customer preference (for placement in the ring-fenced or non ring-fenced bank) may results in changes to design and implementation plans.
- At the European level, structural reform regulation is still being developed as highlighted by the European Union proposal issued in November 2016 for Intermediate Holding Companies. The impact of final rules on Barclays' businesses is still to be assessed once European regulation is finalised. Final rules will need to be considered alongside EU Referendum implications. The implementation date for these proposals will depend on the date on which any final legislation is agreed.
- There is a risk that Barclays does not meet regulatory requirements across the new structure. Failure to meet these requirements 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, credit ratings, and/or financial condition.

ii) Business conditions, general economy and geopolitical issues

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

The Group offers a broad range of services including to retail, institutional and government customers, in a large number of countries. The breadth of these operations means that deterioration in the economic environment, or an increase in political instability in countries where the Group is active, or in any other systemically important economy, could adversely affect the Group's performance and prospects.

For the Group, a deterioration of conditions in its key markets could affect performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity, or indirectly, a material adverse impact on GDP growth in significant markets and therefore on Group performance; (ii) higher levels of default rates and impairment; (iii) mark to market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; and (iv) lower levels of fixed asset investment and productivity growth overall.

Global growth is expected to remain modest in 2017, with low single digit growth in advanced economies alongside a slowdown in emerging markets. This moderate economic performance, lower commodity prices and increased geopolitical tensions mean that the distribution of risks to global economic activity continues to be biased to the downside. Commodity prices, particularly oil prices, remain depressed, but could fall further if growth in demand remains weak or supply takes longer than expected to adjust. At the same time, countries with high reliance on commodity-related earnings have already experienced a tightening of financial conditions. A sustained period of low prices risks triggering further financial distress, default and contagion, for our customers, their suppliers and local communities, and resulting losses for Barclays.

Moreover, sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is significant concern around the ability of authorities to manage growth whilst transitioning towards services. A stronger than expected slowdown could result if authorities fail to appropriately manage the end of the investment and credit-led boom, while the consequences from a faster slowdown would flow through both financial and trade channels into other economies, and affect commodity markets.

Whilst tightening of monetary policy by the US Federal Reserve was not as pronounced as expected during 2016, a moderate increase in activity is expected during 2017, the increasing divergence of policies between major advanced economies risks triggering further financial market volatility. Changes to interest rate expectations could ignite further volatility and US dollar appreciation, particularly if the US Federal Reserve were to increase interest rates faster than markets currently expect. Emerging markets have already seen growth slow following increased capital outflows, but growth may slow further if tighter US interest rate policy drives further reallocation of capital.

In several countries, reversals of capital inflows, as well as fiscal austerity, have already caused deterioration in political stability. This could be exacerbated by a renewed rise in asset price volatility or sustained pressure on government finances. In addition, geopolitical tensions in some areas of the world, including the Middle East and Eastern Europe are already acute, and are at risk of further deterioration.

In the US, the policy platform of the new administration is expected to be clarified during the early part of2017. There is the possibility of significant changes in policy in sectors including trade, healthcare and commodities which may have an impact on associated Barclays' portfolios. Proposed policy changes (including tax-cuts and significant infrastructure spending) are likely to result in higher global growth, further reinforcing the move towards global reflation. Political change may increase uncertainty as to regulatory trends, both in the US and the EU. See pages 154.

In the UK, the vote in favour of leaving the EU has given rise to political uncertainty with attendant consequences for investment and confidence. See vi) EU Referendum on page 56.

iii) Change and execution risk

The Group continues to drive changes to its functional capabilities and operating environment in order to allow the business to exploit emerging and digital technologies, and improve customer experience whilst also embedding enhanced regulatory requirements, strategic realignment, and business model changes. The complexity, increasing pace, and volume of changes underway simultaneously mean there is heightened execution risk and potential for change not being delivered to plan.

Failure to adequately manage this risk could result in extended outages and disruption, financial loss, customer detriment, legal liability, potential regulatory censure and reputational damage.

iv) Risks arising from regulation of the financial services industry

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. For further information on regulations affecting the Group, including significant regulatory developments, please see the section on Supervision and Regulation on page 147.

a) Regulatory change

The Group, in common with much of the financial services industry, remains 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). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements. As a result, regulatory risk will remain a focus for senior management 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 not to expand in areas despite otherwise attractive potential.

b) Changes in prudential requirements, including changes to CRD IV

The Group's results and ability to conduct its business may be negatively affected by changes or additions to supervisory and prudential expectations, including in relation to any minimum requirements for own funds and eligible liabilities, leverage or liquidity requirements, applicable buffers and/or add-ons to such minimum requirements and RWA calculation methodologies all as may be set by international, EU or national authorities from time to time (including, for example, through changes being proposed to the CRD IV framework).

Changes to or additional supervisory and prudential 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, amongst other things, 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); changing the Group's business mix or exiting other businesses; and/or undertaking other actions to strengthen the Group's position. See Treasury and Capital Risk on pages 70 and Supervision and Regulation on pages 147 for more information.

c) Market infrastructure reforms

Financial market infrastructure is subject to extensive and increasing regulation in many of the Group's markets. The derivatives market has been the subject of particular focus across the G20 countries, requiring the clearing of standardised derivatives and the mandatory margining of non-cleared derivatives. More broadly, the recast Markets in Financial Instruments Directive in Europe (MiFID II) will fundamentally change the framework for market infrastructure, the Benchmarks Regulation will regulate the use of benchmarks in the EU, and regulation governing Central Securities Depositories will increase the requirements upon participants in the financial markets.

It is possible that these additional regulations, and the related expenses and requirements, will increase the cost of and therefore impact willingness of participation in the financial markets.

d) Recovery and resolution planning
In recent years, there has been a strong regulatory focus on 'resolvability' from regulators globally, and Barclays continues to work with the relevant authorities to identify and address potential impediments to the Group's resolvability. As part of this work, the Group is required to submit formal Recovery and Resolution Plan (RRP) submissions to UK, US and South African regulators describing Barclays' strategy for recovery and rapid and orderly resolution. These submissions are evaluated by regulators on the basis of both qualitative and quantitative metrics, the specifics of which may become more rigorous over time.

Should the relevant authorities in any jurisdiction ultimately determine that a resolution plan were not credible or would not facilitate an orderly resolution, Barclays or its subsidiaries could be made subject to more stringent capital, leverage or liquidity requirements, or restrictions on growth, activities or operations. The potential structural changes that may be required to address such a determination may negatively impact the financial or competitive position or results of operations of the Group, as well as increase the risk that the Group would be unable to maintain appropriate prudential ratios or be restricted from making intra group or external capital contributions.

e) Stress testing
The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the BoE, the EBA, the FDIC, the FRB and the SARB. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital and liquidity management processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's or certain of its members' business model, data provision, stress testing capability and internal management processes and controls. The stress testing requirements to which the Group and its members are subject are becoming increasingly stringent, including in the US where the newly sub-consolidated operations and BUSL will be stress-tested and examined under the FRB's annual CCAR programme for the first time in 2017. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group, could result in the Group being required to enhance its capital position, limit capital distributions or position capital in specific subsidiaries. For more informationon stress testing, please see Supervision and Regulation on pages 147.

v) Regulatory action in the event of a bank failure
As described under 'Supervision of the Group—Regulation in the EU and UK — Recovery and Resolution developments' on page 148. UK resolution authorities have the right under certain circumstances to intervene in the Group pursuant to the stabilisation and resolution powers granted to them under the Banking Act and other applicable legislation.

If any of the powers conferred on the BoE were to be exercised, or there were an increased risk of exercise, in respect of the Group or any entity within the Group, this might result in a material adverse effect on the rights or interests of shareholders and creditors including holders of debt securities and 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 or associated rights including, 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 the value of their investment in the Group's issued securities.

vi) EU referendum
The UK held a referendum on 23 June 2016 on whether it should remain a member of the EU. This resulted in a vote in favour of leaving the EU. The result of the referendum means that the long-term nature of the UK's relationship with the EU is unclear and there is uncertainty as to the nature and timing of any agreement with the EU on the terms of exit. In the interim, there is a risk of uncertainty for both the UK and the EU, which could adversely affect the economy of the UK and the other economies in which we operate. The potential risks associated with an exit from the EU have been carefully considered by the Board and include:

Market risk
- Potential for continued market volatility (notably FX and interest rates) given political uncertainty which could affect the value of Trading Book positions.

Credit risk
- Increased risk of a UK recession with lower growth, higher unemployment and falling UK house prices. This would likely negatively impact a number of Barclays' portfolios, notably: higher Loan-to-Value home loans, UK unsecured lending including cards and Commercial Real Estate exposures.

Operational risk
- Changes to current EU "Passporting" rights: the UK's withdrawal from the EU may result in the loss of cross-border market access rights which would require Barclays to make alternative licensing arrangements in EU jurisdictions in which Barclays continues to operate.
- Uncertainty over UK's future approach to EU freedom of movement will impact Barclays' access to the EU talent pool, decisions on hiring from the EU of critical roles and rights to work of current Barclays non-UK EU citizens located in the UK and UK citizens located in the EU.

Legal risk
- The legal framework within which Barclays operates could change and become more uncertain as the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation. Certainty of existing contracts, enforceability of legal obligations and uncertainty around the outcome of disputes may be affected until the impacts of the loss of the current jurisdictional arrangements between UK and EU courts and the universal enforceability of judgements across the EU, are fully known (including the status of existing EU case law.

Treasury and capital risk
- Potential for credit spread widening and reduced investor appetite for Barclays debt issuance, which could negatively impact the cost of and/or access to funding. Potential for continued market volatility could affect Interest Rate Risk in the Banking Book, as well as securities held by Barclays for liquidity purposes.
- Changes in the long-term outlook for UK interest rates might also adversely affect UK Pension IAS19 liabilities.

Material existing and emerging risks

vii) Impairment

The introduction of the impairment requirements of IFRS 9 Financial Instruments, due to be implemented on 1 January 2018, is expected to result in higher impairment loss allowances that are recognised earlier, on a more forward looking basis and on a broader scope of financial instruments than is the case under IAS 39. Measurement will involve increased complexity, judgement and is expected to have a material financial impact and impairment charges will tend to be more volatile. Unsecured products with longer expected lives, such as revolving credit cards, are expected to be most impacted. The capital treatment on the increased reserves is the subject of ongoing discussion with regulators and across the industry, but there is potential for significant adverse impact on regulatory capital ratios. In addition, the move from incurred to expected credit losses has the potential to impact the Group's performance under stressed economic conditions or regulatory stress tests. For more information please refer to Note 1 Significant Accounting Policies on pages 200 to203.

Barclays has a jointly accountable risk and finance implementation and governance programme with representation from all impacted departments. During 2016, work continued on the design and builds of impairment models, systems, processes, governance, controls and data collection and continues to be refined during 2017. During 2017, there is a planned parallel run which includes continued model, process and output validation, testing, calibration and analysis.

There will be three different layers of impairment committees. In addition to the existing Group and Business level committees, Legal Entity committees for BUK and BI will also be in place. Committees will be chaired by the Chief Risk Officer (CRO), with joint accountability by both CROs and Chief Finance Officers (CFOs) for signing off the results. The new IFRS 9 impairment committee structure, with underlying key controls, is expected to be in operation from Q2 2017. There will also be a Scenarios Management Committee which will comprise of the CFO, the CRO, the Head of Research and the Head of the Independent Scenarios Team. This will be the senior governance body to review and approve the scenario process. The scope of review will include the scenarios and scenario narratives, the core set of macroeconomic variables and any management overlays. The Scenario Management Committee will attest that the scenarios adequately account for the non-linearity and asymmetry of the loss distribution. Reported results and key messages will be communicated to the Board Audit Committee and Risk Executive Committee, who will have oversight roles and provide challenge of key assumptions, including the basis of the scenarios adopted.

Material existing and emerging risks by Principal Risk

Credit risk

The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour fully their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.

The Group may suffer financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. The Group may also suffer loss when the value of its 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 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, and loans held at fair value.

i) Deterioration in political and economic environment

The Group's performance is at risk from deterioration in the political and economic environment (see also 'Business conditions, general economy and geopolitical issues' on pages 54) which may result from a number of uncertainties, including the following:

a) Specific regions

Adverse impacts on customers' ability to service debt and may result in result in higher impairment charges for the Group.

United Kingdom

Following the EU referendum on 23 June 2016 (see EU Referendum on page 56), the UK may experience a period of political and economic uncertainty throughout the negotiation period during which exit options are hard to fully and accurately predict. The initial impact has been the depreciation of Sterling resulting in higher costs for companies exposed to imports and a more favorable environment for exporters. Rising domestic costs resulting from higher import prices may impact household incomes and the affordability of consumer loans and home loans. In turn this may affect businesses dependent on consumers for revenue. There has also been a reduction in activity in both commercial and residential real estate markets which has the potential to impact value.

United States

A significant proportion of the Group's portfolio is located in the US, including a major credit card portfolio and a range of corporate and investment banking exposures. Stress in the US economy, weakening GDP, rising unemployment and/or an increase in interest rates could lead to increased levels of impairment.

Emerging Markets

Slower growth in China continues to affect a number of emerging economies, particularly those with high fiscal deficits and those reliant on short-term external financing and/or material reliance on commodity exports. Their vulnerability has been further impacted by the fall, and sustained volatility in oil prices, the strong US dollar and the winding down of quantitative easing policies by some central banks. The impact on the Group may vary depending on the vulnerabilities present in each country, but the impact may result in increased impairment charges through sovereign defaults, or the inability or unwillingness of clients and counterparties in that country to meet their debt obligations.

South Africa

The negative economic outlook in South Africa continues, with a challenging domestic and external economic environment and ongoing political uncertainty. Real GDP growth remains low resulting in these domestic and global factors impacting credit quality across our portfolios. In the retail sector, concerns remain over the level of consumer indebtedness and affordability, particularly as interest rates rise.

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

To the extent that central banks increase interest rates in certain developed markets, particularly in our main markets, the UK and the US, they are expected to be small and gradual in scale during 2017, albeit following differing timetables. Recent increases in interest rates occurred in the US with a 0.25% rise in December 2015 and the same rise in December 2016. Whilst further increases may support Group income, future interest rate increases, if larger or more frequent than expectations, could cause stress in the loan portfolio and underwriting activity of the Group. This would be particularly applicable to non-investment grade lending, leading to the possibility of the Group incurring higher impairment. Higher credit losses driving an increased impairment allowance would most notably impact retail unsecured and secured portfolios as a result of a reduction in recoverability and value of the Group's assets, coupled with a decline in collateral values.

Interest rate increases in developed markets may also negatively impact emerging economies, as capital flows to mature markets to take advantage of the higher returns and strengthening economic fundamentals.

ii) Specific sectors

The Group is subject to risks arising from changes in credit quality and recovery rate of loans and advances due from borrowers and counterparties in a specific portfolio. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector. The following are areas of uncertainties to the Group's portfolio which could have a material impact on performance.

a) UK property

With UK property representing a significant portion of the overall UK Corporate and Retail credit exposure, the Group is at risk from a fall in property prices in both the residential and commercial sectors in the UK. Strong house price growth in London and the South East of the UK, fuelled by foreign investment, strong buy-to-let (BTL) demand and subdued housing supply, has resulted in affordability metrics becoming stretched. Average house prices as at the end of 2016 were more than 7.9 times average earnings.

However, the recent EU referendum has had a negative impact on home loans applications due to the increased uncertainty in the UK housing market, with ongoing concerns regarding the potential for falling house prices, particularly in London and the South East. Further, a weakening economy would impact the home loans portfolio as costs rise off the back of higher interest rates and customers are impacted by inflationary affordability pressures. Potential losses would likely be most pronounced in the higher Loan to Value (LTV) segments as falling house prices lead to higher impairment and negative capital impact as loss given default (LGD) rates increase.

b) Natural resources

Despite limited recovery in oil and commodities prices, the risk of losses and increased impairment is more pronounced where leverage is higher, or in sectors currently subject to strain, notably oil and gas, mining and metals and commodities. Sustained oil price depression from its recent high continues and is driven by ongoing global excess supply. The positioning of these portfolios focuses on investment grade customers or collateralised positions. Continued stress in this market does have the potential to further increase credit losses and impairment where a decline in the value of oil impacts both customer revenue and the value of our underlying collateral.

c) Large single name losses

The Group has large individual exposures to single name counterparties. The default of 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, increased credit losses and higher impairment charges.

d) Leverage finance underwriting

The Group takes on significant sub-investment grade underwriting exposure, including single name risk, particularly in the US and Europe. The Group is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for the Group or an increased capital requirement should there be a need to hold the exposure for an extended period.

Market risk

The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

Increased uncertainty across global markets from such factors as an unexpected slowdown in global economic growth, sudden changes in monetary policy, unexpected foreign exchange volatility, especially if accompanied by a significant deterioration in the depth of marketplace liquidity (emerging risk).

The trading business model is focused on client facilitation in wholesale financial markets, ranging from underwriting of debt and equity on behalf of issuers, to acting as a market maker in exchange-traded and over-the-counter products, to providing risk management solutions.

The Group's trading business is generally adversely exposed to a prolonged period of elevated asset price volatility, particularly if it negatively affects the depth of marketplace liquidity. Such a scenario could impact the Group's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include having to absorb higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

Treasury and capital 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 downgrades; iv) adverse changes in foreign exchange rates on capital ratios; v) negative interest rates; and vi) adverse movements in the pension fund.

i) Inability to maintain appropriate prudential 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 capital requirements including any additional capital add-ons or the requirements set for regulatory stress tests; increased cost of funding due to deterioration in investor appetite or 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. While the requirements in CRD IV are now in force in the UK, further changes to regulatory capital requirements could occur, whether as a result of: (i) further changes to EU legislation (for example, expected implementation of Bank of International Settlements (BIS) regulatory update recommendations through CRD V, etc); (ii) relevant binding regulatory technical standards updates by the European Banking Authority (EBA); (iii) changes to UK legislation; (iv) changes to PRA rules; (v) additional capital requirements through Financial Policy Committee (FPC) recommendations; or (vi) changes to international accounting standards (IFRS). Such changes, either individually and/or in aggregate, may lead to further unexpected additional requirements in relation to the Group's regulatory capital. For example, during 2016, the European Commission proposed substantial changes to the CRD IV framework (including CRR) in line with internationally-agreed standards. These include changes to the regulatory definition of trading activity, standardised and advanced RWA calculation methodologies for market risk and new standardised RWA rules for counterparty credit risk. The proposal also includes phase-in arrangements for the regulatory capital impact of IFRS9 and the ongoing interaction of IFRS9 with the regulatory framework. The Basel Committee has continued its post-crisis work on RWA and leverage reform. Further standards are expected during the course of 2017 on RWAs for credit risk and operational risk, limitations on the use of internal models for RWA purposes and possible floors based on standardised RWAs. The implementation timeframe for these changes is not yet certain.

Additional prudential requirements may also arise from other regulatory reforms, including UK, EU and US proposals on bank structural reform and current proposals for 'Minimum Requirement for own funds and Eligible Liabilities (MREL) under the EU Bank Recovery and Resolution Directive (BRRD). Included within these reforms are the Bank of England's latest responses to consultation and statement of policy on MREL requirements for UK banks which were published in November 2016 and which remain subject to further changes.

Many of the expected regulatory proposals are still subject to finalisation, with calibration and timing of implementation still to be determined, and there is potential for the impacts to be different from those originally expected when in final form. Overall, it is likely that these changes in law and regulation will have an impact on the Group as they are likely, when implemented, to require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased prudential requirements may also constrain the Group's planned activities, require balance sheet reductions and could increase the Group's costs, impact the Group's earnings and restrict the Group's ability to pay dividends. Moreover, if combined with a period of market dislocation or when there is significant competition for the type of funding that the Group needs, it may be more difficult and/or costly to increase the Group's capital resources.

ii) Inability to manage liquidity and funding risk effectively

Failure to manage its liquidity and funding risk effectively may result in the Group either not having sufficient financial resources 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) Credit rating changes and the impact on funding costs

A credit rating assesses the creditworthiness of the Group, its subsidiaries and branches, and is based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, asset quality, earnings, funding, liquidity, accounting and governance. Any adverse event to one or more of these attributes may lead to a downgrade, which in turn could result in contractual outflows to meet contractual requirements on existing contracts. Furthermore, outflows related to a multiple-notch credit rating downgrade are included in the LRA stress scenarios and a portion of the liquidity pool is held against this risk. There is a risk that any potential 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 please refer to Credit Ratings in the Liquidity Risk Performance section on page 73.

iv) Adverse changes in foreign exchange rates on capital ratios

The Group has capital resources, risk weighted assets and leverage exposures denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the sterling equivalent value of these items. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements, and any failure to appropriately manage the Group's balance sheet to take account of foreign currency movements could result in an adverse impact on regulatory capital and leverage ratios.

v) Negative interest rates

A fall in interest rates leading to an environment with negative nominal interest rates would adversely impact Group profitability as retail and corporate business income would decrease due to margin compression. This is because the significant reduction in asset income would not be offset by a reduction in cost in liabilities due to the presence of a floor in our customer deposit and savings rates which are typically set at positive level of rates.

vi) Adverse movements in the pension fund

Adverse movements between pension assets and liabilities for defined benefit pension schemes could contribute to a pension deficit. The liabilities discount rate is a key driver 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 and/or credit spread environment. Inflation is another significant risk driver to the pension fund, as the liabilities are adversely impacted by an increase in long-term inflation expectations. However in the long term, inflation and rates risk tend to be negatively correlated and therefore partially offset each other.

Operational risk

The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

The Group is exposed to many types of operational risk. These include: fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group's business); systems failures or an attempt by an external party to make a service or supporting technological infrastructure unavailable to its intended users, known as a denial of service attack; and the risk of geopolitical cyber threat activity which destabilises or destroys the Group's information technology, or critical technological infrastructure the Group depends upon but does not control. The Group is also subject to the risk of business disruption arising from events 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. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers. 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

Material existing and emerging risks

systems are sufficient to address, or could adapt promptly to, such changing risks to avoid the risk of loss.

i) Cyber risk

The risk posed by cyber attacks is growing, with financial institutions being a primary target of increasingly capable cyber crime groups, as demonstrated by sophisticated targeted attacks against global payment networks throughout 2016. The increased maturity of online marketplaces for criminal services and stolen data has reduced barriers to entry for criminals perpetrating financial attacks which carry high reward and low risk of law enforcement prosecution.

The cyber threat increases the inherent risk to the Group's data (whether it is held by the Group or in its supply chain), to the integrity of financial transactions of the Group, its clients, counterparties and customers, and to the availability of the Group's services. Failure to adequately manage this risk, and to continually review and update processes, could result in increased fraud losses, inability to perform critical economic functions, customer detriment, potential regulatory censure and penalty, legal liability and reputational damage.

ii) Infrastructure and technology resilience

The failure of the Group's and its suppliers' technology infrastructures remain a material risk driver for the Group. The increased use of technologies to support business strategy, and customer and client demand, means any failures will be felt more immediately and with greater impact.

Failure to adequately manage resilience in our technologies, real-estate, and business and suppliers' processes, may result in disruption to normal service which could in turn result in significant customer detriment, cost to reimburse losses incurred by our customers, potential regulatory censure or penalty, and reputational damage.

iii) Ability to hire and retain appropriately qualified employees

The Group requires a diverse mix of highly skilled and qualified colleagues to deliver its strategy and so is dependent on attracting and retaining appropriately qualified and experienced individuals. Barclays' ability to attract and retain such talent is impacted by a range of external and internal factors.

External regulation such as the introduction of the Individual Accountability Regime and the required deferral and claw back provisions of our compensation arrangements may make Barclays a less attractive proposition relative to both our international competitors and other industries. Similarly, the impact of the planned exit of the UK from the EU could potentially have an impact on our ability to hire and retain key employees.

Failure to attract or prevent the departure of appropriately qualified employees who are dedicated to overseeing and managing current and future regulatory standards and expectations, or who have the necessary skills required to deliver the Group strategy, could negatively impact our financial performance, control environment, level of employee engagement and may result in disruption to service which could in turn lead to customer detriment and reputational damage.

iv) Tax risk

The Group is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. There is a risk that the Group could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice or by failing to manage its tax affairs in an appropriate manner. The Group also faces emerging risks from domestic and international tax developments. For example, the OECD's Base Erosion and Profit Shifting ("BEPS") project, and the implementation of its recommendations into domestic law in countries around the world, has the potential to significantly increase the compliance burden on the Group, as well as to increase the incidence of double taxation on the Group as a result of different countries adopting different interpretations and approaches to the BEPS recommendations.

v) 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 provisions for conduct and legal, competition and regulatory matters, fair value of financial instruments, credit impairment charges for amortised cost assets, impairment and valuation of available for sale investments, and accounting for pensions and post-retirements benefits. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in significant loss to the Group, beyond what was anticipated or provided for.

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) sectors, which are measured 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 unobservable 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. For further information refer to Note 17 Fair value of financial investments etc of the Group's consolidated financial statements.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group.

vi) Outsourcing

The Group depends on suppliers for the provision of many of our services, though the Group continues to be accountable for risk arising from the actions of such suppliers. Failure to monitor and control our suppliers could potentially lead to client information, or our critical infrastructures and services, not being adequately protected.

The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on our ability to continue to provide services that are material to the Group.

Failure to adequately manage outsourcing risk could result in increased losses, inability to perform critical economic functions, customer detriment, potential regulatory censure and penalty, legal liability and reputational damage.

vii) Data quality

The quality of the data used in models across Barclays has a material impact on the accuracy and completeness of our risk and financial metrics. The evolution of complex modelling underpinning risk decisions, forecasting and capital calculations, demands greater precision in our data. Failure to manage data standards accordingly may have a material adverse effect on the quality of our risk management.

viii) Operational precision and payments

The risk of material errors in operational processes, including payments, are exacerbated during the present period of significant levels of structural and regulatory change, the evolving technology landscape, and a transition to digital channel capabilities.

Material operational or payment errors could disadvantage our customers, clients or counterparties and could result in regulatory censure and penalties, legal liability and reputational damage.

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Barclays uses models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, or meeting reporting requirements.

Models are imperfect and incomplete representations of reality, and so they may be subject to errors affecting the accuracy of their outputs. Models may also be misused. Model errors or misuse may result in the Group making inappropriate business decisions and being subject to financial loss, regulatory risk, reputational risk and/or inadequate capital reporting.

Conduct risk

The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

Barclays is committed to ensuring that positive customer and client outcomes and protecting market integrity are integral to the way the firm operates. This includes taking reasonable steps to ensure our culture and strategy are appropriately aligned to these objectives; our products and services are reasonably designed and delivered to meet the needs of our customers and clients, as well as maintaining the fair and orderly operation of the markets in which we do business.

Certain other risks referenced herein may result in detriment to customers, clients and market integrity if not managed effectively. These include but are not limited to: cyber risk; infrastructure and technology resilience; ability to hire and retain qualified people; outsourcing; data quality; operational precision and payments; regulatory change; structural reform; change and execution risk; and the exit of the UK from the EU.

i) Execution of strategic divestment in non-core businesses

As Barclays executes strategic decisions to exit products, businesses or countries, the firm must consider and mitigate any potential detriment to customers, clients and market integrity. There is a risk some customers and clients may have reduced market access and a limited choice of alternative providers, or transitions to alternate providers could cause disruptions. There is also a risk the firm's strategic divestments may impact market liquidity or result in adverse pricing movements. In connection with any country exits, there is a risk that any ongoing cross-border activities into those countries are not conducted in accordance with local laws and regulations. The crystallisation of any of these risks could cause detriment to customers, clients and market integrity, as well as regulatory sanctions, financial loss and reputational damage.

ii) Product governance and sales practices

Effective product governance, including design, approval and periodic review of products, and appropriate controls over various internal and third-party sales channels are critical to ensuring positive outcomes for customers and clients. In particular, Barclays must ensure that its remuneration practices and performance management framework are designed to prevent conflicts of interest and inappropriate sales incentives. Failure of product governance and sales controls could result in the sale of products and services that fail to meet the needs of or are unsuitable for customers and clients, regulatory sanctions, financial loss and reputational damage.

iii) Trading controls and benchmark submissions

Maintaining controls over trading activities and benchmark submissions is critical to ensuring the trust of our customers, clients and other market participants. These controls must be designed to ensure compliance with all applicable regulatory requirements, as well as to prevent market manipulation, unauthorised trading and inadvertent errors. A failure of these controls could result in detriment to customers and clients, disruptions to market integrity, regulatory sanctions, financial loss and reputational damage. The risk of failure could be enhanced by the changes necessary to address various new regulations, including but not limited to the Markets in Financial Instruments Directive II.

iv) Financial Crime

The management of Financial Crime remains a key area of regulatory focus. Delivering a robust control environment to ensure that the Bank effectively manages the risks of Money Laundering, Terrorist Financing, Sanctions and Bribery and Corruption protects the Bank, its customers and its employees, as well as society at large, from the negative effects of financial crime. Failure to maintain an effective control environment may lead to regulatory sanctions, financial loss and reputational damage.

v) Data protection and privacy

The proper handling of data and protection of data privacy is critical to developing trust and sustaining long-term relationships with our customers and clients. Inadequate protection of data (including data held and managed by third party suppliers) could lead to security compromise, data loss, financial loss and other potential detriment to our customers and clients, as well as regulatory sanctions, financial loss and reputational damage. The risk of failure could be enhanced by the changes necessary to address various new regulations, including but not limited to the EU Data Protection Initiative.

vi) Regulatory focus on culture and accountability

Various regulators around the world have emphasised the importance of culture and personal accountability in helping to ensure appropriate conduct and drive positive outcomes for customers, clients and markets integrity. Regulatory changes such as the new UK Senior Managers Regime and Conduct Rules coming into effect in 2017, along with similar regulations in other jurisdictions, will require Barclays to enhance its organisational and operational governance to evidence its effective management of culture and accountability. Failure to meet these new requirements and expectations may lead to regulatory sanctions, financial loss and reputational damage.

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Climate change, human rights and support for the defence sector

Material existing and emerging risks

Any one transaction, investment or event that, in the perception of key stakeholders reduces their trust in the firm's integrity and competence, may have the potential to give rise to risk to Barclays reputation. Barclays' association with sensitive sectors is often an area of concern for stakeholders and the following topics have been of particular interest:

Fossil fuels: As the Paris agreement on CO_2 emissions comes into force, banks are coming under increased pressure from civil society, shareholders and potentially national governments regarding the management and disclosure of their climate risks and opportunities, including the activities of certain sections of their client base;

Human Trafficking: The UK Modern Slavery Act came into force in October 2015 and with the scrutiny of global business investments rising, the risks of association with human rights violations are growing within the banking sector, through the perceived indirect involvement in human rights abuses committed by clients and customers. Campaigners have been seeking to hold all parties in the value chain to account for environmental and human rights violations where they occur; and

Defence Sector: Supporting the manufacture and export of military and riot control goods and services continues to require significant review internally in order to ensure compliance with all relevant requirements and to avoid reputational damage.

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and breaches of legislation and/or regulations 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 authorities have increasingly investigated past practices, pursued alleged breaches and imposed heavy penalties on financial services firms. This trend is expected to continue. A breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure, fines and other sanctions in the jurisdictions in which it operates, particularly in the UK and the 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. Other legal disputes may also arise between the Group and third parties relating to matters such as breaches, 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 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 matters specifically described in Note 28, the Group is engaged in various other legal proceedings in the UK and US and a number of other overseas jurisdictions which arise in the ordinary course of business. The Group is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Group is or has been engaged. The Group is keeping all relevant agencies briefed as appropriate in relation to these matters on an ongoing basis. 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, amongst 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 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, in connection with such matters the Group may incur significant expense, regardless of the ultimate outcome, and any 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 operations 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; loss of investor confidence and/or dismissal or resignation of key individuals.

In January 2017, Barclays PLC (BPLC) was sentenced to serve three years of probation from the date of the sentencing order in accordance with the terms of its May 2015 plea agreement with the DOJ. During the term of probation BPLC must, amongst other things, (i) commit no crime whatsoever in violation of the federal laws of the United States, (ii) implement and continue to implement a compliance programme designed to prevent and detect the conduct that gave rise to the plea agreement and (iii) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. Potential consequences of breaching the plea agreement include the imposition of additional terms and conditions on the Group, an extension of the agreement, or the criminal prosecution of BPLC, which could, in turn, entail further financial penalties and collateral consequences and have a material adverse effect on the Group's business, operating results or financial position.

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. A decision in any matter, either against the Group or another financial institution facing similar claims, could lead to further claims against 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 64 to 155.

More detailed information on how Barclays manages these risks can be found in Barclays PLC 2016 Pillar 3 Report.

Risk review

Risk management

Barclays' risk management strategy

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 material risks listed below are for Barclays PLC which includes the Barclays Bank PLC Group.

Introduction

Barclays engages in activities which entail risk taking, every day, throughout its business. This section introduces these risks, and outlines key governance arrangements for managing them. These include roles and responsibilities, frameworks, policies and standards, assurance and lessons learned processes. The Group's approach to fostering a strong Risk Culture is also described.

Enterprise Risk Management Framework (ERMF)

The Group has clear risk management objectives and a strategy to deliver them through core risk management processes. The ERMF sets the strategic direction by defining clear standards, objectives and responsibilities for all areas of Barclays. It supports the CEO and CRO in embedding effective risk management and a strong Risk Culture.

The ERMF sets out:

- Principal Risks faced by the group
- Risk Appetite requirements
- Roles and responsibilities for risk management
- Risk Committee structure.

A revised ERMF was approved by the Board in December 2016. This includes a revised risk taxonomy comprising eight Principal Risks. Credit, market, funding, operational and conduct risk have been aligned to this new taxonomy and the management of these risks has not materially changed. Model risk, reputation risk and legal risk are newly classified as Principal Risks in the latest version of the ERMF, reflecting the heightened importance of these risk types in the current environment. In 2016, Model Risk was managed under the ERMF. These policies supplemented the key risk control framework underlying the financial risk types and applied to all businesses and functions in which financial risks were incurred or managed. Reputation risk was considered as part of conduct risk and legal risk was included as a sub-risk type under operational risk. In this Annual Report, the Risk Management sections (page 64) follow the new Principal Risk taxonomy of eight risks, reflecting our current approach to risk management. The Risk Performance sections (page 82) follow the Principal Risk taxonomy (of five risks) which prevailed during 2016. Information on reputation risk performance in 2016 is included as part of the Conduct Risk section, information on legal risk performance in 2016 can be found in the Material Existing and Emerging Risks section (page 54), the Supervision and Regulation section (page 147) and Note 29 to the Financial Statements (page 271). The definition of the Three Lines of Defence and associated responsibilities were also revised. The ERMF also contains a revised governance structure, including new Group and Business Risk committees, with representation from the first and second lines of defence.

Principal Risks

The ERMF identifies Principal Risks and sets out responsibilities and risk management standards. Note that Legal, Reputation and Model risks are Principal Risks from January 2017 following Board approval in December 2016.

Financial Principal Risks:

- Credit risk: The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables
- Market risk: The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations
- Treasury and capital risk: This comprises:
  - Liquidity risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets
  - Capital risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans
  - Interest rate risk in the banking book: The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities

Non-Financial Principal Risks:

- Operational risk: The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.
- Model risk: The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports
- Reputation risk: The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public
- Conduct risk: The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct
- Legal risk: The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements

Risk Appetite for the Principal Risks

Risk Appetite is defined as the level of risk which the firm is prepared to accept in the conduct of its activities. The Risk Appetite of the firm:

- specifies the level of risk we are willing to take and why, to enable specific risk taking activities
- considers all Principal Risks individually and, where appropriate, in aggregate
- communicates the acceptable level of risk for different risk types; this may be expressed in financial or non-financial terms, and is measured and effectively monitored
- describes agreed parameters for the firm's performance under varying levels of financial stress with respect to profitability
- is considered in key decision-making processes, including business planning, mergers and acquisitions, new product approvals and business change initiatives.

Risk Appetite is approved and disseminated across legal entities and businesses, including by use of Mandate and Scale limits to enable and control specific activities that have material concentration risk implications for the firm. These limits also help reduce the likelihood and size of one-off losses. The Risk Appetite must be formally reviewed on at least an annual frequency in conjunction with the Medium Term Planning (MTP) process and approved by the Board.

Risk management

Barclays' risk management strategy

Roles and responsibilities in the management of risk – the Three Lines of Defence

All colleagues have a responsibility to contribute to the risk management of the group. These responsibilities are set out in the "Three Lines of Defence". In 2016 these definitions were simplified. Regardless of their function, all teams who manage processes in the

- identifying all the risks in the activities in which they are engaged, and developing appropriate policies, standards and controls to govern their activities
- operating within any and all limits which the Risk and Compliance functions establish in connection with the Risk Appetite of the firm
- escalating risk events to senior managers and Risk and Compliance.

Internal controls are critical to running a cost-effective and stable business. To ensure these controls remain strong, sustainable, and efficient the new strategic position of Chief Controls Officer has been created. The Chief Controls Office will help to maintain and enhance an effective and consistent control framework across the organisation.

The first line must establish their own policies and controls (subject to the Controls Framework of the firm), particularly with respect to operational activities, and require their colleagues to manage all controls to specified tolerances. These control-related activities are also considered First Line and are permitted so long as they are within any applicable limits established by Risk or Compliance. All activities in the first line are subject to oversight from the relevant parts of the second and third lines.

Second Line of Defence:
Employees of Risk and Compliance comprise the Second Line of Defence. The role of the Second Line is to establish the limits, rules and constraints under which first line activities shall be performed, consistent with the Risk Appetite of the firm, and to monitor the performance of the First Line against these limits and constraints.

The Second Line may not establish limits for all First Line activities, especially those related to Operational Risk. The controls for these will ordinarily be established by Controls Officers operating within firm are responsible for designing, implementing, remediating, monitoring and testing the controls for those processes.

First Line of Defence:
The First Line comprises all employees engaged in the revenue generating and client facing areas of the firm and all associated support functions, including Finance, Treasury, Technology and Operations, Human Resources etc. Employees in the first line are responsible for:
the Controls Framework of the firm, under the oversight of the Second Line.

The Second Line can also undertake certain additional activities if, in the judgement of the Group CRO, this will reduce the firm's exposure to risk.

Third Line of Defence:
Employees of Internal Audit comprise the Third Line of Defence. They provide independent assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

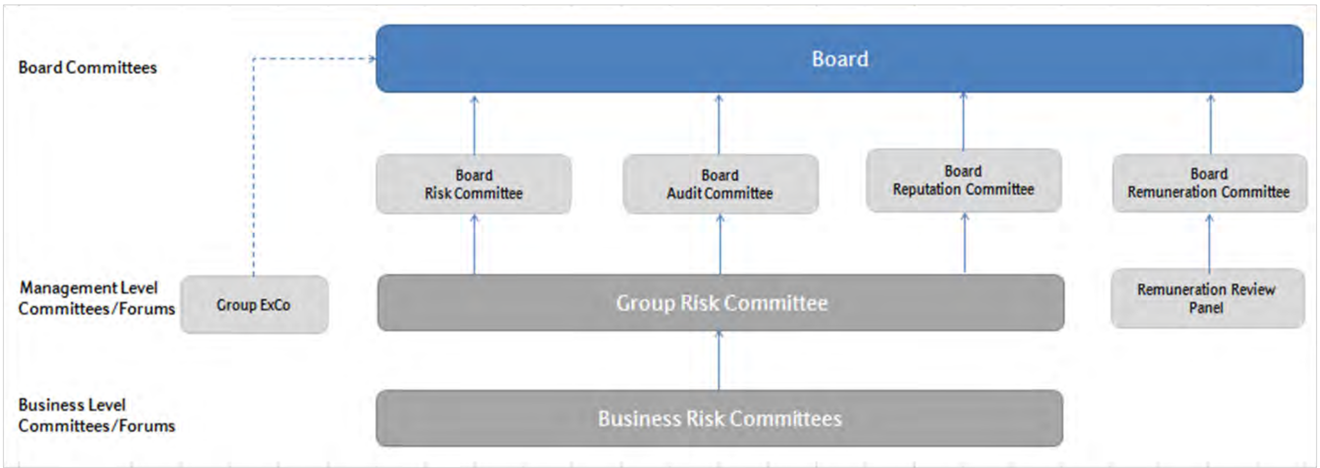
The Legal department does not sit in any of the three lines, but supports them all. The Legal department is, however, subject to oversight from Risk and Compliance, with respect to Operational and Conduct Risks.

Roles and responsibilities in the management of risk – risk committees

Business Risk Committees consider Risk matters relevant to their business, and escalate as required to the Group Risk Committee (GRC), whose Chairman in turn escalates to Board Committees and the Board.

There are five Board-level fora which review and monitor risk across the Group. These are: The main Board, the Board Risk Committee, the Board Audit Committee, the Board Reputation Committee and the Board Remuneration Committee.

The Chairman of each Committee prepares a statement each year on the committee's activities, which is included in this report at page 54.



Risk management

Barclays' risk management strategy

The Board

One of the Board's (Board of Directors of Barclays PLC) responsibilities is the approval of Risk Appetite (see the Risk Management and Strategy section on page 64), which is the level of risk the Group chooses to take in pursuit of its business objectives. The Group CRO (GCRO) 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 ERMF. It oversees the management of the most significant risks through regular review of risk exposures. Executive management responsibilities relating to this are set out in the ERMF.

The Board Risk Committee (BRC)

The BRC monitors the Group's risk profile against the agreed financial appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ensure that the BRC is comfortable with them. After each meeting, the Chairman of the BRC prepares a report for the next meeting of the Board. All members are independent executive directors. The Group Finance Director (GFD) and the GCRO attend each meeting as a matter of course.

The BRC also considers the Group's risk appetite statement for operational risk and evaluates the Group's operational risk profile and operational risk monitoring.

The BRC receives regular and comprehensive reports on risk methodologies, the effectiveness of the risk management framework, 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 Board Reputation Committee (RepCo)

The RepCo reviews management's recommendations on conduct and reputational risk and the effectiveness of the processes by which the Group identifies and manages these risks. It also reviews and monitors the effectiveness of Barclays' Citizenship strategy, including the management of Barclays' economic, social and environmental contribution.

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 regular reports on the effectiveness of internal control systems, quarterly reports on material control issues of significance, and quarterly papers on accounting judgements (including impairment). It also receives a quarterly 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 Chairman of the BAC also sits on the BRC.

The Board Remuneration Committee (RemCo)

The RemCo receives a detailed report on risk management performance from the BRC, regular updates on the risk profile and proposals on an ex-ante and ex-post risk adjustments to variable remuneration. 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 presented in the Board of Directors section on pages 51 to 52. The terms of reference and additional details on membership and activities for each of the principal Board Committees are available from the Corporate Governance section at: group.barclays.com/About-us/Management-structure/Corporate-governance.

Barclays' Risk Culture

Barclays defines Risk Culture as "norms, attitudes and behaviours related to risk awareness, risk taking and risk management". At Barclays this is reflected in how we identify, escalate and manage risk matters.

Our Code of Conduct – the Barclays Way

Globally, all colleagues must attest to the "Barclays Way", our Code of Conduct, and all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the Purpose and Values which govern our Barclays Way of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, specifically (but not exclusively) with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Definition of Risk Culture and its determinants

We review our culture through the lens of four "determinants", associated with desired outcomes:

- **Management and governance**: Consistent tone from the top; responsibilities are clear to enable identification and challenge
- **Motivation and incentives**: The right behaviours are rewarded and modelled
- **Competence and effectiveness**: Colleagues are enabled to identify, coordinate, escalate and address risk and control matters
- **Integrity**: Colleagues are willing to meet their risk management responsibilities; colleagues escalate issues on a timely basis.

Management and governance

Leaders must demonstrate through their everyday behaviours the importance of strong risk management and ensure that their teams have sufficient resource and capability to manage the risk environment.

The simplification of the three lines of defence, as well as the reorganisation of business and risk committees with first and second lines of defence representation promote ownership and accountabilities for risk management.

Motivation and incentives

Barclays seeks to ensure that compensation and promotion decisions take account of risk behaviours.

Management of risk and control is assessed as part of the annual performance appraisal process for all colleagues globally. Positive risk management behaviours will be rewarded and considered as part of promotion decisions, particularly to Managing Director.

Competence and effectiveness

A risk capability scorecard was developed for the Board Risk Committee to monitor and measure capability, and to identify any areas for improvement. Barclays has also appointed a Chief Risk Officer for Treasury and Capital and a Head of Model Risk Management.

Integrity

The "Being Barclays" global induction supports new colleagues in understanding how risk management culture and practices support how the Group does business and the link to Barclays' values. The Leadership Curriculum covers the building, sustaining and supporting a trustworthy organisation and is offered to colleagues globally.

The continued promotion and reinforcement of Barclays' Values, as well as the Barclays Way was reflected in the near-perfect rate of completion of related training by employees. Messages and communications from the Chief Risk Officer emphasise the importance of early escalation of risk issues.

Risk management

Barclays' risk management strategy

Credit risk

The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, fully to honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables

Overview

The granting of credit is one of the Group's major sources of income and, as a Principal 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 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
- ensure that risk-reward objectives are met

Credit risk mitigation

The Group employs a range of techniques and strategies to actively mitigate the counterparty credit risks. These can broadly be divided into three types:

- netting and set-off
- collateral
- 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. ISDAS). These master agreements typically allow for netting of credit risk exposure to a counterparty resulting from derivative transactions against the obligations to the counterparty in the event of default, and so produce a lower net credit exposure. These agreements may also reduce settlement exposure (e.g. for foreign exchange transactions) by allowing 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 vehicles 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. 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
- 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 is reduced
- where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This is 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 the Barclays PLC 2016 Pillar 3 Report.

More information of the reporting of credit risk can be found in Barclays PLC 2016 Pillar 3 Report.

Organisation and structure

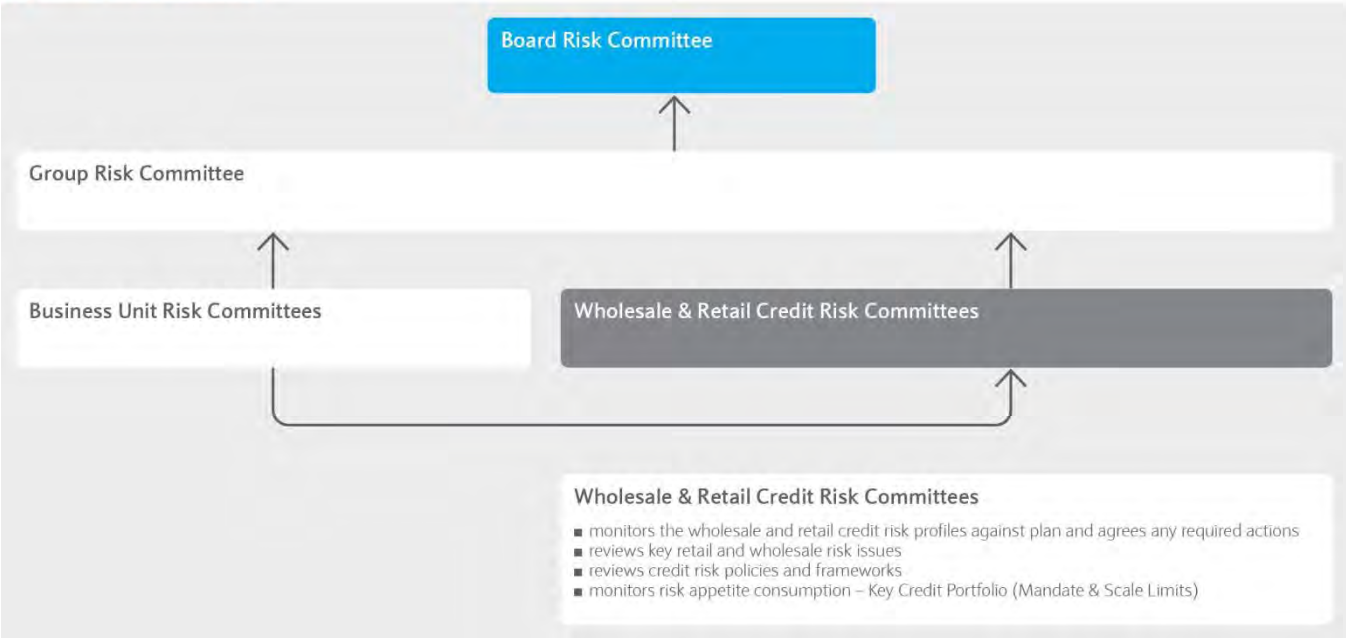
Wholesale and retail portfolios are managed separately to reflect the differing nature of the assets; wholesale balances tend to be larger and are managed on an individual basis, while retail balances are larger in number but smaller in value and are, therefore, managed on a homogenous portfolio basis.

Credit risk management responsibilities have 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 CRO who, in turn, reports to the Group CRO.

Risk management

Barclays' risk management strategy

Organisation and structure



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 policies for approval of transactions (principally retail); setting risk appetite; monitoring risk against limits and other parameters; maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; performing effective turnaround and workout scenarios for wholesale portfolios via dedicated restructuring and recoveries teams; maintaining robust collections and recovery processes/units for retail portfolios; 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, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority require the support of the Group Senior Credit Officer (GSCO), the Group's most senior credit risk sanctioner. For exposures in excess of the GSCO's authority, approval by Group CRO is required. 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 the structure within which credit risk is managed, together with supporting credit risk policies.

Risk management

Barclays' risk management strategy

Market risk

The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

Overview

Market risk

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.

Market risk in the businesses resides primarily in Barclays International, Group Treasury and Non-Core. These businesses have the mandate to incur market risk.

Market risk oversight and challenge is provided by business committees and Group committees, including the Market Risk Committee.

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 market risk in the businesses is controlled according to the allocated appetite
- support the Non-Core strategy of asset reductions by ensuring that market risk remains within agreed risk appetite.

To ensure the above objectives are met, a well established governance structure is in place to manage these risks consistent with the ERMF. See page 64 on risk management strategy, governance and risk culture.

The BRC recommends market risk appetite to the Board for their approval. The Market Risk Principal Risk Officer (MRPRO) is responsible for the Market Risk Control Framework and, under delegated authority from the CRO, agrees with the BCROs a limit framework within the context of the approved market risk appetite.

Across the Group, market risk oversight and challenge is provided by business committees, Group committees, including the Market Risk Committee.

The Market Risk Committee approves and makes recommendations concerning the Group-wide market risk profile. This includes overseeing the operation of the Market Risk Framework and associated standards and policies; reviewing arising market or regulatory issues, limits and utilisation; and risk appetite levels to the Board. The Committee is chaired by the MRPRO and attendees include the business heads of market risk, business aligned market risk managers and Internal Audit.

The head of each business is accountable for all market risks associated with its activities, while the head of the market risk team covering each business is responsible for implementing the risk control framework for market risk.

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

Organisation and structure

Board Risk Committee

↑

Group Risk Committee

- monitors risk profile with respect to financial risk appetite
- debates and agrees actions on the financial risk profile and risk strategy across the Group
- considers issues escalated by Risk Type Heads and Business Risk Directors

↑

Market Risk Committee

- oversees the management of the Group's market risk profile
- reviews market risk appetite proposals from the businesses
- reviews arising market or regulatory issues
- reviews state of the implementation of the risk frameworks in the businesses

Treasury and capital risk

The risk that the Group may not achieve its business plans because of the availability of planned liquidity, a shortfall in capital or a mismatch in the interest rate exposures of its assets and liabilities. The Treasury and Capital Risk function is an independent risk function with responsibility for oversight of the following risks:

- **Liquidity risk:** The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets
- **Capital risk:** The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans
- **Interest rate risk in the banking book:** The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Overview

Barclays Treasury manages treasury and capital risk on a day-to-day basis with the Treasury Committee acting as the principal management body. To ensure effective oversight and segregation of duties and in line with the ERMF, the Treasury and Capital Risk function is responsible for oversight key capital and liquidity risk management activities.

To ensure effective oversight and segregation of duties and in line with the ERMF, the Treasury and Capital Risk function is responsible for oversight key capital, liquidity, non-traded market risk (NTMR) and pension risk management activities. The following describes the structure and governance associated with the risk types within the Treasury and Capital Risk function.

Organisation and structure

Organisation and structure

Board Risk Committee

- approve Risk Appetite
- review material issues impacting Treasury and Capital Risk
- approve the ICAAP and ILAAP

↑

Group Risk Committee

- review and recommend Risk Appetite to the BRC for approval
- escalation of material issues impacting Treasury and Capital Risk to the BRC
- review and recommend the ICAAP and ILAAP to the BRC for approval

↑

Treasury & Capital Risk Committee

- manage Treasury and Capital Risk Appetite
- monitor the Treasury and Capital Risk Profile
- monitor the Treasury and Capital Risk Control Environment
- recommend Risk Appetite to the GRC and BRC for approval by the BRC
- escalation of material issues impacting Treasury and Capital Risk to the GRC and BRC

Capital risk management

Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework.

Organisation and structure

The management of capital risk is integral to the Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in the Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on the Group's objectives.

The Board approves the Group capital plan, internal and regulatory stress tests, and the Group recovery plan. The Treasury Committee is responsible for monitoring and managing capital risk in line with the Group's capital management objectives, capital plan and risk frameworks. The Board Risk Committee reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Group capital plan/forecast in order to agree the Group's projected capital adequacy.

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
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 in all jurisdictions ■ Maintain capital buffers over regulatory minimums ■ Perform Group-wide internal and regulatory stress tests ■ Develop contingency plans for severe and extreme stresses, which include stress management actions and recovery actions.
Support a strong credit rating.	Maintain capital ratios aligned with rating agency expectations.
Maintain adequate capital to cover the Group's current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.	Maintain a capital plan on a short-term and medium-term basis aligned with the Group's strategic objectives, balancing capital generation of the business with business growth and shareholder distributions.

Roles and responsibilities

Treasury has the primary responsibility for managing and monitoring capital and reports to the Group Finance Director. The Treasury and Capital Risk function contains a Capital Risk Oversight team, and is an independent risk function that reports to the Group CRO and is responsible for oversight of capital risk.

Capital risk management

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 and allocation

The Group assesses its capital requirements on multiple bases, with the Group's capital plan set in consideration of the Group's risk profile and appetite, strategic and performance objectives, regulatory requirements, and market and internal factors, including the results of stress testing. The capital plan is managed on a top-down and bottom-up basis through both short-term and medium-term financial planning cycles, and is developed with the objective of ensuring that the Group maintains an adequate level of capital to support its capital requirements.

The PRA determines the regulatory capital requirements for the consolidated Group. Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the firm is exposed to and the factors above, and are measured through both risk-based Risk Weighted Assets ("RWAs") and leverage-based metrics. An internal assessment of the bank's capital adequacy is undertaken through the Internal Capital Adequacy Assessment Process (ICAAP) and is used to inform the capital requirements of the firm.

The Group expects to meet the minimum requirements for capital and leverage both during the transition period and upon full implementation, and also holds an internal buffer sized according to the firm's assessment of capital risk.

Through the capital planning process, capital allocations are approved by the Group Executive committee, taking into consideration the risk appetite and strategic aims of the Group. Regulated legal entities are, at a minimum, capitalised to meet their current and forecast regulatory and business requirements.

Monitoring and reporting

Capital is managed and monitored to ensure that Barclays' capital plans remain appropriate and that risks to the plans are considered.

Limits are in place to support alignment with the capital plan and adherence to regulatory requirements, and are monitored through appropriately governed forums. Capital risks against firm-specific and macroeconomic early warning indicators are monitored and reported to the Treasury Committee, with clear escalation channels to senior management. This enables a consistent and objective approach to monitoring the capital outlook against the capital plan, and supports the early identification when outlooks deteriorate.

Capital management information is readily available to support the Senior Management's strategic and day-to-day business decision making.

Stress testing and risk mitigation

Internal group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Recent economic, market and peer institution stresses are used to inform the assumptions developed for internal stress tests and to assess the effectiveness of mitigation strategies.

The Group also undertakes stress tests prescribed by the BoE and EBA, and legal entities undertake stress tests prescribed by their local regulators. These stress tests inform decisions on the size and quality of the internal 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.

Actions are identified as part of the stress tests that can be taken to mitigate the risks that may arise in the event of material adverse changes in the current economic and business outlook. As an additional layer of protection, the Group Recovery Plan defines the actions and implementation strategies available to the Group to increase or preserve capital resources in the situation that a stress occurs that is more severe than anticipated.

Transferability of capital

Surplus capital held in Group entities is required to be repatriated to Barclays Bank PLC 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. Pre and post the implementation of ring-fencing, capital is managed for the Group as a whole as well as its operating subsidiaries to ensure fungibility and redeployment of capital while meeting relevant internal and regulatory targets at entity levels.

Foreign exchange risk

The Group has capital resources and risk weighted assets denominated in foreign currencies. Changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and RWAs. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements.

The Group's capital ratio management strategy is to minimise the volatility of the capital ratios caused by foreign exchange rate movements. To achieve this, the Group aims to maintain the ratio of foreign currency CET1, Tier 1 and Total capital resources to foreign currency RWAs the same as the Group's consolidated capital ratios.

The Group's investments in foreign currency subsidiaries and branches, to the extent that they are not hedged for foreign exchange movements, translate into GBP upon consolidation creating CET1 capital resources sensitive to foreign currency movements. Changes in the GBP value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital.

To create foreign currency Tier 1 and Total Capital resources additional to the CET1 capital resources, the Group issues debt capital in non-Sterling currencies, where possible. This is primarily achieved through the issuance of debt capital from Barclays PLC or Barclays Bank PLC in US Dollar and Euro, but can also be achieved by subsidiaries issuing capital in local currencies.

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; investment returns might reduce; or the estimated value of the pension liabilities might increase as a result of changes to the market process. 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.

Risk review
Risk management
Liquidity risk management

Liquidity risk management

Overview

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. There is a control framework in place for managing liquidity risk and this is designed to meet the following objectives:

- To maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk appetite as expressed by the Board
- To maintain market confidence in the Group's name.

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.

Roles and responsiblities

The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate defined by the Board. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite.

The Board sets the LRA over Group stress tests and is represented as the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The approved LRA is implemented in line with the control framework and policy for liquidity risk.

Liquidity risk management

A control framework is in place for Liquidity Risk function under which the Treasury function operates. The control framework describes liquidity risk management processes, associated policies and controls that the Group has implemented to manage liquidity risk with the Liquidity Risk Appetite (LRA) and is subject to annual review.

The board sets the LRA over Group stress tests and is represented as the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The approved LRA is implemented in line with the control framework and policy for liquidity risk.

Control framework

Barclays has a comprehensive control framework for managing the Group's liquidity risk. It is designed to deliver the appropriate term and structure of funding consistent with the LRA set by the Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test the Group's balance sheet and contingent liabilities and a Contingency Funding Plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet the Group's obligations as they fall due.

The stress tests assess the potential contractual and contingent stress outflows under a range of scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs.

The Group maintains a Contingency Funding Plan which details how liquidity stress events of varying severity would be managed. Since the precise nature of any stress event cannot be known in advance, the plans are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. Barclays also maintains Recovery Plans which consider actions to generate additional liquidity in order to facilitate recovery in a severe stress.

Ongoing business management	Early signs/ Mild stress	Severe stress	Recovery	Resolution
▪ Stress testing and planning ▪ Liquidity limits ▪ Early warning indicators	▪ Monitoring and review ▪ Management actions not requiring business rationalisation	▪ Activate Contingency Funding Plan ▪ Management actions with a positive impact on the franchise	▪ Activate appropriate recovery options to restore the capital and/or liquidity position of the Group	▪ Ensure an orderly resolution can be carried out if necessary, without adverse systemic risk or exposing the public funds to loss

Risk Appetite and planning

Barclays has established a LRA over Group stress tests and is represented as 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 stress tests. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for each of five stress scenarios. Barclays has defined both internal short term and long term LRA stress test metrics.

The LRA for internal stress tests is approved by the Board. The LRA is reviewed on a continuous basis and is subject to formal review at least annually as part of the Individual Liquidity Adequacy Assessment Process (ILAAP).

The stress outflows are used to determine the size of the Group Liquidity Pool, which represents those resources immediately available to meet outflows in a stress. In addition to the liquidity pool, the control framework and policy provides for other management actions, including generating liquidity from other liquid assets on the Group's balance sheet in order to meet additional stress outflows, or to preserve or restore the Liquidity Pool in the event of a liquidity stress.

Liquidity limits

Barclays manages limits on a variety of on and off-balance sheet exposures, a sample of which is shown in the table below. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.

Early warning indicators

Barclays monitors a range of market indicators for early signs of liquidity risk either in the market or specific to Barclays, a sample of which are shown in the table below. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions. Early warning indicators are used as part of the assessment of whether to invoke the Group's Contingency Funding Plan, which provides a framework for how the liquidity stress would be managed.

Contingency funding plan and recovery & resolution planning

Barclays maintains a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP is proportionate to the nature, scale and complexity of the business and is tested to ensure that it is operationally robust. The CFP details the circumstances in which the plan could be invoked, including as a result of adverse movements in liquidity early warning indicators. As part of the plan, the Barclays Treasurer has established a Liquidity Management Committee (LMC). On invocation of the CFP by the Executive Committee, the LMC would meet to identify the likely impact of the event on the Group and determine the appropriate response for the nature and severity of the stress.

The CFP provides a communication plan and includes management actions to respond to liquidity stresses of varying severity. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets.

Interest rate risk in the banking book management

Overview

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. To manage interest rate risk within its defined risk appetite, the principal banking business engage in internal derivative trades with Treasury. However, the businesses remain susceptible to market risk from six key sources:

- **direct risk:** the mismatch between the run-off of product balances and the associated interest rate hedge, given that the balance sheet is held static
- **structural risk:** the impact of the rate shock on the rolling hedge replenishment rate on non-maturity products, given that the balance sheet is held static
- **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 pre-hedging 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
- **lag risk:** the risk of being unable to re-price products immediately after a change in interest rates due to both mandatory notification periods and operational constraints in large volume mailings. This is highly prevalent in managed rates savings product (e.g. Every Day Saver) where customers must be informed in writing of any planned reduction in their savings rates.

Non-traded market risk also arises from the Liquidity Buffer investment portfolio, which is managed to a defined risk appetite. Investments in the liquidity buffer are generally subject to available for sale accounting rules; changes in the value of these assets impact capital via the available for sale reserve.

Roles and responsibilities

The Treasury Market Risk team:

- Provides risk management oversight and monitoring of all traded- and non-traded market risk in Treasury, which specifically includes risk management of the liquidity buffer, funding activities, asset and liability management hedging, residual interest rate risk from the hedge accounting solution and foreign exchange translation hedging
- Sets and monitors risk limits to ensure non-traded market risk taken in Treasury and the customer banking book adheres to agreed risk appetite.

The Interest rate risk in the banking book team:

- Assesses interest rate risk in the banking book, particularly as it relates to customer banking book and Treasury
- Acts as review and challenge of the first line's risk management practices and decisions including the hedging activity performed by Treasury on behalf of the business
- Acts as review and challenge for the behavioural assumptions used in hedging and transfer pricing.

Risk review
Risk management
Operational risk management

Operational risk

The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

Overview

The management of operational risk has two key objectives:
- minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses)
- 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 (94% of capital requirements), except for small parts of the organisation acquired since the original permission (6% of capital requirements) using the Basic Indicator Approach (BIA). 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.

The Group is committed to operating within a strong system of internal controls that enables business to be transacted and risk taken without exposing the Group to unacceptable potential losses or reputational damages. The Group has an overarching framework that sets out the approach to internal governance. This guide establishes the mechanisms and processes by which the Board directs the organisation, through setting the tone and expectations from the top, delegating authority and monitoring compliance.

Operational Risk comprises a number of specific risks defined as follow:
- **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
- **payments process**: failure in operation of payments processes
- **people**: inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours
- **premises & 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 damages
- **technology (including cyber security)**: failure to develop and deploy secure, stable and reliable technology solutions which includes 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
- **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 risks listed above to cover areas included within conduct risk. For more information on conduct risk please see page 79.

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damages.

Organisation and structure

Board Risk Committee

Board Audit Committee

Group Risk Committee

- reviews and recommends to the Board the risk appetite of the firm, its business units and legal entities across the principal risks and review usage of the same
- proposes Group level risk limits and thresholds to the Board, to optimally manage principal risks within appetite
- monitors the Group risk profile, including emerging risks, against expected trends, and the utilisation of risk appetite. Agree any required actions
- reviews limit usage and manage within tolerance agreed by the Board
- reviews deep dives of specific risks as requested by senior management
- reviews the impact of any material acquisitions and disposals on the risk profile
- reviews remediation plans and actions taken, and agree any further action required

- reviews and monitors control environment
- reviews and challenges the effectiveness of the risk control environment
- reviews control issues and escalate to BAC as appropriate
- reviews a summary of lessons learnt and consider the impact on the risk profile and control environment

Business Risk Committee

Operational Risk Review Forum

- reviews aggregate and business operational risk profile
- reviews and monitors operational risk capital
- oversees risk events/risk exposures
- monitors emerging themes

Group Controls Committee

- oversees effectiveness of control environment
- reviews and recommends control framework
- oversees control remediation activities
- oversees execution of operational risk management framework consistently across the firm
- oversees risk and internal control matters including material issues

Operational risk management

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 profile and control environment is reviewed by business 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, operational risk events and a review of scenarios.

The Group 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.

Operational risk management acts in a second line of defence capacity, and is responsible for implementation of the framework and monitoring operational risk events and risk exposures. Key indicators (KIs) allow the Group to monitor its operational risk profile and alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision making and actions. Through attendance at business GRC meetings, operational risk management 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 through the second line of defence review meetings. Depending on their nature, the outputs of these meetings are presented to the BRC or the BAC.

Risk and control self-assessments

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 being effectively managed. The businesses are then able to make decisions on what action, if any, 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.

Risk review
Risk management
Model risk management

Model risk

Model risk is the potential for adverse consequences arising from decisions based on incorrect or misused model outputs.

Overview

Barclays uses models to support a broad range of activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, managing client assets, and meeting reporting requirements.

Because models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output.

Model errors can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting.

Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions.

Errors and misuse are the primary sources of model risk.

Robust model risk management is crucial to ensuring that model risk is assessed and managed within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

Organisation and structure

Barclays allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and ensure that model limitations are adequately addressed.

Barclays has a dedicated Model Risk Management (MRM) function that consists of two main units: the Independent Validation Unit (IVU), responsible for model validation and approval, and Model Governance and Controls (MGC), covering model risk governance, controls and reporting, including ownership of model risk policy.

The model risk policy prescribes group-wide, end to end requirements for the identification, measurement and management of model risk, covering model documentation, development, implementation, monitoring, annual review, independent validation and approval, change and reporting processes. The Policy is supported by global Standards covering model inventory, documentation, validation, complexity and materiality, testing and monitoring, overlays, as well as vendor models and CCAR benchmarking.

Barclays is continuously enhancing model risk management. MRM reports to the Group Chief Risk Officer and operates a global framework. Implementation of best practice standards is a central objective of the Group. Large new model development programmes are currently in motion to implement the model requirements of UK structural reform, CCAR, FRTB and IFRS9.

Organisation and structure

Roles and responsibilities

The key model risk management activities include:

- ensuring that models are correctly identified across all relevant areas of the firm, and recorded in the Group Models Database (GMD), the Group-wide model inventory. The heads of the relevant areas (typically, the Business Chief Risk Officers, Business Chief Executive Officers, the Treasurer, the Chief Financial Officer etc) annually attest to the completeness and accuracy of the model inventory. MGC undertakes regular conformance reviews on the model inventory. These activities are detailed in the Model Inventory, Workflow and Taxonomy Standard
- ensuring that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to ensure that the model presented to IVU is and remains fit for purpose, in accordance with the Model Documentation Standard, and the Model Testing, Monitoring and Annual Review Standard
- ensuring that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis, in accordance with the Model Validation and Approval Standard. The level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval
- specific Standards cover model risk management activities relating to CCAR benchmarking and challenger modelling, model overlays, vendor models, and model complexity and materiality.

Conduct risk

The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

Overview

The Group defines, manages and mitigates conduct risk with the goals of providing positive customer and client outcomes and protecting market integrity. This includes taking reasonable steps to ensure our culture and strategy are appropriately aligned to these goals; our products and services are reasonably designed and delivered to meet the needs of our customers and clients as well as promoting the fair and orderly operation of the markets in which we do business.

As part of the Enterprise Risk Management Framework (ERMF) refresh (page 64), Reputation risk has been designated as a Principal Risk and Financial Crime has been designated as a Risk Category under Conduct Risk.

Organisation and structure

The Group Risk Committee (GRC) is the most senior Executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of conduct risk.

Roles and responsibilities

The Conduct PRF comprises a number of elements that allow the Group to manage and measure its conduct r isk profile.

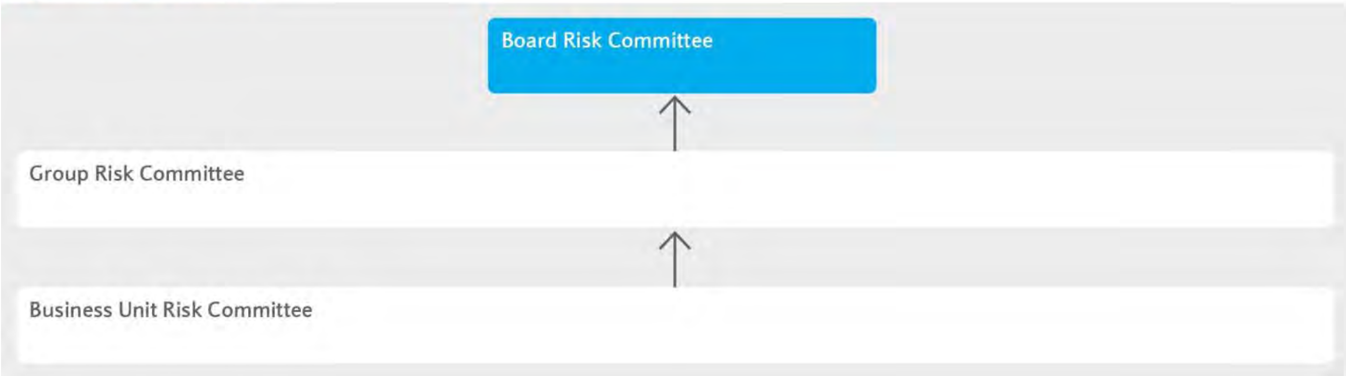
The PRF is implemented vertically across the Group through an organisational structure that requires all businesses to implement and operate their own conduct risk frameworks that meet the requirements within the ERMF.

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

The Group Chief Compliance Officer 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. For details please refer to the Risk Review, Conduct Risk Performance section of this report (page 144).

Organisation and structure



Risk review
Risk management
Reputation risk management

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public

Overview

A reduction of trust in Barclays' integrity and competence may reduce the attractiveness of Barclays to stakeholders and could 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.

With effect from 2017, Reputation Risk has been re-designated as a Principal Risk within the Enterprise Risk Management Framework.

Roles and responsibilities

The Chief Compliance Officer is accountable for ensuring that a Reputation Principal Risk Framework and policies are developed and that they are subject to limits, monitored, reported on and escalated, as required.

Reputation risk it is by nature pervasive and can be difficult to quantify, requiring more subjective judgment than many other risks. The Reputation Principal Risk Framework sets out what is required to ensure reputation risk is managed effectively and consistently across the bank.

Organisation and structure

The Group Risk Committee (GRC) is the most senior Executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of Reputation Risk.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

Each business is required to operate within established reputation risk appetite and to submit quarterly reports to the Group Reputation Management team, highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the Group Risk Committee and the Board Reputation Committee.

Organisation and structure

Risk review
Risk management
Legal risk

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements

Overview

With effect from 2017, legal risk, which was previously a Key Risk under operational risk, has been re-designated as a Principal Risk within the Enterprise Risk Management Framework.

The Legal Risk Framework prescribes group-wide requirements for the identification, measurement and management of legal risk, covering assessment, risk appetite, key indicators and governance. The Group General Counsel (GCC) is the Legal Principal Risk Officer and owns the Legal Risk Framework and the associated legal policies.

Legal risk is defined by the five respective Legal Policies:

Roles and responsibilities

The Legal Risk Framework sets out what is required to ensure legal risk is managed effectively and consistently across the bank.

The primary responsibility for managing legal risk and adherence to the control requirements sits with the business where the risk arises.

On behalf of the businesses, the aligned General Counsel or Legal Senior Management, will undertake legal risk appetite assessments and provide advice and guidance on legal risk management. The legal risk assessment includes both quantitative and qualitative criteria including:

- **Contractual arrangements** - failure to have enforceable contracts in place or for contracts to be enforceable as intended
- **Litigation management** - failure to adequately manage litigation involving Barclays as either claimant or defendant
- **Intellectual property (IP)** - failure to protect the Group's IP assets or Barclays infringing IP rights of third parties
- **Competition/antitrust law** - failure to follow competition/antitrust law or failure to manage relationships with competition and antitrust authorities
- **Use of law firms** - failure to control instruction of an external law firm.

Group-wide and Business/Function specific Standards may be put in place to support the implementation of the legal policies. The standards are aligned to one of the policies and are implemented by Businesses/Functions.

Organisation and structure

The Group Risk Committee (GRC) is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of legal risk. Escalation paths from this forum exist to the Board Audit Committee and Board Reputation Committee.

- Knowledge of legal risk material control issues or weaknesses
- Emerging risks resulting from upcoming changes in the control environment, systems, or internal organisational structures
- Potential implications on Barclays of forthcoming changes in the external legal and regulatory environment and/or prevailing decisions from courts and enforcing authorities as they relate to defined legal risks.

The Legal Principal Risk Officer is responsible for owning and maintaining an appropriate Legal Risk Framework and for overseeing Group-wide legal risk management.

Organisation and structure

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 2016 for each of the five Principal Risks, which are credit, market, funding, operational, and conduct risk.

Refer to the Risk Management section (pages 63 to 81) for an overview of the changes to Barclays' Principle Risk taxonomy in December 2016.

Risk performance

Analysis of credit risk

Credit risk is the risk of the Group suffering financial loss should any of its customers, clients, or market counterparties fail 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 2016 were 35% higher than 2015:

+£608m Group

Loan impairment increased reflecting higher charge following the management review of the UK and US cards portfolio impairment modelling, and a number of single name exposures.

+£555m Retail Core

Performance across key portfolios has remained stable and broadly within expectations

+£63m Wholesale Core

Increases in line with portfolio growth and impact of stress in Oil & Gas portfolios earlier in the year

-£10m Non-Core

Lower charge reflects sale of Southern Europe cards business

- Net Loans and advances to customers and banks decreased by 2% in 2016
- The loan loss rate rose to 53bps

Risk performance

Summary of Contents

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.

All disclosures in this section (pages 86 to 105) are unaudited unless otherwise stated. Disclosures for 2016 exclude BAGL balances now held for sale. whilst comparative tables for 2015 include BAGL balances unless stated otherwise.

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. A summary of performance may be found below.

This section provides an analysis of areas 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 ; 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 vi) impairment, including impairment stock and management adjustments to model outputs.

Please see risk management section on pages 63 to 81 for details of governance, policies and procedures.

Summary of performance in the period

Credit impairment charges increased £0.6bn to £2.4bn including a £0.3bn charge in Q316 following the management review of the UK and US cards portfolio impairment modelling. Overall, this resulted in a 11bps increase in the loan loss rate to 53bps.

Credit Risk Loans (CRLs) remained stable at £6.5bn (2015: £6.4bn) with the Group's CRL coverage ratio increasing to 71% (2015: 65%) mainly within retail portfolios.

Total loans and advances net of impairment decreased by £11.4bn to £449.5bn driven by a £31bn decrease due to the reclassification of BAGL balances to held for sale and £9bn from the exit of other assets in Non-Core. This was offset by lending growth of £20bn and a net £9bn increase in settlement and cash collateral balances.

Analysis of the Balance Sheet

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.

Both on and off balance sheet exposures for 2016 exclude BAGL balances now held for sale. Comparative tables for 2015 include BAGL balances unless stated otherwise.

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 page 67.

Overview

As at 31 December 2016, the Group's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer increased 6% to £741.5bn, reflecting a increase in maximum exposure of 6% and an increase level of mitigation held of 1%. Overall, the extent to which the Group holds mitigation against its total exposure remained stable at 47% (2015: 48%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, financial investment 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. The credit quality of counterparties to derivative, financial investments and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 90 to 94.

Where collateral has been obtained in the event of default, the Group does not, as a rule, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Group and the Bank as at 31 December 2016, as a result of the enforcement of collateral, was £16m (2015: £69m) and Nil (2015: Nil).

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

The Group As at 31 December 2016	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	102,328	-	-	-	-	102,328
Items in the course of collection from other banks	1,467	-	-	-	-	1,467
Trading portfolio assets:						
Debt securities	38,804	-	-	-	-	38,804
Traded loans	2,975	-	-	(270)	-	2,705
Total trading portfolio assets	41,779	-	-	(270)	-	41,509
Financial assets designated at fair value:						
Loans and advances	10,518	-	(17)	(4,107)	(432)	5,962
Debt securities	70	-	-	-	-	70
Reverse repurchase agreements	63,163	-	(688)	(62,233)	-	242
Other financial assets	262	-	-	-	-	262
Total financial assets designated at fair value	74,013	-	(705)	(66,340)	(432)	6,536
Derivative financial instruments	346,820	(273,602)	(41,641)	(8,282)	(5,205)	18,090
Loans and advances to banks	43,634	-	(4)	(4,896)	(22)	38,712
Loans and advances to customers:						
Home loans	144,765	-	(184)	(143,912)	-	669
Credit cards, unsecured and other retail lending	57,808	-	(227)	(5,258)	(95)	52,228
Corporate loans	190,210	(8,622)	(320)	(52,029)	(5,087)	124,152
Total loans and advances to customers	392,783	(8,622)	(731)	(201,199)	(5,182)	177,049
Reverse repurchase agreements and other similar secured lending	13,454	-	(79)	(13,242)	-	133
Financial investments - debt securities	62,880	-	-	(533)	(1,286)	61,061
Other assets	1,442	-	-	-	-	1,442
Total on-balance sheet	1,080,600	(282,224)	(43,160)	(294,762)	(12,127)	448,327
Off-balance sheet:						
Contingent Liabilities	19,908	-	(247)	(1,403)	(130)	18,128
Documentary credits and other short-term trade-related transactions	1,005	-	(24)	(18)	(3)	960
Forward starting reverse repurchase agreements	24	-	-	(24)	-	-
Standby facilities, credit lines and other commitments	302,657	-	(324)	(26,524)	(1,704)	274,105
Total off-balance sheet	323,594	-	(595)	(27,969)	(1,837)	293,193
Total	1,404,194	(282,224)	(43,755)	(322,731)	(13,964)	741,520

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

The Group As at 31 December 2015	Maximum Exposure £m	Netting and set-off £m	Collateral Cash £m	 Non-cash £m	Risk transfer £m	Net Exposure £m
On-balance sheet:						
Cash and balances at central banks	49,711	-	-	-	-	49,711
Items in the course of collection from other banks	1,011	-	-	-	-	1,011
Trading portfolio assets:						
Debt securities	45,626	-	-	-	-	45,626
Traded loans	2,474	-	-	(607)	(1)	1,866
Total trading portfolio assets	48,100	-	-	(607)	(1)	47,492
Financial assets designated at fair value:						
Loans and advances	17,913	-	(21)	(5,850)	(515)	11,527
Debt securities	1,383	-	-	-	-	1,383
Reverse repurchase agreements	49,513	-	(315)	(49,027)	-	171
Other financial assets	375	-	-	-	-	375
Total financial assets designated at fair value	69,184	-	(336)	(54,877)	(515)	13,456
Derivative financial instruments	327,870	(259,582)	(34,918)	(7,484)	(5,529)	20,357
Loans and advances to banks	41,829	-	(4)	(4,072)	(64)	37,689
Loans and advances to customers:						
Home loans	155,863	-	(221)	(154,355)	(634)	653
Credit cards, unsecured and other retail lending	67,840	(12)	(1,076)	(14,512)	(1,761)	50,479
Corporate loans	175,514	(8,399)	(593)	(45,788)	(4,401)	116,333
Total loans and advances to customers	399,217	(8,411)	(1,890)	(214,655)	(6,796)	167,465
Reverse repurchase agreements and other similar secured lending	28,187	-	(166)	(27,619)	-	402
Financial investments - debt securities	89,278	-	-	(832)	(811)	87,635
Other assets	1,410	-	-	-	-	1,410
Total on-balance sheet	1,055,797	(267,993)	(37,314)	(310,146)	(13,716)	426,628
Off-balance sheet:						
Contingent liabilities	20,576	-	(604)	(1,408)	(104)	18,460
Documentary credits and other short-term trade-	845	-	(33)	(57)	(3)	752
Forward starting reverse repurchase agreements	93	-	-	(91)	-	2
Standby facilities, credit lines and other commitments	281,369	-	(313)	(24,156)	(662)	256,238
Total off-balance sheet	302,883	-	(950)	(25,712)	(769)	275,452
Total	1,358,680	(267,993)	(38,264)	(335,858)	(14,485)	702,080

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

The Bank As at 31 December 2016	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	97,466	-	-	-	-	97,466
Items in the course of collection from other banks	1,010	-	-	-	-	1,010
Trading portfolio assets:						
Debt securities	24,695	-	-	-	-	24,695
Traded loans	2,971	-	-	(267)	-	2,704
Total trading portfolio assets	27,666	-	-	(267)	-	27,399
Financial assets designated at fair value:						
Loans and advances	12,901	-	(17)	(4,084)	(432)	8,368
Debt securities	4,196	(2,984)	-	-	-	1,212
Reverse repurchase agreements	63,743	-	(552)	(62,989)	-	202
Other financial assets	19	-	-	-	-	19
Total financial assets designated at fair value	80,859	(2,984)	(569)	(67,073)	(432)	9,801
Derivative financial instruments	327,202	(240,535)	(39,443)	(8,282)	(4,823)	34,119
Loans and advances to banks	43,964	(5,586)	-	(1)	(22)	38,355
Loans and advances to customers:						
Home loans	143,763	-	(183)	(142,929)	-	651
Credit cards, unsecured and other retail lending	31,204	-	(232)	(3,021)	(95)	27,856
Corporate loans	256,157	(8,755)	(18,931)	(58,036)	(4,593)	165,842
Total loans and advances to customers	431,124	(8,755)	(19,346)	(203,986)	(4,688)	194,349
Reverse repurchase agreements and other similar secured lending	22,941	-	-	(22,918)	-	23
Financial investments - debt securities	61,320	-	-	-	(1,286)	60,034
Other assets	3,737	-	-	-	-	3,737
Total on-balance sheet	1,097,289	(257,860)	(59,358)	(302,527)	(11,251)	466,293
Off-balance sheet:						
Contingent Liabilities	26,731	-	(240)	(1,344)	(77)	25,070
Documentary credits and other short-term trade-related transactions	979	-	(24)	(18)	(3)	934
Forward starting reverse repurchase agreements	1	-	-	(1)	-	-
Standby facilities, credit lines and other commitments	240,111	-	(319)	(23,638)	(1,704)	214,450
Total off-balance sheet	267,822	-	(583)	(25,001)	(1,784)	240,454
Total	1,365,111	(257,860)	(59,941)	(327,528)	(13,035)	706,747

Risk performance

Credit risk

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

The Bank As at 31 December 2015	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	43,669	-	-	-	-	43,669
Items in the course of collection from other banks	596	-	-	-	-	596
Trading portfolio assets:						
Debt securities	24,878	-	-	-	-	24,878
Traded loans	2,469	-	-	(604)	(1)	1,864
Total trading portfolio assets	27,347	-	-	(604)	(1)	26,742
Financial assets designated at fair value:						
Loans and advances	20,558	-	(21)	(5,796)	(515)	14,226
Debt securities	8,648	(6,396)	-	-	-	2,252
Reverse repurchase agreements	42,582	-	(196)	(41,803)	-	583
Other financial assets	195	-	-	-	-	195
Total financial assets designated at fair value	71,983	(6,396)	(217)	(47,599)	(515)	17,256
Derivative financial instruments	316,252	(241,295)	(34,818)	(7,475)	(4,915)	27,749
Loans and advances to banks	62,201	(24,609)	(1)	(2)	(30)	37,559
Loans and advances to customers:						
Home loans	142,623	-	(195)	(141,751)	(536)	141
Credit cards, unsecured and other retail lending	39,610	-	(729)	(8,969)	(1,492)	28,420
Corporate loans[a]	212,974	(8,398)	(12,574)	(49,767)	(3,762)	138,473
Total loans and advances to customers	395,207	(8,398)	(13,498)	(200,487)	(5,790)	167,034
Reverse repurchase agreements and other similar secured lending	28,803	-	(166)	(27,677)	-	960
Financial investments - debt securities	82,968	-	-	(124)	(811)	82,033
Other assets	8,165	-	-	-	-	8,165
Total on-balance sheet	1,037,191	(280,698)	(48,700)	(283,968)	(12,062)	411,763
Off-balance sheet:						
Contingent liabilities	24,596	-	(581)	(1,346)	(68)	22,601
Documentary credits and other short-term trade-related transactions	693	-	(33)	(57)	(3)	600
Forward starting reverse repurchase agreements	14	-	-	(13)	-	1
Standby facilities, credit lines and other commitments	222,141	-	(304)	(20,857)	(654)	200,326
Total off-balance sheet	247,444	-	(918)	(22,273)	(725)	223,528
Total	1,284,635	(280,698)	(49,618)	(306,241)	(12,787)	635,291

Notes

a Cash collateral, non-cash collateral and risk transfer for Corporate loans have been revised by £12.1bn, £16.1bn and £(6.3)bn respectively, to better reflect the effects of collateral and other credit enhancements employed.

Risk performance

Credit risk

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 below and the analysis of loans and advances and impairment section (page 104):

- 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
- A loan is considered past due and classified as "Higher risk" when the borrower has failed to make a payment when due under the terms of the loan contract
- Loans on forbearance programmes, as defined in Barclays PLC Annual Report 2016 on page 182, are categorised as "Higher risk"
- The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment

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

Default Grade	Wholesale lending Probability of default	Credit Quality Description
1-3	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	0.60-2.15%	Satisfactory
15-19	2.15-11.35%	
20 - 21	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 strong or high risk 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 deterioration, home loans 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 the 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, Fitch or Moody's. Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities.

Risk performance

Credit risk

Balance sheet credit quality

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

Overview

As at 31 December 2016, the ratio of the Group's assets classified as strong remained broadly stable at 86% (2015: 85%) of total assets exposed to credit risk.

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented in the Barclays PLC Annual Report PLC on page 169.

Balance sheet credit quality (audited)

The Group	Strong (including investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)	Maximum exposure to credit risk	Strong (including investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)	Maximum exposure to credit risk
As at 31 December 2016	£m	£m	£m	£m	%	%	%	%
Cash and balances at central banks	102,328	-	-	102,328	100	-	-	100
Items in the course of collection from other banks	1,330	128	9	1,467	91	9	-	100
Trading portfolio assets:								
Debt securities	37,052	1,344	408	38,804	96	3	1	100
Traded loans	594	1,977	404	2,975	20	66	14	100
Total trading portfolio assets	37,646	3,321	812	41,779	90	8	2	100
Financial assets designated at fair value:								
Loans and advances	9,691	533	294	10,518	92	5	3	100
Debt securities	59	11		70	84	16	-	100
Reverse repurchase agreements[a]	53,152	9,999	12	63,163	84	16	-	100
Other financial assets	244	18	-	262	93	7	-	100
Total financial assets designated at fair value	63,146	10,561	306	74,013	85	14	1	100
Derivative financial instruments	330,931	14,963	926	346,820	95	5	-	100
Loans and advances to banks	39,542	3,830	262	43,634	91	9	-	100
Loans and advances to customers:								
Home loans	136,922	2,589	5,254	144,765	95	1	4	100
Credit cards, unsecured and other retail lending	5,343	50,685	1,780	57,808	9	88	3	100
Corporate loans	140,413	37,170	12,627	190,210	74	20	6	100
Total loans and advances to customers	282,678	90,444	19,661	392,783	72	23	5	100
Reverse repurchase agreements and other similar secured lending	9,364	4,090	-	13,454	70	30	-	100
Financial investments - debt securities	62,838	30	12	62,880	100	-	-	100
Other assets	1,324	115	3	1,442	92	8	-	100
Total assets	931,127	127,482	21,991	1,080,600	86	12	2	100

Balance sheet credit quality (audited)

The Group As at 31 December 2015	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 %
Cash and balances at central banks	49,711	-	-	49,711	100	-	-	100
Items in the course of collection from other banks	923	61	27	1,011	91	6	3	100
Trading portfolio assets:								
Debt securities	43,168	2,217	241	45,626	94	5	1	100
Traded loans	329	1,880	265	2,474	13	76	11	100
Total trading portfolio assets	43,497	4,097	506	48,100	90	9	1	100
Financial assets designated at fair value:								
Loans and advances	16,751	790	372	17,913	94	4	2	100
Debt securities	1,378	3	2	1,383	100	-	-	100
Reverse repurchase agreements	41,145	8,352	16	49,513	83	17	-	100
Other financial assets	313	62	-	375	83	17	-	100
Total financial assets designated at fair value	59,587	9,207	390	69,184	86	13	1	100
Derivative financial instruments	313,275	13,270	1,325	327,870	96	4	-	100
Loans and advances to banks	39,539	1,163	1,127	41,829	95	3	2	100
Loans and advances to customers:								
Home loans	139,252	9,704	6,907	155,863	89	6	5	100
Credit cards, unsecured and other retail lending	12,347	51,294	4,199	67,840	18	76	6	100
Corporate loans	125,743	39,600	10,171	175,514	72	23	5	100
Total loans and advances to customers	277,342	100,598	21,277	399,217	70	25	5	100
Reverse repurchase agreements and other similar secured lending	22,907	5,226	54	28,187	81	19	-	100
Financial investments - debt securities	88,536	632	110	89,278	99	1	-	100
Other assets	1,143	232	35	1,410	82	16	2	100
Total assets	896,460	134,486	24,851	1,055,797	85	13	2	100

Risk review

Risk performance

Credit risk

Balance sheet credit quality (audited)

The Bank As at 31 December 2016	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 %
Cash and balances at central banks	97,466	-	-	97,466	100	-	-	100
Items in the course of collection from other banks	859	63	88	1,010	85	6	9	100
Trading portfolio assets:								
Debt securities	23,025	1,273	397	24,695	93	5	2	100
Traded loans	594	1,977	400	2,971	20	67	13	100
Total trading portfolio assets	23,619	3,250	797	27,666	85	12	3	100
Financial assets designated at fair value:								
Loans and advances	12,076	531	294	12,901	94	4	2	100
Debt securities	4,196	-	-	4,196	100	-	-	100
Reverse repurchase agreements	56,603	7,128	12	63,743	89	11	-	100
Other financial assets	1	18	-	19	5	95	-	100
Total financial assets designated at fair value	72,876	7,677	306	80,859	90	9	1	100
Derivative financial instruments	314,944	11,332	926	327,202	96	4	-	100
Loans and advances to banks	40,573	3,172	219	43,964	92	7	1	100
Loans and advances to customers:								
Home loans	136,129	2,392	5,242	143,763	95	1	4	100
Credit cards, unsecured and other retail lending	4,266	25,584	1,354	31,204	14	82	4	100
Corporate loans	214,033	32,304	9,820	256,157	83	13	4	100
Total loans and advances to customers	354,428	60,280	16,416	431,124	82	14	4	100
Reverse repurchase agreements and other similar secured lending	19,669	3,272	-	22,941	86	14	-	100
Financial investments - debt securities	61,300	19	1	61,320	100	-	-	100
Other assets	3,662	73	2	3,737	98	2	-	100
Total assets	989,396	89,138	18,755	1,097,289	90	8	2	100

Balance sheet credit quality (audited)

The Bank As at 31 December 2015	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 %
Cash and balances at central banks	43,669	-	-	43,669	100	-	-	100
Items in the course of collection from other banks	570	7	19	596	96	1	3	100
Trading portfolio assets:								
Debt securities	23,111	1,568	199	24,878	93	6	1	100
Traded loans	328	1,880	261	2,469	13	76	11	100
Total trading portfolio assets	23,439	3,448	460	27,347	85	13	2	100
Financial assets designated at fair value:								
Loans and advances	19,497	694	367	20,558	95	3	2	100
Debt securities	8,648	-	-	8,648	100	-	-	100
Reverse repurchase agreements	37,278	5,298	6	42,582	88	12	-	100
Other financial assets	175	20	-	195	90	10	-	100
Total financial assets designated at fair value	65,598	6,012	373	71,983	91	8	1	100
Derivative financial instruments	304,711	10,216	1,325	316,252	96	3	1	100
Loans and advances to banks	59,511	729	1,961	62,201	96	1	3	100
Loans and advances to customers:								
Home loans	133,085	3,941	5,597	142,623	93	3	4	100
Credit cards, unsecured and other retail lending	9,597	27,725	2,288	39,610	24	70	6	100
Corporate loans	177,294	28,349	7,331	212,974	84	13	3	100
Total loans and advances to customers	319,976	60,015	15,216	395,207	81	15	4	100
Reverse repurchase agreements and other similar secured lending	25,301	3,502	-	28,803	88	12	-	100
Financial investments - debt securities	82,947	20	1	82,968	100	-	-	100
Other assets	8,087	64	14	8,165	99	1	-	100
Total assets	933,809	84,013	19,369	1,037,191	90	8	2	100

Risk review
Risk performance
Credit risk
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 136 of Barclays PLC 2016 Pillar 3 Report.

Geographic concentrations
As at 31 December 2016, the geographic concentration of the Group's assets remained broadly consistent with 2015. Exposure is concentrated in the UK 41% (2015: 40%), in the Americas 33% (2015: 31%) and Europe 21% (2015: 20%). The decrease of £58bn in Africa and Middle East is due to the reclassification of BAGL balances now held for sale.

Information on exposures to Eurozone countries is presented on page 98.

Credit risk concentrations by geography (audited)

The Group

As at 31 December 2016	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	30,473	40,426	24,859	77	6,493	102,328
Items in the course of collection from other banks	969	498	-	-	-	1,467
Trading portfolio assets	8,981	9,171	19,863	435	3,329	41,779
Financial assets designated at fair value	25,821	10,244	33,181	733	4,034	74,013
Derivative financial instruments	108,753	107,337	105,129	1,493	24,108	346,820
Loans and advances to banks	7,931	12,664	16,894	1,778	4,367	43,634
Loans and advances to customers	253,751	47,050	81,045	3,089	7,848	392,783
Reverse repurchase agreements and other similar secured lending	218	309	11,439	92	1,396	13,454
Financial investments - debt securities	18,128	27,762	12,030	251	4,709	62,880
Other assets	1,226	-	137	10	69	1,442
Total on-balance sheet	456,251	255,461	304,577	7,958	56,353	1,080,600
Off-balance sheet:						
Contingent liabilities	8,268	3,275	6,910	702	753	19,908
Documentary credits and other short-term trade related transactions	915	9	-	40	41	1,005
Forward starting reverse repurchase agreements	13	1	6	2	2	24
Standby facilities, credit lines and other commitments	106,413	35,475	156,072	1,692	3,005	302,657
Total off-balance sheet	115,609	38,760	162,988	2,436	3,801	323,594
Total	571,860	294,221	467,565	10,394	60,154	1,404,194

Risk performance

Credit risk

Credit risk concentrations by geography (audited)

The Group

As at 31 December 2015	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	14,061	19,094	13,288	2,055	1,213	49,711
Items in the course of collection from other banks	543	72	-	396	-	1,011
Trading portfolio assets	7,199	10,012	23,642	2,111	5,136	48,100
Financial assets designated at fair value	22,991	5,562	35,910	3,039	1,682	69,184
Derivative financial instruments	99,818	103,498	101,592	3,055	19,907	327,870
Loans and advances to banks	11,213	9,918	13,078	2,900	4,720	41,829
Loans and advances to customers	239,140	47,372	69,803	33,461	9,441	399,217
Reverse repurchase agreements and other similar secured lending	5,905	4,361	15,684	915	1,322	28,187
Financial investments - debt securities	20,508	40,345	20,520	3,999	3,906	89,278
Other assets	868	4	131	314	93	1,410
Total on-balance sheet	422,246	240,238	293,648	52,245	47,420	1,055,797
Off-balance sheet:						
Contingent liabilities	9,543	3,020	5,047	2,505	461	20,576
Documentary credits and other short-term trade related transactions	594	58	-	193	-	845
Forward starting reverse repurchase agreements	9	5	65	-	14	93
Standby facilities, credit lines and other commitments	104,797	34,370	125,456	13,600	3,146	281,369
Total off-balance sheet	114,943	37,453	130,568	16,298	3,621	302,883
Total	537,189	277,691	424,216	68,543	51,041	1,358,680

Credit risk concentrations by geography (audited)

The Bank

As at 31 December 2016	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	30,445	39,350	21,682	30	5,959	97,466
Items in the course of collection from other banks	969	41	-	-	-	1,010
Trading portfolio assets	8,894	8,989	7,080	373	2,330	27,666
Financial assets designated at fair value	37,122	9,762	21,306	1,038	11,631	80,859
Derivative financial instruments	102,307	108,660	91,354	2,570	22,311	327,202
Loans and advances to banks	13,737	12,805	11,711	1,645	4,066	43,964
Loans and advances to customers	299,063	76,066	44,138	2,621	9,236	431,124
Reverse repurchase agreements and other similar secured lending	520	7,101	12,796	65	2,459	22,941
Financial investments - debt securities	17,563	26,865	11,963	251	4,678	61,320
Other assets	3,662	147	(145)	27	46	3,737
Total on-balance sheet	514,282	289,786	221,885	8,620	62,716	1,097,289
Off-balance sheet:						
Contingent liabilities	11,307	4,201	9,467	724	1,032	26,731
Documentary credits and other short-term trade related transactions	914	9	-	14	42	979
Forward starting reverse repurchase agreements	-	1	-	-	-	1
Standby facilities, credit lines and other commitments	106,230	32,831	96,794	1,251	3,005	240,111
Total off-balance sheet	118,451	37,042	106,261	1,989	4,079	267,822
Total	632,733	326,828	328,146	10,609	66,795	1,365,111

Risk performance

Credit risk

Credit risk concentrations by geography (audited)

The Bank

As at 31 December 2015	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	5,034	26,560	11,036	142	897	43,669
Items in the course of collection from other banks	542	54	-	-	-	596
Trading portfolio assets	7,027	9,974	6,752	166	3,428	27,347
Financial assets designated at fair value	36,085	4,562	21,338	572	9,426	71,983
Derivative financial instruments	99,905	102,989	92,075	2,410	18,873	316,252
Loans and advances to banks	32,779	18,816	4,760	1,641	4,205	62,201
Loans and advances to customers	275,785	64,881	40,357	3,825	10,359	395,207
Reverse repurchase agreements and other similar secured lending	9,572	7,509	9,746	916	1,060	28,803
Financial investment - debt securities	19,586	39,021	20,354	127	3,880	82,968
Other assets	6,276	1,803	-	8	78	8,165
Total on-balance sheet	492,591	276,169	206,418	9,807	52,206	1,037,191
Off-balance sheet:						
Contingent liabilities	13,012	3,784	6,850	474	476	24,596
Documentary credits and other short-term trade related transactions	594	58	-	41	-	693
Forward starting reverse repurchase agreements	-	-	-	-	14	14
Standby facilities, credit lines and other commitments	104,730	31,736	80,830	1,699	3,146	222,141
Total off-balance sheet	118,336	35,578	87,680	2,214	3,636	247,444
Total	610,927	311,747	294,098	12,021	55,842	1,284,635

Risk performance

Credit risk

Exposure to Eurozone countries

The following table shows Barclays most significant current exposure (above £4bn net on-balance sheet exposure) to Eurozone countries.

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.
The net on-balance sheet exposure includes:

- Loans and advances held at amortised cost, net of impairment. Settlement balances and cash collateral are excluded from this analysis
- Trading assets and liabilities are presented by issuer type on a net basis. Where liability positions exceed asset positions by issuer type, exposures are presented as nil
- Derivative assets and liabilities are presented by counterparty type on a net basis. 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
- Financial investments – debt securities principally relating to investments in government bonds and other debt securities
- Other assets held for sale. Businesses held for sale with European exposures are included within the Financial institutions category

The analysis excludes financial assets not subject to credit risk.

- Equity securities held for trading, as financial investments or designated at fair value, and traded commodities
- Reverse repurchase agreements measured at amortised cost and at fair value which are materially fully collateralised

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.

The Italian home loans of £9.7bn (2015: £9.5bn) are secured on residential property with average balance weighted marked to market LTVs of 61.8% (2015: 60.6%) and CRL coverage of 36% (2015: 31%). 90 days arrear and gross charge-off rates remained stable at 1.2% (2015: 1.2%) and 0.8% (2015: 0.7%) respectively.

Net exposure by country and counterparty

	Sovereign	Financial institutions	Corporate	Home loans	Other retail lending	Net on-balance sheet exposure	Gross on-balance sheet exposure	Contingent liabilities and commitments
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016								
Italy	**2,668**	**299**	**763**	**9,741**	**331**	**13,802**	**18,580**	**2,835**
Germany	**5,250**	**3,399**	**1,379**	**8**	**2,967**	**13,003**	**47,964**	**13,362**
France	**3,708**	**6,886**	**1,160**	**736**	**139**	**12,629**	**41,056**	**6,565**
Ireland	**6**	**2,230**	**1,855**	**30**	**9**	**4,130**	**6,474**	**2,735**
Total	**11,632**	**12,814**	**5,157**	**10,515**	**3,446**	**43,564**	**114,074**	**25,497**
As at 31 December 2015								
Italy	1,708	2,283	1,039	9,505	675	15,210	20,586	2,701
Germany	7,494	3,621	1,602	9	2,313	15,039	50,930	8,029
France	7,426	4,967	805	1,472	152	14,822	43,427	7,436
Ireland	9	2,824	1,282	37	51	4,203	7,454	2,673
Total	16,637	13,695	4,728	11,023	3,191	49,274	122,397	20,839

Risk review
Risk performance
Credit risk

Industry concentrations

As at 31 December 2016, the concentration of the Group's assets by industry remained broadly consistent year on year. Total assets concentrated towards banks and other financial institutions was 43% (2015: 42%), predominantly within derivative financial instruments. The proportion of the overall balance concentrated towards governments and central banks remained stable at 14% (2015: 12%) and home loans at 11% (2015: 12%).

Credit risk concentrations by industry (audited)

The Group As at 31 December 2016	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	102,328	-	-	-	-	-	-	102,328
Items in the course of collection from other banks	1,467	-	-	-	-	-	-	-	-	-	-	1,467
Trading portfolio assets	2,233	7,998	1,625	565	21,060	3,733	324	2,972	257	-	1,012	41,779
Financial assets designated at fair value	14,713	49,784	3	5,699	856	5	33	2,811	33	2	74	74,013
Derivative financial instruments	182,859	139,065	2,913	3,488	6,547	4,585	810	3,392	-	-	3,161	346,820
Loans and advances to banks	39,315	-	-	-	4,319	-	-	-	-	-	-	43,634
Loans and advances to customers	-	91,812	12,337	24,200	12,028	7,384	12,967	21,838	144,765	56,729	8,723	392,783
Reverse repurchase agreements and other similar secured lending	2,596	10,568	-	38	252	-	-	-	-	-	-	13,454
Financial investments - debt securities	12,842	4,877	-	-	44,264	-	43	807	-	-	47	62,880
Other assets	959	458	-	-	25	-	-	-	-	-	-	1,442
Total on-balance sheet	**256,984**	**304,562**	**16,878**	**33,990**	**191,679**	**15,707**	**14,177**	**31,820**	**145,055**	**56,731**	**13,017**	**1,080,600**
Off-balance sheet:												
Contingent liabilities	1,484	4,231	3,387	707	8	2,649	1,033	4,847	40	531	991	19,908
Documentary credits and other short-term trade related transactions	431	2	377	-	-	-	157	38	-	-	-	1,005
Forward starting reverse repurchase agreements	5	19	-	-	-	-	-	-	-	-	-	24
Standby facilities, credit lines and other commitments	1,016	29,309	38,829	11,876	400	29,699	14,741	26,359	9,610	126,709	14,109	302,657
Total off-balance sheet	**2,936**	**33,561**	**42,593**	**12,583**	**408**	**32,348**	**15,931**	**31,244**	**9,650**	**127,240**	**15,100**	**323,594**
Total	**259,920**	**338,123**	**59,471**	**46,573**	**192,087**	**48,055**	**30,108**	**63,064**	**154,705**	**183,971**	**28,117**	**1,404,194**

Other risks being monitored include exposures to the Oil and Gas sector. Net on-balance sheet exposure to the Oil and Gas sector was £4.2bn (2015: £4.4bn), with contingent liabilities and commitments to this sector of £16.0bn (2015: £13.8bn). Impairment charges were £94m (2015: £106m). The ratio of the Group's net total exposures classified as strong or satisfactory was 93% (2015: 97%) of the total net exposure to credit risk to this sector.

Risk performance

Credit risk

Credit risk concentrations by industry (audited)

The Group	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
As at 31 December 2015	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	49,711	-	-	-	-	-	-	49,711
Items in the course of collection from other banks	1,011	-	-	-	-	-	-	-	-	-	-	1,011
Trading portfolio assets	1,947	11,826	970	538	25,797	2,554	315	2,727	550	-	876	48,100
Financial assets designated at fair value	14,015	35,109	104	8,642	7,380	33	191	3,402	229	-	79	69,184
Derivative financial instruments	185,943	114,727	2,701	2,940	6,113	4,538	1,063	5,346	-	-	4,499	327,870
Loans and advances to banks	37,309	-	-	-	4,520	-	-	-	-	-	-	41,829
Loans and advances to customers	-	80,729	12,297	23,519	5,940	7,743	13,830	25,728	155,863	60,162	13,406	399,217
Reverse repurchase agreements and other similar secured lending	8,676	18,022	-	1,011	305	-	35	138	-	-	-	28,187
Financial investments - debt securities	9,745	6,114	68	43	67,645	182	107	5,134	-	-	240	89,278
Other assets	312	1,077	-	-	20	-	-	-	-	-	1	1,410
Total on-balance sheet	258,958	267,604	16,140	36,693	167,431	15,050	15,541	42,475	156,642	60,162	19,101	1,055,797
Off-balance sheet:												
Contingent liabilities	1,152	4,698	3,142	958	9	3,073	1,301	4,645	100	548	950	20,576
Documentary credits and other short-term trade related transactions	378	17	142	1	-	3	129	50	-	123	2	845
Forward starting reverse repurchase agreements	78	15	-	-	-	-	-	-	-	-	-	93
Standby facilities, credit lines and other commitments	946	31,152	35,865	11,337	871	26,217	15,054	23,180	11,708	111,988	13,051	281,369
Total off-balance sheet	2,554	35,882	39,149	12,296	880	29,293	16,484	27,875	11,808	112,659	14,003	302,883
Total	261,512	303,486	55,289	48,989	168,311	44,343	32,025	70,350	168,450	172,821	33,104	1,358,680

Credit risk concentrations by industry (audited)

The Bank

As at 31 December 2016	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	97,466	-	-	-	-	-	-	97,466
Items in the course of collection from other banks	1,010	-	-	-	-	-	-	-	-	-	-	1,010
Trading portfolio assets	1,742	2,828	1,417	489	13,891	3,525	277	2,288	253	-	956	27,666
Financial assets designated at fair value	9,895	61,629	2	5,650	856	2	33	2,682	33	3	74	80,859
Derivative financial instruments	181,713	120,644	2,898	3,487	6,547	4,585	802	3,365	-	-	3,161	327,202
Loans and advances to banks	39,696	-	-	-	4,268	-	-	-	-	-	-	43,964
Loans and advances to customers	-	162,430	11,812	23,587	11,635	7,215	12,317	19,822	143,763	30,166	8,377	431,124
Reverse repurchase agreements and other similar secured lending	172	22,558	-	38	173	-	-	-	-	-	-	22,941
Financial investments - debt securities	12,803	4,305	-	-	43,316	-	43	806	-	-	47	61,320
Other assets	2,730	993	-	-	14	-	-	-	-	-	-	3,737
Total on-balance sheet	249,761	375,387	16,129	33,251	178,166	15,327	13,472	28,963	144,049	30,169	12,615	1,097,289
Off-balance sheet:												
Contingent liabilities	1,831	5,791	4,629	947	11	3,603	1,307	6,509	55	713	1,335	26,731
Documentary credits and other short-term trade related transactions	426	-	377	-	-	-	157	19	-	-	-	979
Forward starting reverse repurchase agreements	-	1	-	-	-	-	-	-	-	-	-	1
Standby facilities, credit lines and other commitments	961	35,693	38,596	11,745	392	29,654	14,376	25,678	9,610	59,386	14,020	240,111
Total off-balance sheet	3,218	41,485	43,602	12,692	403	33,257	15,840	32,206	9,665	60,099	15,355	267,822
Total	252,979	416,872	59,731	45,943	178,569	48,584	29,312	61,169	153,714	90,268	27,970	1,365,111

Credit risk concentrations by industry (audited)

The Bank As at 31 December 2015	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	43,669	-	-	-	-	-	-	43,669
Items in the course of collection from other banks	596	-	-	-	-	-	-	-	-	-	-	596
Trading portfolio assets	1,359	4,445	661	320	14,535	2,381	255	2,145	546	-	700	27,347
Financial assets designated at fair value	7,036	47,154	58	7,788	6,510	-	95	3,095	229	13	5	71,983
Derivative financial instruments	183,459	105,855	2,616	2,926	6,103	4,528	1,014	5,272	-	-	4,479	316,252
Loans and advances to banks	58,050	2	-	-	3,910	-	-	-	-	239	-	62,201
Loans and advances to customers	5,974	125,303	9,532	21,036	5,773	7,066	11,783	23,507	142,623	32,320	10,290	395,207
Reverse repurchase agreements and other similar secured lending	4,801	23,560	-	248	27	-	35	132	-	-	-	28,803
Available for sale debt securities	9,379	5,267	7	-	63,056	-	53	5,062	-	-	144	82,968
Other assets	1,845	6,198	-	-	7	-	-	-	-	114	1	8,165
Total on-balance sheet	272,499	317,784	12,874	32,318	143,590	13,975	13,235	39,213	143,398	32,686	15,619	1,037,191
Off-balance sheet:												
Contingent liabilities	1,294	6,253	3,910	927	5	3,696	1,430	5,206	-	708	1,167	24,596
Documentary credits and other short-term trade related transactions	293	-	134	-	-	2	128	15	-	119	2	693
Forward starting reverse repurchase agreements	-	14	-	-	-	-	-	-	-	-	-	14
Standby facilities, credit lines and other commitments	1,687	23,627	34,943	10,521	761	26,068	14,118	21,917	9,699	57,816	20,984	222,141
Total off-balance sheet	3,274	29,894	38,987	11,448	766	29,766	15,676	27,138	9,699	58,643	22,153	247,444
Total	275,773	347,678	51,861	43,766	144,356	43,741	28,911	66,351	153,097	91,329	37,772	1,284,635

Risk performance

Credit risk

Analysis of problem loans

Loans that are past due or assessed as impaired within this section are reflected in the balance sheet credit quality tables on pages 91 to 94 as being Higher Risk.

Age analysis of loans and advances that are past due but not impaired (audited)

The following table presents an age analysis of loans and advances that are past due but not impaired. 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.

Loans and advances past due but not impaired (audited)

The Group	Past due up to 1 month	Past due 1-2 months	Past due 2-3 months	Past due 3-6 months	Past due 6 months and over	Total
	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
Loans and advances designated at fair value	**29**	**8**	**18**	**-**	**16**	**71**
Home loans	**1**	**-**	**-**	**33**	**31**	**65**
Credit cards, unsecured and other retail lending	**2**	**-**	**2**	**11**	**77**	**92**
Corporate loans	**6,962**	**1,235**	**149**	**178**	**354**	**8,878**
Total	**6,994**	**1,243**	**169**	**222**	**478**	**9,106**
As at 31 December 2015						
Loans and advances designated at fair value	70	14	-	-	209	293
Home loans	22	8	6	24	80	140
Credit cards, unsecured and other retail lending	288	14	15	93	120	530
Corporate loans	5,862	897	207	226	280	7,472
Total	6,242	933	228	343	689	8,435

Loans and advances past due but not impaired (audited)

The Bank	Past due up to 1 month	Past due 1-2 months	Past due 2-3 months	Past due 3-6 months	Past due 6 months and over	Total
	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
Loans and advances designated at fair value	**29**	**8**	**18**	**-**	**16**	**71**
Home loans	**1**	**-**	**-**	**33**	**24**	**58**
Credit cards, unsecured and other retail lending	**2**	**-**	**2**	**11**	**40**	**55**
Corporate loans	**4,134**	**1,216**	**142**	**176**	**354**	**6,022**
Total	**4,166**	**1,224**	**162**	**220**	**434**	**6,206**
As at 31 December 2015						
Loans and advances designated at fair value	70	14	-	-	209	293
Home loans	20	7	2	9	51	89
Credit cards, unsecured and other retail lending	260	11	13	73	64	421
Corporate loans	3,689	869	198	188	263	5,207
Total	4,039	901	213	270	587	6,010

Corporate loans past due up to one month increased £1.1bn to £7.0bn primarily driven by the appreciation of average USD against GBP.

Risk performance

Credit risk

Analysis of loans and advances assessed as impaired (audited)

The following table presents an analysis of loans and advances into those collectively or individually assessed as impaired. The table includes an age analysis for loans and advances collectively assessed as impaired.

Loans that are collectively assessed as impaired 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.

Loans that are individually assessed as impaired consist predominantly of wholesale loans that are past due and for which an individual allowance has been raised.

Home loans, unsecured loans and credit card receivables that are subject to forbearance in the retail portfolios are included within the collectively assessed for impairment category. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

Loans and advances assessed as impaired (audited)

The Group	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 collectively assessed £m	Individually assessed for impairment £m	Total £m
As at 31 December 2016								
Home loans	**2,866**	**795**	**201**	**298**	**452**	**4,612**	**820**	**5,432**
Credit cards, unsecured and other retail lending	**1,135**	**354**	**250**	**516**	**1,702**	**3,957**	**492**	**4,449**
Corporate loans	**288**	**53**	**35**	**72**	**131**	**579**	**1,580**	**2,159**
Total	**4,289**	**1,202**	**486**	**886**	**2,285**	**9,148**	**2,892**	**12,040**
As at 31 December 2015								
Home loans	3,672	1,036	278	364	812	6,162	648	6,810
Credit cards, unsecured and other retail lending	1,241	691	284	541	1,792	4,549	964	5,513
Corporate loans	251	76	45	76	96	544	1,786	2,330
Total	5,164	1,803	607	981	2,700	11,255	3,398	14,653

Loans and advances assessed as impaired (audited)

The Bank	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 collectively assessed £m	Individually assessed for impairment £m	Total £m
As at 31 December 2016								
Home loans	**2,866**	**795**	**201**	**298**	**452**	**4,612**	**808**	**5,420**
Credit cards, unsecured and other retail lending	**768**	**175**	**115**	**228**	**1,059**	**2,345**	**428**	**2,773**
Corporate loans	**286**	**52**	**34**	**70**	**129**	**571**	**1,528**	**2,099**
Total	**3,920**	**1,022**	**350**	**596**	**1,640**	**7,528**	**2,764**	**10,292**
As at 31 December 2015								
Home loans	3,075	941	224	305	519	5,064	558	5,622
Credit cards, unsecured and other retail lending	751	510	150	298	1,351	3,060	296	3,356
Corporate loans	132	48	31	63	42	316	1,345	1,661
Total	3,958	1,499	405	666	1,912	8,440	2,199	10,639

The decrease in loans collectively assessed as impaired to £9.1bn (2015: £11.3bn) predominantly relates to BAGL balances now held for sale.

Risk review
Risk performance
Credit risk
Impairment

Impairment allowances

Impairment allowances decreased 6% to £4,620m primarily due to the reclassification of BAGL balances now held for sale, partially offset by the impact of a management review of impairment modelling within the credit cards portfolios and increases within Barclays International due to volume growth, the appreciation of average US Dollar and Euro against Sterling and increased impairment for a number of single name exposures.

Movements in allowance for impairment by asset class (audited)

The Group	At beginning of year	Acquisitions and disposals	Unwind of discount	Exchange and other adjustments[a]	Amounts written off	Recoveries	Amounts charged to income statement	Balance at 31 December
	£m	£m	£m	£m	£m	£m	£m	£m
2016								
Home loans	**518**	**(3)**	**(5)**	**(108)**	**(23)**	**-**	**88**	**467**
Credit cards, unsecured and other retail lending	**3,394**	**(2)**	**(70)**	**(709)**	**(1,806)**	**296**	**1,957**	**3,060**
Corporate loans	**1,009**	**-**	**-**	**81**	**(364)**	**69**	**298**	**1,093**
Total impairment allowance	**4,921**	**(5)**	**(75)**	**(736)**	**(2,193)**	**365**	**2,343**	**4,620**
2015								
Home loans	547	-	(32)	(64)	(94)	7	154	518
Credit cards, unsecured and other retail lending	3,345	-	(105)	(170)	(1,848)	301	1,871	3,394
Corporate loans	1,563	-	(12)	(383)	(335)	92	84	1,009
Total impairment allowance	5,455	-	(149)	(617)	(2,277)	400	2,109	4,921

Movements in allowance for impairment by asset class

The Bank	At beginning of year	Acquisitions and disposals	Unwind of discount	Exchange and other adjustments[a]	Amounts written off	Recoveries	Amounts charged to income statement	Balance at 31 December
	£m	£m	£m	£m	£m	£m	£m	£m
2016								
Home loans	**368**	**(3)**	**(5)**	**35**	**(22)**	**-**	**88**	**461**
Credit cards, unsecured and other retail lending	**2,111**	**-**	**(60)**	**(313)**	**(1,148)**	**190**	**993**	**1,773**
Corporate loans	**802**	**-**	**-**	**209**	**(335)**	**68**	**275**	**1,019**
Total impairment allowance	**3,281**	**(3)**	**(65)**	**(69)**	**(1,505)**	**258**	**1,356**	**3,253**
2015								
Home loans	394	-	(5)	(68)	(35)	(2)	84	368
Credit cards, unsecured and other retail lending	2,269	-	(79)	(120)	(1,227)	211	1,057	2,111
Corporate loans	1,201	-	-	(242)	(245)	83	5	802
Total impairment allowance	3,864	-	(84)	(430)	(1,507)	292	1,146	3,281

For further analysis of loans and advances showing different management analysis please refer to the Barclays PLC Annual Report 2016:

- Retail and wholesale loan portfolio analysis pages 176 to181
  Analysis by industry and geography pages 170 to171
- Analysis by business pages 244 to 256
- Analysis by asset class pages 176 to 179
- Potential credit risk loans pages 180 to 181
- Forbearance pages 182 to 185

Note

a Exchange and other adjustments for 2016 primarily includes the reclassification of £762m related to BAGL now held for sale offset by currency movements due to the appreciation of average USD and EUR against GBP

Risk review
Risk performance
Market risk
Analysis of market risk

Market risk is the risk of a reduction in earnings or capital due to volatility of trading book positions or an inability to fully 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

Value at risk increased in the year due to increased volatility. Additional protection against a further reduction in GBP base rate has contributed to a decrease in Annual Earnings at Risk.

24%

Increase in management Value at Risk

-£220m

Decrease in Modelled Net Interest Income from a down 25bps shock in interest rates (floored assumption)

Risk review

Risk performance

Market risk

Summary of contents

Market risk

Market risk is the risk of a reduction in earnings or capital due to volatility of the trading book positions or as a consequence of running a banking book balance sheet and liquidity funding pools.

All disclosures in this section pages 108-114 are unaudited unless otherwise stated. Disclosures for 2016 and 2015 exclude BAGL balances held for sale unless otherwise stated.

Overview of market risk

This section contains key statistics describing the market risk profile of the Group, such as Value at Risk (VaR) measures. A distinction is made between regulatory and management measures within the section. The market risk management section on pages 108 to 114 provides descriptions of these metrics:

- page 108 provides a view of market risk in the context of the Group's balance sheet
- pages 109 to 110 cover the management of traded market risk. Management measures are shown from page 109
- non-traded market risk, arising from our banking books, is reviewed from page 111.

Measures of market risk in the Group and accounting measures

Traded market risk measures such as VaR and balance sheet exposure measures have fundamental differences:

- balance sheet measures show accruals-based balances or marked to market values as at the reporting date
- VaR measures also take account of current marked to market values, but in addition hedging effects between positions are considered
- market risk measures are expressed in terms of changes in value or volatilities as opposed to static values.

For these reasons, it is not possible to present direct reconciliations of traded market risk and accounting measures.

Summary of performance in the period

Overall, the Group has maintained a steady risk profile, with key movements outlined below:

- measures of traded market risk, such as Value at risk (VaR), increased in the year mainly due to the underlying movements to credit spreads and volatility in the cross currency markets driven by market structural changes

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk. See the risk management section on page 69 for more detail on management measures and the differences when compared to regulatory measures.

The table below shows the total Management VaR on a diversified basis by risk factor. Total Management VaR includes all trading positions in Barclays International, Non-Core, BAGL and Head Office.

Limits are applied against each risk factor VaR as well as total Management VaR, which are then cascaded further by risk managers to each business.

The daily average, maximum and minimum values of management VaR

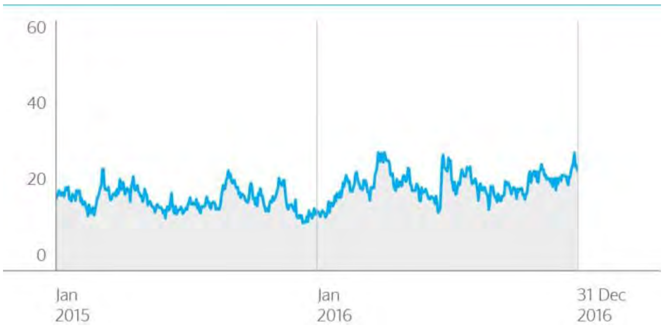
Management VaR (95%) (audited)	2016			2015		
	Average	High[a]	Low[a]	Average	High[a]	Low[a]
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Credit risk	16	24	9	11	17	8
Interest rate risk	7	13	4	6	14	4
Equity risk	7	11	4	8	18	4
Basis risk	5	9	3	3	4	2
Spread risk	3	5	2	3	6	2
Foreign exchange risk	3	5	2	3	6	1
Commodity risk	2	4	1	2	3	1
Inflation risk	2	3	2	3	5	2
Diversification effect[a]	(24)	n/a	n/a	(22)	n/a	n/a
Total management VaR	21	29	13	17	25	12

Average Credit Risk VaR increased by £5m to £16m (2015: £11m) primarily due to the underlying volatile movements to credit spreads given own credit contribution.

Average Basis VaR increased by £2m to £5m (2015: £3m) primarily due to a combination of structural changes in the cross currency markets that led to higher volatility and higher client activity in G10 cross currency basis.

Average Equity VaR decreased by £1m to £7m (2015: £8m) reflecting reduced cash portfolio activities and a conservative risk profile maintained in the derivatives portfolio.

Average Foreign Exchange Risk VaR was stable as a result of maintaining a conservative risk profile in the derivatives portfolio.



The daily VaR chart illustrates an average increasing trend in 2016. Intermittent VaR increases were due to increased client flow in periods of heightened volatility in specific markets and subsequent risk management of the position.

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.

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 seven 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 sharp increase in economic growth.

In 2016, the scenario analyses showed that the largest market risk related impacts would be due to a severe deterioration in financial liquidity and global recession.

Risk review

Risk performance

Market risk

Non-traded market risk

Overview

The non-traded market risk framework covers exposures in the banking book, mostly consisting of exposures relating to accrual accounted and Available for Sale instruments. The potential volatility of the net interest income of the bank is measured by an Annual Earnings at Risk (AEaR) metric that is monitored regularly and reported to Senior Management and the Board Risk Committee as part of the limit monitoring framework.

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities, including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology as described in the Barclays PLC 2016 Pillar 3 Report. Note that this metric assumes an instantaneous parallel change to interest rate forward curves. The model floors shocked market rates at zero; changes in net interest income (NII) sensitivity are only observed where forward rates are greater than zero. The main model assumptions are: (i) one year time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (i.e. considers that customers may remortgage before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

Net interest income sensitivity (AEaR) by currency

Net Interest Income Sensitivity (AEaR) by currency[a]	2016	
	+25 basis points	-25 basis points
The Group	£m	£m
GBP	9	(215)
USD	3	(5)
EUR	7	1
ZAR	-	-
Other currencies	3	(1)
Total	**22**	**(220)**
As percentage of net interest income	**0.19%**	**(1.92%)**

The income sensitivity to falling rates has increased compared to 2015 as a result of the lower GBP rate environment and subsequent deposit re-pricing.

Net Interest Income Sensitivity (AEaR) by currency[a]	2016	
	+25 basis points	-25 basis points
The Bank	£m	£m
GBP	6	(163)
USD	1	(2)
EUR	7	1
ZAR	-	-
Other currencies	2	(1)
Total	**16**	**(165)**
As percentage of net interest income	**0.19%**	**(1.93%)**

Note
a Includes Barclays UK, Barclays International (excluding investment banking) and Non-core sensitivity. Treasury excluded.

Risk performance

Market risk

Analysis of equity sensitivity

The table below measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, available for sale and cash flow hedge reserves. This data is captured using DV01 which is an indicator of the shift in asset value for a 1 basis point shift in the yield curve.

Analysis of equity sensitivity (audited)	2016		2015	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
The Group	£m	£m	£m	£m
Net interest income	22	(220)	42	(91)
Taxation effects on the above	(7)	66	(13)	27
Effect on profit for the year	15	(154)	29	(64)
As percentage of net profit after tax	0.40%	(4.13%)	2.34%	(5.17%)
Effect on profit for the year (per above)	15	(154)	29	(64)
Available for sale reserve	(154)	114	(180)	248
Cash flow hedge reserve	(732)	692	(754)	694
Taxation effects on the above	222	(202)	280	(283)
Effect on equity	(649)	450	(625)	595
As percentage of equity	(0.91%)	0.63%	(0.95%)	0.90%

Analysis of equity sensitivity (audited)	2016		2015	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
The Bank	£m	£m	£m	£m
Net interest income	16	(165)	31	(68)
Taxation effects on the above	(5)	50	(9)	20
Effect on profit for the year	11	(115)	22	(48)
As percentage of net profit after tax	0.53%	(5.53%)	2.74%	(5.99%)
Effect on profit for the year (per above)	11	(115)	22	(48)
Available for sale reserve	(154)	114	(180)	248
Cash flow hedge reserve	(562)	522	(468)	454
Taxation effects on the above	179	(159)	194	(211)
Effect on equity	(526)	362	(432)	443
As percentage of equity	(0.91%)	0.62%	(0.75%)	0.77%

As discussed in relation to the net interest income sensitivity table on page 111, the impact of a 25bps movement in rates is largely driven by Barclays UK.

The change in available for sale reserve sensitivities was driven by a reduction in interest rate risk in the liquidity pool in the year. Note that the movement in the available for sale reserve would impact CRD IV fully loaded CET1 capital, but the movement in the cash flow hedge reserve would not impact CET1 capital.

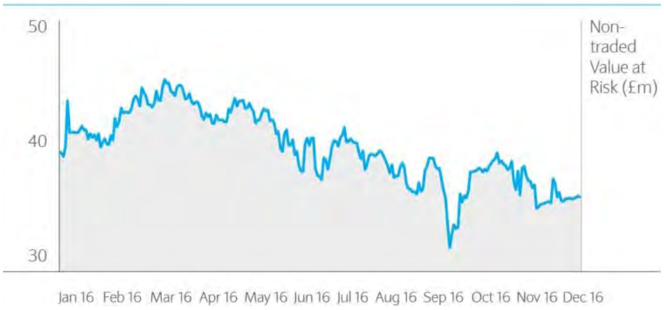
Risk performance

Market risk

Volatility of the Available for Sale portfolio in the liquidity pool

Changes in value of Available for Sale exposures flow directly through capital via the Available for Sale reserve. The volatility of the value of the Available for Sale investments in the Liquidity pool is captured and managed through a value measure rather than an earning measure, i.e. the Non-Traded Market Risk VaR.

Although the underlying methodology to calculate the non traded VaR is identical to the one used in Traded Management VaR, the two measures are not directly comparable. The Non-Traded VaR represents the volatility to capital driven by the Available for Sale exposures. These exposures are in the banking book and do not meet the criteria for trading book treatment.



Analysis of Volatility of the Available for Sale portfolio in Liquidity Pool

For the year ended 31 December	2016			2015		
	Average £m	High £m	Low £m	Average £m	High £m	Low £m
Non-Traded Market Value at Risk (daily, 95%)	**40**	**46**	**32**	42	49	37

The Non-Traded VaR is mainly driven by volatility of interest rates in developed markets in the chart above. The sharp reduction in available for sale VaR at the end of September was driven by a reduction in outright interest rate risk taken in liquidity pool, which was re-established in early October.

Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk.

a) 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 Barclays International which is monitored through VaR.

Banking book transactional foreign exchange risk outside of Barclays International is monitored on a daily basis by the market risk functions and minimised by the businesses.

b) Translational foreign exchange exposure
The Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD, EUR and ZAR. 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 CET1 capital.

The Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by using the CET1 capital movements to broadly match the revaluation of the Group's foreign currency RWA exposures.

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier 1 (AT1) 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	Borrowings which hedge the net investments	Derivatives which hedge the net investments	Structural currency exposures pre- economic hedges	Economic hedges	Remaining structural currency exposures
	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
USD	**29,460**	**(12,769)**	**-**	**16,691**	**(7,898)**	**8,793**
EUR	**2,121**	**(363)**	**-**	**1,758**	**(2,053)**	**(295)**
ZAR	**3,679**	**-**	**(2,571)**	**1,108**	**-**	**1,108**
JPY	**438**	**(209)**	**(224)**	**5**	**-**	**5**
Other	**2,793**	**-**	**(1,318)**	**1,475**	**-**	**1,475**
Total	**38,491**	**(13,341)**	**(4,113)**	**21,037**	**(9,951)**	**11,086**
As at 31 December 2015						
USD	24,712	(8,839)	(1,158)	14,715	(7,008)	7,707
EUR	2,002	(630)	(14)	1,358	(1,764)	(406)
ZAR	3,201	(4)	(99)	3,098	-	3,098
JPY	383	(168)	(205)	10	-	10
Other	2,927	-	(1,294)	1,633	-	1,633
Total	33,225	(9,641)	(2,770)	20,814	(8,772)	12,042

During 2016, total structural currency exposure net of hedging instruments decreased by £1.0bn to £11.1bn (2015: £12.0bn). The decrease was broadly driven by an increase in ZAR hedges following Barclays announcement to reduce the Group's interest in BAGL. Foreign currency net investments increased by £5.3bn to £38.5bn (2015: £33.2bn) driven predominantly by the appreciation of USD against GBP. The hedges associated with these investments increased by £5.0bn to £17.5bn (2015: £12.4bn).

Analysis of capital risk

Capital risk is the risk that the Group has insufficient capital resources to (i) meet minimum regulatory requirements in all jurisdictions; (ii) support its credit rating; and (iii) support its business strategy.

In preparation for UK ring-fencing requirements the Group has begun re-organising it's legal entity structure. The capital composition of Barclays Bank PLC is broadly equivalent to Barclays PLC however the transfer of operations to the Group Service Company which began in 2016 and will continue in 2017 has led to some variance in financial regulatory reporting.

This section provides a summary of Barclays Bank PLC's capital position and a more detailed analysis of Barclays PLCs performance in the period, capital requirements and capital resources.

Key metrics

12.4% fully loaded Common Equity Tier 1 ratio for Barclays PLC Group

Barclays PLC fully loaded CRD IV CET1 ratio increased to 12.4% (December 2015: 11.4%) reflecting an increase in CET1 capital of £4.5bn to £45.2bn, despite RWAs increasing by £7bn to £366bn.

The increase in CET1 capital was largely driven by profits generated in the period, after absorbing the impact of notable items. Other favourable movements included the currency translation reserve as a result of the appreciation of all major currencies against GBP.

The increase in RWAs was principally due to the appreciation of ZAR, USD, and EUR against GBP, which more than offset RWA reductions in Non-Core.

Risk performance

Funding risk - Capital

Capital risk

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

- meet minimum regulatory requirements in all jurisdictions
- support its credit rating; and
- support its business strategy.

More details on monitoring and managing capital risk may be found in the Risk Management sections on pages 150 to 157

All disclosures in this section (pages 117-120) are unaudited and include BAGL unless otherwise stated.

Overview

This section provides a summary of Barclays Bank PLC capital resources, and a more detailed analysis of Barclays PLC.

Summary of Barclays Plc's performance in the period

Barclays continues to be in excess of minimum transitional and fully loaded capital requirements and PRA capital and leverage requirements.

The fully loaded CET1 ratio increased to 12.4% (2015: 11.4%) reflecting an increase in CET1 capital of £4.5bn to £45.2bn, despite RWAs increasing by £7bn to £366bn.

The increase in CET1 capital was largely driven by profits of £2.1bn generated in the period, after absorbing the impact of notable items. Other favourable movements included the currency translation reserve as a result of the appreciation of all major currencies against GBP.

The increase in RWAs was principally due to the appreciation of ZAR, USD and EUR against GBP and business growth, which more than offset RWA reductions in Non-Core.

The leverage ratio increased to 4.6% (December 2015: 4.5%) driven by a £5.8bn increase in fully loaded Tier 1 capital to £52bn partially offset by an increase in the leverage exposure of £97bn to £1,125bn.

Total IFRS assets increased 8% to £1,213bn from December 2015 contributing to the 9% increase in leverage exposure.

The IFRS asset increase was mainly driven by loans and advances and other assets which increased £82bn to £707bn. The increase was primarily due to the appreciation of major currencies against GBP, an increase in liquidity pool assets, and lending growth in Barclays UK and Barclays International. This was partially offset by the rundown and exit of Non-Core assets.

Net derivative leverage exposure, remained broadly flat as an increase in assets of £19bn to £347bn was offset by an increase in derivative liabilities resulting in regulatory derivative netting increasing £20bn to £313bn. The increase was mainly within foreign exchange derivatives driven by an increase in trade volumes and appreciation of all major currencies against GBP.

Regulatory minimum capital and leverage requirements

Capital

Barclays' current regulatory requirement is to meet a fully loaded CRD IV CET1 ratio comprising the required 4.5% minimum CET1 ratio and, phased in from 2016, a Combined Buffer Requirement. This currently comprises a Capital Conservation Buffer (CCB) of 2.5% and a Globally Systemically Important Institution (G-SII) buffer determined by the PRA in line with guidance from the Financial Stability Board (FSB). Both buffers are subject to phased implementation, the CCB is phased in at 25% per annum with 0.625% applicable for 2016. The G-SII buffer for 2016 and 2017 has been set at 2% and is also phased in at 25% per annum with 0.5% applicable for 2016 and 1% for 2017. On 21 November 2016 the FSB confirmed that the G-SII buffer for 2018 will be 1.5% phasing in at 1.1% for 2018 and taking full effect from 2019 onwards.

Also forming part of the Combined Buffer Requirement is a Counter-Cyclical Capital Buffer (CCyB) and a Systemic Risk Buffer (SRB). On 30 November 2016 the Financial Policy Committee (FPC) reaffirmed that it expects to maintain a CCyB of 0% on UK exposures until at least June 2017. Other national authorities also determine the appropriate CCyBs that should be applied to exposures in their jurisdiction. During 2016, CCyBs started to apply for Barclays' exposures to other jurisdictions; however based on current exposures these are not material. No SRB has been set to date.

In addition, Barclays' Pillar 2A requirement as per the PRA's Individual Capital Guidance (ICG) for 2016 based on a point in time assessment was 3.9% of which 56% needs to be met in CET1 form, equating to approximately 2.2% of RWAs. The Pillar 2A requirement is subject to at least annual review and for 2017 Barclays' Pillar 2A add-on will be 4.0%, with approximately 2.3% of RWAs needing to be met in CET1 form. All capital, RWA and leverage calculations reflect Barclays' interpretation of the current rules.

As at 31 December 2016, Barclays' CET1 ratio was 12.4% which exceeds the 2016 transitional minimum requirement of 7.8% including the minimum 4.5% CET1 ratio requirement, 2.2% of Pillar 2A, a 0.625% CCB buffer, a 0.5% G-SII buffer and a 0% CCyB.

Leverage

Effective 1 January 2016, Barclays is required to disclose a leverage ratio and an average leverage ratio applicable to the Group:

- The leverage ratio is consistent with the December 2015 method of calculation and has been included in our disclosure. The calculation uses the end point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure. The current expected minimum fully loaded requirement is 3%, but this could be impacted by the Basel Consultation on the Leverage Framework
- The average leverage ratio as outlined by the PRA Supervisory Statement SS45/15 and the updated PRA rulebook is
- calculated as the capital measure divided by the exposure measure, where the capital and exposure measure is based on the average of the last day of each month in the quarter. The expected end point minimum requirement is 3.5% comprising of the 3% minimum requirement, a fully phased in G-SII additional leverage ratio buffer (G-SII ALRB) and a countercyclical leverage ratio buffer (CCLB). The minimum requirement is on a phased basis in line with CET1 G-SII buffer which results in a minimum requirement of 3.175% at 31 December 2016.

Risk review

Risk performance

Funding risk - Capital

In August 2016, the PRA implemented the FPC's recommendation to allow firms to exclude qualifying central bank claims from the calculation of the leverage exposure measure, as long as these are matched by deposits denominated in the same currency, subject to firms obtaining permission from the PRA. This change in reporting requirements is effective 1 April 2017, which will result in a modification to the calculation of the exposure measure for the purpose of calculating the UK leverage ratio. At 31 December 2016, Barclays' reported leverage ratio and average leverage ratio disclosed is unaffected by this announcement as firms are required to disclose based on the existing rules.

Risk performance

Funding risk - Capital

Capital Resources

The CRR and Capital Requirements Directive (CRD) 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.

Regulatory Capital

	Barclays PLC Group 2016 £m	Barclays Bank Plc Group 2016 £m
Fully Loaded Common Equity Tier 1	45,204	46,450
PRA Transitional Tier 1	56,968	58,652
PRA Transitional Total Capital Resources	71,846	74,871

For additional commentary to explain the movement in Barclays PLC Common Equity Tier 1 capital please refer to page 204 of the Barclays PLC Annual Report 2016.

Risk performance

Funding risk - Capital

Capital Composition

The capital composition of Barclays Bank Plc Group is broadly equivalent to Barclays Plc Group shown in the table below:

Capital ratios		
As at 31 December	2016	2015
Fully Loaded CET1[a,b]	12.4%	11.4%
PRA Transitional Tier 1[c,d]	15.6%	14.7%
PRA Transitional Total Capital[c,d]	19.6%	18.6%

Capital resources (audited)		
As at 31 December	2016 £m	2015 £m
Shareholders' equity (excluding non-controlling interests) per the balance sheet	64,873	59,810
Less: other equity instruments (recognised as AT1 capital)	(6,449)	(5,305)
Adjustment to retained earnings for foreseeable dividends	(388)	(631)
Minority interests (amount allowed in consolidated CET1)	1,825	950
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	(1,571)	(1,602)
Goodwill and intangible assets	(9,054)	(8,234)
Deferred tax assets that rely on future profitability excluding temporary differences	(494)	(855)
Fair value reserves related to gains or losses on cash flow hedges	(2,104)	(1,231)
Excess of expected losses over impairment	(1,294)	(1,365)
Gains or losses on liabilities at fair value resulting from own credit	86	127
Defined benefit pension fund assets	(38)	(689)
Direct and indirect holdings by an institution of own CET1 instruments	(50)	(57)
Deferred tax assets arising from temporary differences (amount above 10% threshold)	(183)	-
Other regulatory adjustments	45	(177)
Fully loaded CET1 capital	45,204	40,741
Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	6,449	5,305
Qualifying AT1 capital (including minority interests) issued by subsidiaries	5,445	6,718
Other regulatory adjustments and deductions	(130)	(130)
Transitional AT1 capital[e]	11,764	11,893
PRA transitional Tier 1 capital	56,968	52,634
Tier 2 (T2) capital		
Capital instruments and the related share premium accounts	3,769	1,757
Qualifying Tier 2 capital (including minority interests) issued by subsidiaries	11,366	12,389
Other regulatory adjustments and deductions	(257)	(253)
PRA transitional total regulatory capital	71,846	66,527
Risk weighted assets	365,649	358,376

For CRD IV RWA by risk type and business please refer to page 205 of the Barclays PLC Annual Report.

For leverage ratio and underlying exposures please refer to page 206 of the Barclays PLC Annual Report.

Notes

a The transitional regulatory adjustments to CET1 capital are no longer applicable resulting in CET1 capital on a fully loaded basis being equal to that on a transitional basis.

b The CRD IV CET1 ratio (FSA October 2012 transitional statement) as applicable to Barclays' Tier 2 Contingent Capital Notes was 13.7% based on £50.0bn of transitional CRD IV CET 1 capital and £366bn RWAs.

c The PRA transitional capital is based on the PRA Rulebook and accompanying supervisory statements.

d As at 31 December 2016, Barclays' fully loaded Tier 1 capital was £51,993m, and the fully loaded Tier 1 ratio was 14.2%. Fully loaded total regulatory capital was £67,772m and the fully loaded total capital ratio was 18.5%. The fully loaded Tier 1 capital and total capital measures are calculated without applying the transitional provisions set out in CRD IV and assessing compliance of AT1 and Tier 2 instruments against the relevant criteria in CRD IV.

e Of the £11.8bn transitional AT1 capital, fully loaded AT1 capital used for the leverage ratio comprises the £6.4bn capital instruments and related share premium accounts, £0.5bn qualifying minority interests and £0.1bn capital deductions. It excludes legacy Tier 1 capital instruments issued by subsidiaries that are subject to grandfathering.

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

131% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements

£12bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt

Risk review

Risk performance

Funding risk - liquidity

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 122-140) are unaudited and exclude BAGL unless otherwise stated

Overview

The Group has a comprehensive Key Risk Control 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 and 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 73.

Summary of performance in the period

The Group continued to maintain surpluses to its internal and regulatory requirements.The liquidity pool was £165bn (December 2015: £145bn), primarily driven by the depreciation of GBP against other major currencies and net increase in retail & commercial deposits and wholesale funding to support business growth.The Liquidity Coverage Ratio (LCR) was 131% (December 2015: 133%), equivalent to a surplus of £39bn (December 2015: £37bn). Wholesale funding outstanding excluding repurchase agreements was £158bn (December 2015: £142bn). The increase was driven by the prudent management of the liquidity position and holding company issuance. The Group issued £12.1bn equivalent of capital and senior unsecured debt from the holding company of which £8.6bn equivalent and £0.7bn equivalent in public and private senior unsecured debt respectively, and £2.8bn of capital instruments. In the same period £7.4bn of Barclays Bank PLC capital and senior unsecured debt was bought back or called.

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 short term liquidity stress scenarios, aligned to the PRA's prescribed stresses:

a 90-day market-wide stress event;

a 30-day Barclays-specific stress event;

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.

Barclays also evaluates its long term LRA, one year stress test based on prolonged closure of capital markets.

Key LRA assumptions include:

For the year ended 31 December 2016

Drivers of Liquidity Risk	LRA Specific Stress – Key Assumptions
Wholesale Secured and Unsecured Funding Risk	▪ Zero rollover of maturing wholesale unsecured funding ▪ Loss of repo capacity on non-extremely liquid repos at contractual maturity date ▪ Withdrawal of contractual buyback obligations, excess client futures margin, PB client cash and overlifts ▪ Haircuts applied to the market value of marketable assets held in the liquidity buffer
Retail and Corporate Funding Risk	▪ Retail and Corporate deposit outflows as counterparties seek to diversify their deposit balances
Intra-day Liquidity Risk	▪ Liquidity held against intraday requirements for the settlement of cash and securities under a stress
Intra-Group Liquidity Risk	▪ Liquidity support for material subsidiaries. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group.
Cross-Currency Liquidity Risk	▪ Currency liquidity cash flows at contractual maturity for physically settled FX forwards and cross currency swaps
Off-Balance Sheet Liquidity Risk	▪ Drawdown on committed facilities based on facility and counterparty type ▪ Collateral outflows due to a 2 notch credit rating downgrade ▪ Increase in the Group's initial margin requirement across all major exchanges ▪ Variation margin outflows from collateralised risk positions ▪ Outflow of collateral owing but not called ▪ Loss of internal sources of funding within the Prime Brokerage synthetics business
Franchise-Viability Risk	▪ Liquidity held in order to meet outflows that are non-contractual in nature, but are necessary in order to support the firm's ongoing franchise (e.g. debt buybacks)
Funding Concentration Risk	▪ Liquidity held against largest wholesale funding counterparty refusing to roll
Management Actions	▪ Specifically defined actions that raise liquidity or mitigate cash outflows that would be conducted in a manner so as not to increase market volatility, whilst maintaining all core franchises

Liquidity regulation

The Group monitors its position against the CRD IV Delegated Act 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 holds sufficient High Quality Liquid Assets to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of 12 months and has been developed to promote a sustainable maturity structure of assets and liabilities.

The CRD IV LCR became effective on 1 October 2015, with a minimum ratio requirement in the UK of 80% as at 31 December 2016; this will increase to 90% on 1 January 2017 and then to 100% on 1 January 2018. As of 31 December 2016, the group reported a CRD IV LCR of 131% (2015: 133%).

In October 2014, the BCBS published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100% on an ongoing basis. On 23 November 2016 the European Commission published draft amendments to the Capital Requirements Regulation (CRR) including its proposed implementation of NSFR in the EU. This proposal makes a number of changes from Basel NSFR, particularly in the treatment of derivative and secured financing transactions. Barclays is in the process of assessing the impact of these changes on its NSFR ratio, and notes that NSFR is not proposed to be a binding regulation in the EU until two years after the European legislation is finalised. We remain above 100% well ahead of implementation timelines, based on a conservative interpretation of the Basel rule.

Risk performance

Funding risk - liquidity

Comparing internal and regulatory liquidity stress tests

The LRA stress scenarios 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 CRD IV LCR stress tests provide an independent assessment of the Group's liquidity risk profile.

Stress Test	Barclays LRA	CRD IV LCR
Time Horizon	30 - 90 days	30 days
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows

As at 31 December 2016, the Group held eligible liquid assets in excess of 100% of stress requirements for all three short term LRA scenarios and the CRD IV LCR requirement.

Compliance with internal and regulatory stress tests

As at 31 December 2016	Barclays' LRA (30 day Barclays-specific requirement)[a, b] £bn	CRD IV LCR[b] £bn
Eligible liquidity buffer	173	166
Net stress outflows	(144)	(127)
Surplus	**29**	**39**
Liquidity pool as a percentage of anticipated net outflows as at 31 December 2016	**120%**	**131%**
Liquidity pool as a percentage of anticipated net outflows as at 31 December 2015	**131%**	**133%**

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.

Notes

a Of the three stress scenarios monitored as part of the LRA, the 30-day Barclays-specific scenario results in the lowest ratio at 120% (2015:131%). This compares to 134% (December 2015: 144%) under the 90-day market-wide scenario, and 144% (December 2015: 133%) under the 30-day combined scenario.

b Includes BAGL

Risk review
Risk performance
Funding risk - liquidity
Liquidity pool

The Group liquidity pool as at 31 December 2016 was £165bn (2015: £145bn). During 2016, the month-end liquidity pool ranged from £132bn to £175bn (2015: £142bn to £168bn), and the month-end average balance was £153bn (2015: £155bn). 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 2016

	Liquidity pool	Liquidity pool of which CRD IV LCR eligible			2015
		Cash	Level 1	Level 2A	Liquidity pool
	£bn	£bn	£bn	£bn	
Cash and deposits with central banks[a]	103	101	-	-	48
Government bonds[b]					
AAA to AA-	34	-	34	-	
A+ to A-	3	-	3	-	
BBB+ to BBB-	1	-	1	-	
Other LCR Ineligible Gov bonds	1	-	-	-	
Total government bonds	**39**	-	**38**	-	75
Other					
Government Guaranteed Issuers, PSEs and GSEs	12	-	9	3	
International Organisations and MDBs	6	-	6	-	
Covered bonds	1	-	1	-	
Other	4	-	-	-	
Total Other	**23**	-	**16**	**3**	22
Total as at 31 December 2016	**165**	**101**	**54**	**3**	
Total as at 31 December 2015	**145**	**45**	**87**	**8**	

The Group liquidity pool is well diversified by major currencies and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD	EUR	GBP	Other	Total
	£bn	£bn	£bn	£bn	£bn
Liquidity pool as at 31 December 2016	**44**	**36**	**49**	**36**	**165**
Liquidity pool as at 31 December 2015	41	33	46	25	145

Notes
a Of which over 98% (2015: over 97%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
b Of which over 90% (2015: over 92%) are comprised of UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

Risk review
Risk performance
Funding risk - liquidity

Management of the Group liquidity pool
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 and asset type. 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 2016, 91% of the liquidity pool was located in Barclays Bank PLC (2015: 94%) 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 Barclays Bank PLC 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.

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.

For more detail on the Group's other unencumbered assets see page 215.

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 (geographically, by type and by counterparty) 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:

	2016	2015
Assets	£bn	£bn
Loans and advances to customers[a]	326	336
Group liquidity pool	165	145
Other assets	**185**	**135**
Reverse repurchase agreements and other similar secured lending[b]	190	178
Derivative financial instruments[b]	347	326
Total assets	1,213	1,120

	2016	2015
Liabilities	£bn	£bn
Customer accounts[a]	374	374
< 1 Year wholesale funding	70	54
> 1 Year wholesale funding	88	88
Equity and other liabilities	151	104
Repurchase agreements and other similar secured borrowing[b]	190	178
Derivative financial instruments[b]	340	322
Total liabilities	1,213	1,120

Notes
a Excluding cash collateral and settlement balances.
b Comprised of reverse repurchase that provide financing to customers collateralised by highly liquid securities on a short-term basis or are used to settle short-term inventory positions and repo financing of trading portfolio assets.

Deposit funding

Deposit funding (audited)

Funding of loans and advances to customers As at 31 December 2016	2016 Loans and advances to customers £bn	2016 Customer deposits £bn	2016 Loan to deposit ratio %	2015 Loan to deposit ratio %
Barclays UK	167	189	-	-
Barclays International	98	152	-	-
Non-Core	19	-	-	-
Total Barclays UK, Barclays International and Non-Core[a]	**284**	**341**	**83%**	86%
Barclays International, Head Office and Non-Core[b]	**109**	**82**		
Total	**393**	**423**	**93%**	95%

Total Barclays UK, Barclays International and Non-Core are largely funded by customer deposits. The loan to deposit ratio for these businesses was 83% (2015: 86%). The customer deposits in excess of loans and advances are primarily used to fund liquidity buffer requirements for these businesses. The loan to deposit ratio for the Group is 93% (2015: 95%).

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 assesses the behavioural maturity of both customer assets and liabilities to identify structural balance sheet funding gaps. Customer behaviour is determined by quantitative modelling combined with qualitative assessment taking into account for historical experience, current customer composition, and macroeconomic projections. These behavioural profiles represent our forward looking expectation of the run-off profile. The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched with customer assets from a behavioural perspective.

Behavioural Maturity Profile

				Behavioural maturity profile cash outflow/(inflow)		
As at 31 December 2016	Loans and advances to customers £bn	Customer deposits £bn	Customer funding surplus/(deficit) £bn	Not more than one year £bn	Over one year but not more than five years £bn	More than five years £bn
Barclays UK	**167**	**189**	**23**	**(2)**	**(19)**	**43**
Barclays International	**98**	**152**	**54**	**3**	**17**	**34**
Barclays Non Core	**19**	**-**	**(19)**	**(1)**	**(6)**	**(12)**
Total	**284**	**341**	**58**	**-**	**(8)**	**65**
As at 31 December 2015						
Barclays UK	166	176	10	(4)	(26)	40
Barclays International	88	135	47	11	18	18
Africa (discontinued)	29	29	-	1	-	(1)
Barclays Non Core	17	8	(9)	1	(1)	(9)
Total	300	348	48	9	(9)	48

Notes
a Excluding investment banking businesses
b Including investment banking businesses

Risk performance

Funding risk - liquidity

Wholesale funding Group

Wholesale funding relationships are summarised below:

Assets	2016 £bn	2015 £bn	Liabilities	2016 £bn	2015 £bn
Trading portfolio assets	**33**	28	Repurchase agreements	**75**	70
Reverse repurchase agreements	**42**	42			
Reverse repurchase agreements	**35**	34	Trading portfolio liabilities	**35**	34
Derivative financial instruments	**347**	326	Derivative financial instruments	**340**	322
Liquidity pool	**108**	97	Less than 1 year wholesale debt	**70**	54
Other assets[a]	**109**	103	Greater than 1 year wholesale debt and equity	**154**	150

Repurchase agreements fund reverse repurchase agreements and trading portfolio assets. Trading portfolio liabilities are settled by the remainder of reverse repurchase agreements (see note 19 Offsetting financial assets and financial 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.

Note

a Predominantly available for sale investments, financial assets designated at fair value and loans and advances to banks funded by greater than one year wholesale debt and equity and trading portfolio assets partially.

Composition of wholesale funding[a]

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a variety 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 2016, the Group's total wholesale funding outstanding (excluding repurchase agreements) was £158bn (2015: £142bn). £70bn (2015: £54bn) of wholesale funding matures in less than one year, of which £22bn (2015: £14bn)[b] relates to term funding.

As at 31 December 2016, outstanding wholesale funding comprised £26bn (2015: £25bn) of secured funding and £132bn (2015: £117bn) of unsecured funding.

As the Group progresses to a Single Point of Entry resolution model, Barclays continues to issue debt capital and term senior unsecured funding from Barclays PLC, the holding company, replacing maturing debt in Barclays Bank PLC.

Maturity profile of wholesale funding[b]

	<1 month £bn	1-3 months £bn	3-6 months £bn	6-12 months £bn	<1 year £bn	1-2 years £bn	2-3 years £bn	3-4 years £bn	4-5 years £bn	>5 years £bn	Total £bn
Barclays PLC											
Senior unsecured (Public benchmark)	-	-	-	-	-	0.9	1.6	1.1	4.5	7.9	16.0
Senior unsecured (Privately placed)	-	-	-	-	-	0.1	-	-	0.2	0.5	0.8
Subordinated liabilities	-	-	-	-	-	-	-	1.1	-	2.7	3.8
Barclays Bank PLC											
Deposits from banks	9.2	4.3	1.7	1.1	16.3	0.2	-	0.3	-	-	16.8
Certificates of deposit and commercial paper	0.3	5.2	5.6	10.9	22.0	0.7	1.1	0.5	0.5	0.3	25.1
Asset backed commercial paper	3.7	3.1	0.7	-	7.5	-	-	-	-	-	7.5
Senior unsecured (Public benchmark)	1.7	0.6	1.6	-	3.9	-	2.7	0.7	0.7	1.1	9.1
Senior unsecured (Privately placed) [c]	0.6	1.5	3.6	3.5	9.2	7.3	5.5	3.2	1.6	10.0	36.8
Covered bonds	-	1.8	1.6	1.5	4.9	1.0	1.8	-	1.0	3.7	12.4
Asset backed securities	-	0.6	1.0	0.6	2.2	0.7	1.4	0.4	-	0.7	5.4
Subordinated liabilities	-	-	-	1.3	1.3	3.2	0.1	1.0	5.5	8.5	19.6
Other[d]	1.1	0.2	0.6	1.1	3.0	0.2	0.2	0.3	0.1	0.7	4.5
Total as at 31 December 2016	**16.6**	**17.3**	**16.4**	**20.0**	**70.3**	**14.3**	**14.4**	**8.6**	**14.1**	**36.1**	**157.8**
Of which secured	**3.7**	**5.6**	**3.4**	**2.3**	**15.0**	**1.8**	**3.2**	**0.4**	**1.0**	**4.4**	**25.8**
Of which unsecured	**12.9**	**11.7**	**13.0**	**17.7**	**55.3**	**12.5**	**11.2**	**8.2**	**13.1**	**31.7**	**132.0**
Total as at 31 December 2015	15.8	15.3	8.6	13.8	53.5	16.5	12.6	13.7	8.3	37.3	141.9
Of which secured	4.2	3.9	1.6	0.3	10.0	5.1	2.4	2.8	0.5	4.5	25.3
Of which unsecured	11.6	11.4	7.0	13.5	43.5	11.4	10.2	10.9	7.8	32.8	116.6

Outstanding wholesale funding includes £32.6bn (2015: £35.1bn) 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 £95bn (2015: £91bn).

Notes
a 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 and collateral swaps, Included within deposits from banks are £4.5bn of liabilities drawn in the European Central Bank's facilities.
b 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 1 year.
c Includes structured notes of £30.8bn, £7.7bn of which matures within one year.
d Primarily comprised of fair value deposits £3bn and secured financing transactions of physical gold £0.5bn.

Currency composition of wholesale debt
As at 31 December 2016, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding	USD	EUR	GBP	Other
	%	%	%	%
Deposits from banks	22	44	30	4
Certificates of deposits and commercial paper	44	48	7	1
Asset backed commercial paper	89	8	3	-
Senior unsecured (public benchmark)	51	25	16	8
Senior unsecured (Privately placed)	48	25	11	16
Covered bonds/ABS	30	42	28	-
Subordinated liabilities	53	28	19	-
Total as at 31 December 2016	48	32	16	4
Total as at 31 December 2015	38	31	23	8

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 £12.1bn equivalent of capital and senior unsecured debt from the holding company of which £8.6bn equivalent and £0.7bn equivalent in public and private senior unsecured debt respectively, and £2.8bn of capital instruments. In the same period £7.4bn of Barclays Bank PLC capital and senior unsecured debt was bought back or called.

In addition, the Group has £21.2bn of term funding maturing in 2017 and £13.2bn in 2018.

The Group expect to continue issuing public wholesale debt in 2017 from Barclays plc, in order to ensure compliance with new prospective loss absorbency requirements and maintain a stable and diverse funding base by type, currency and distribution channel.

Risk performance

Funding risk - liquidity

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 2016, BAGL Group held £10.6bn (2015: £6.0bn) of liquidity pool assets against BAGL-specific anticipated stressed outflows. The liquidity pool consists of central bank deposits, government bonds, treasury bills, notes and coins, Absa Bank successfully applied for a Committed Liquidity Facility from the South African Reserve Bank, which is included in the liquidity pool from January 2016.

The BAGL loan to deposit ratio as at 31 December 2016 was 107% (2015: 102%).

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.

Risk performance

Funding risk - liquidity

Contractual maturity of financial assets and liabilities (including BAGL) (audited)

The Group	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 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016											
Assets											
Cash and balances at central banks	102,006	322	–	–	–	–	–	–	–	–	102,328
Items in the course of collection from other banks	1,467	–	–	–	–	–	–	–	–	–	1,467
Trading portfolio assets	80,255	–	–	–	–	–	–	–	–	–	80,255
Financial assets designated at fair value	15,558	43,233	5,555	2,376	2,081	686	90	129	771	8,129	78,608
Derivative financial instruments	345,818	6	400	5	2	14	168	175	123	109	346,820
Loans and advances to banks	4,705	34,346	2,753	480	133	412	236	20	549	–	43,634
Loans and advances to customers	26,931	85,990	7,522	6,310	8,245	29,326	25,602	44,776	48,233	109,848	392,783
Reverse repurchase agreements and other similar secured lending	7,043	3,678	892	144	905	792	–	–	–	–	13,454
Available for sale financial investments	40	1,015	3,064	741	2,666	10,127	9,031	15,148	12,817	8,716	63,365
Other financial assets	251	1,111	–	–	–	76	–	–	–	–	1,438
Total financial assets	584,074	169,701	20,186	10,056	14,032	41,433	35,127	60,248	62,493	126,802	1,124,152
Other assets[a]											89,803
Total assets											1,213,955
Liabilities											
Deposits from banks	5,906	39,610	1,120	672	351	193	13	328	21	–	48,214
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	–	–	636
Customer accounts	317,951	87,616	5,305	3,023	4,528	2,836	1,262	1,043	443	696	424,703
Repurchase agreements and other similar secured borrowing	5,480	9,234	1,934	917	1,327	311	–	83	474	–	19,760
Trading portfolio liabilities	34,687	–	–	–	–	–	–	–	–	–	34,687
Financial liabilities designated at fair value	15,285	41,547	4,007	4,112	1,827	7,540	5,762	5,773	3,588	6,591	96,032
Derivative financial instruments	339,646	4	–	–	2	10	34	46	75	670	340,487
Debt securities in issue	27	16,731	11,713	5,902	6,867	3,167	8,069	9,186	10,122	3,585	75,369
Subordinated liabilities	–	7	–	–	1,317	3,230	56	7,487	7,064	4,710	23,871
Other financial liabilities	–	4,151	–	–	–	1,010	–	–	–	–	5,161
Total financial liabilities	719,618	198,900	24,079	14,626	16,219	18,297	15,196	23,946	21,787	16,252	1,068,920
Other liabilities[a]											74,080
Total liabilities											1,143,000
Cumulative liquidity gap	(135,544)	(164,743)	(168,636)	(173,206)	(175,393)	(152,257)	(132,326)	(96,024)	(55,318)	55,232	70,955

Note

a For December 2016, other assets includes balances of £71,454m (2015: £7,364m) and other liabilities includes balances of £65,292m (2015: £5,997m) relating to amounts held for sale. Please refer to Note 45 for details.

Contractual maturity of financial assets and liabilities (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 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
As at 31 December 2015											
Assets											
Cash and balances at central banks	49,580	131	–	–	–	–	–	–	–	–	49,711
Items in the course of collection from other banks	631	380	–	–	–	–	–	–	–	–	1,011
Trading portfolio assets	77,398	–	–	–	–	–	–	–	–	–	77,398
Financial assets designated at fair value[a]	30,667	21,966	1,722	1,372	583	1,021	587	424	867	16,172	75,381
Derivative financial instruments	326,930	28	3	1	53	331	61	257	147	59	327,870
Loans and advances to banks	5,354	32,019	1,954	366	468	588	991	43	12	34	41,829
Loans and advances to customers	29,117	76,337	13,935	7,084	12,332	27,616	27,318	48,707	50,737	106,034	399,217
Reverse repurchase agreements and other similar secured lending[a]	12,171	12,089	3,296	292	205	74	35	1	24	–	28,187
Financial investments	465	2,396	1,792	4,936	2,088	11,537	14,659	17,937	21,445	13,049	90,304
Other financial assets	–	1,304	–	–	–	100	–	–	–	–	1,404
Total financial assets	532,313	146,650	22,702	14,051	15,729	41,267	43,651	67,369	73,232	135,348	1,092,312
Other assets	–	–	–	–	–	–	–	–	–	–	28,415
Total assets	–	–	–	–	–	–	–	–	–	–	1,120,727
Liabilities											
Deposits from banks	5,717	38,720	1,355	540	335	97	9	67	236	4	47,080
Items in the course of collection due to other banks	1,013	–	–	–	–	–	–	–	–	–	1,013
Customer accounts	312,773	80,119	7,605	4,415	5,319	2,854	923	1,660	624	2,015	418,307
Repurchase agreements and other similar secured borrowing[a]	5,729	11,683	3,479	1,975	876	843	52	–	398	–	25,035
Trading portfolio liabilities	33,967	–	–	–	–	–	–	–	–	–	33,967
Financial liabilities designated at fair value[a]	20,051	32,453	3,152	3,470	2,317	6,093	5,458	7,446	4,139	5,533	90,112
Derivative financial instruments	323,786	80	92	49	49	42	13	57	70	14	324,252
Debt securities in issue	50	14,270	5,615	4,322	4,469	10,164	4,795	13,056	10,015	2,394	69,150
Subordinated liabilities	2	–	–	9	28	1,254	2,994	2,191	9,232	6,245	21,955
Other financial liabilities	–	2,664	–	–	–	1,075	–	–	–	–	3,739
Total financial liabilities	703,088	179,989	21,298	14,780	13,393	22,422	14,244	24,477	24,714	16,205	1,034,610
Other liabilities	–	–	–	–	–	–	–	–	–	–	20,099
Total liabilities	–	–	–	–	–	–	–	–	–	–	1,054,709
Cumulative liquidity gap	(170,775)	(204,114)	(202,710)	(203,439)	(201,103)	(182,258)	(152,851)	(109,959)	(61,441)	57,702	66,018

Note
a The On demand and Not more than three months categories for 2015 have been adjusted by £37bn for financial assets and £25bn for financial liabilities. This was done to better reflect the contractual maturity of both Reverse repurchase agreements and Repurchase agreements measured at amortised cost and fair value.

Risk performance

Funding risk - liquidity

Contractual maturity of financial assets and liabilities (audited)

The Bank	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 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016											
Assets											
Cash and balances at central banks	97,144	322	–	–	–	–	–	–	–	–	97,466
Items in the course of collection from other banks	1,010	–	–	–	–	–	–	–	–	–	1,010
Trading portfolio assets	36,527	–	–	–	–	–	–	–	–	–	36,527
Financial assets designated at fair value	114	55,096	6,477	3,278	2,008	712	502	1,816	2,292	8,570	80,865
Derivative financial instruments	326,792	24	–	4	2	9	142	148	26	55	327,202
Loans and advances to banks	2,903	37,221	1,916	485	145	967	275	39	13	–	43,964
Loans and advances to customers	25,548	106,221	14,248	6,682	9,406	32,356	28,712	49,249	42,873	115,829	431,124
Reverse repurchase agreements and other similar secured lending	5,164	14,683	952	194	905	1,043	–	–	–	–	22,941
Available for sale financial investments	16	956	1,685	736	2,635	10,103	8,970	15,115	12,766	8,617	61,599
Other financial assets	–	1,858	–	–	–	251	–	–	–	–	2,109
Total financial assets	495,218	216,381	25,278	11,379	15,101	45,441	38,601	66,367	57,970	133,071	1,104,807
Other assets[a]	-	-	-	-	-	-	-	-	-	-	30,513
Total assets	-	-	-	-	-	-	-	-	-	-	1,135,320
Liabilities											
Deposits from banks	6,268	49,096	1,186	677	360	11	13	395	31	–	58,037
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	–	–	636
Customer accounts	308,167	95,458	6,299	3,376	4,765	3,808	2,547	6,405	6,081	10,488	447,394
Repurchase agreements and other similar secured borrowing	–	24,093	2,022	917	1,326	311	–	83	474	–	29,226
Trading portfolio liabilities	31,999	–	–	–	–	–	–	–	–	–	31,999
Financial liabilities designated at fair value	178	60,113	4,432	4,044	2,691	7,130	4,966	6,162	4,533	7,081	101,330
Derivative financial instruments	316,944	119	–	–	1	5	18	42	75	670	317,874
Debt securities in issue	–	9,238	9,164	5,608	6,458	1,555	5,079	2,950	4,019	1,135	45,206
Subordinated liabilities	–	–	–	–	1,317	3,181	42	7,487	7,064	4,787	23,878
Other financial liabilities	–	10,215	–	–	–	548	–	–	–	–	10,763
Total financial liabilities	664,192	248,332	23,103	14,622	16,918	16,549	12,665	23,524	22,277	24,161	1,066,343
Other liabilities[a]	-	-	-	-	-	-	-	-	-	-	10,979
Total liabilities	-	-	-	-	-	-	-	-	-	-	1,077,322
Cumulative liquidity gap	(168,974)	(200,925)	(198,750)	(201,993)	(203,810)	(174,918)	(148,982)	(106,139)	(70,446)	38,464	57,998

Note
a For December 2016, other assets includes balances of £3,453m (2015: £5,180m) and other liabilities includes balances of £2,135m (2015: £4,103m) relating to amounts held for sale. Please refer to Note 45 for details.

Contractual maturity of financial assets and liabilities (audited)

The Bank

As at 31 December 2015	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	43,539	130	–	–	–	–	–	–	–	–	43,669
Items in the course of collection from other banks	596	-	–	–	–	–	–	–	–	–	596
Trading portfolio assets	33,057	–	–	–	–	–	–	–	–	–	33,057
Financial assets designated at fair value	24	43,523	2,695	1,893	986	1,803	540	2,115	1,975	16,433	71,987
Derivative financial instruments	315,565	56	2	1	53	118	61	257	90	49	316,252
Loans and advances to banks	3,897	31,143	2,933	2,504	3,069	4,955	4,340	3,793	5,515	52	62,201
Loans and advances to customers	28,925	89,526	15,132	7,887	11,268	29,489	21,824	47,517	42,474	101,165	395,207
Reverse repurchase agreements and other similar secured lending	-	22,305	4,962	743	121	329	250	69	24	–	28,803
Financial investments	12	2,038	892	4,807	1,837	10,829	14,221	16,967	20,357	11,648	83,608
Other financial assets	–	6,326	–	–	–	283	–	–	–	–	6,609
Total financial assets	425,615	195,047	26,616	17,835	17,334	47,806	41,236	70,718	70,435	129,347	1,041,989
Other assets[a]	–	–	–	–	–	–	–	–	–	–	35,619
Total assets	–	–	–	–	–	–	–	–	–	–	1,077,608
Liabilities											
Deposits from banks	21,161	39,830	1,288	503	331	97	9	118	345	-	63,682
Items in the course of collection due to other banks	758	–	–	–	–	–	–	–	–	–	758
Customer accounts	270,503	84,644	7,529	4,988	5,696	10,173	7,202	11,599	2,588	6,869	411,791
Repurchase agreements and other similar secured borrowing	-	18,401	3,467	2,135	588	1,109	66	–	398	–	26,164
Trading portfolio liabilities	23,567	–	–	–	–	–	–	–	–	–	23,567
Financial liabilities designated at fair value	271	48,122	4,101	4,501	3,065	6,608	5,098	7,725	4,703	6,004	90,198
Derivative financial instruments	309,740	35	46	4	3	42	13	58	70	14	310,025
Debt securities in issue	2	6,900	4,570	3,575	3,641	8,954	1,421	8,177	7,264	1,216	45,720
Subordinated liabilities	2	–	–	9	28	1,254	2,757	1,971	9,232	6,158	21,411
Other financial liabilities	–	14,297	–	–	–	1,288	–	–	–	–	15,585
Total financial liabilities	626,004	212,229	21,001	15,715	13,352	29,525	16,566	29,648	24,600	20,261	1,008,901
Other liabilities[a]	–	–	–	–	–	–	–	–	–	–	11,183
Total liabilities	–	–	–	–	–	–	–	–	–	–	1,020,084
Cumulative liquidity gap	(200,389)	(217,571)	(211,956)	(209,836)	(205,854)	(187,573)	(162,903)	(121,833)	(75,998)	33,088	57,524

Note
a For December 2016, other assets includes balances of £3,453m (2015: £5,180m) and other liabilities includes balances of £2,135m (2015: £4,103m) relating to amounts held for sale. Please refer to Note 45 for details.

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 127; 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[a] (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 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 2016									
Deposits from banks	**5,906**	**39,617**	**1,122**	**1,025**	**207**	**328**	**21**	**–**	**48,226**
Items in the course of collection due to other banks	**636**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**636**
Customer accounts	**317,951**	**87,635**	**5,312**	**7,565**	**4,154**	**1,067**	**533**	**1,013**	**425,230**
Repurchase agreements and other similar secured lending	**5,480**	**9,249**	**1,939**	**2,253**	**312**	**83**	**474**	**–**	**19,790**
Trading portfolio liabilities	**34,687**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**34,687**
Financial liabilities designated at fair value	**15,285**	**41,599**	**4,023**	**5,979**	**13,443**	**5,899**	**3,900**	**8,443**	**98,571**
Derivative financial instruments	**339,646**	**4**	**–**	**2**	**44**	**48**	**84**	**1,086**	**340,914**
Debt securities in issue	**27**	**16,916**	**11,828**	**13,059**	**11,915**	**9,654**	**10,992**	**4,061**	**78,452**
Subordinated liabilities	**–**	**374**	**635**	**3,021**	**6,761**	**9,011**	**7,860**	**4,866**	**32,528**
Other financial liabilities	**–**	**4,151**	**–**	**–**	**1,010**	**–**	**–**	**–**	**5,161**
Total financial liabilities	**719,618**	**199,545**	**24,859**	**32,904**	**37,846**	**26,090**	**23,864**	**19,469**	**1,084,195**
As at 31 December 2015									
Deposits from banks	5,717	38,721	1,357	877	108	70	239	10	47,099
Items in the course of collection due to other banks	1,013	–	–	–	–	–	–	–	1,013
Customer accounts	312,773	80,142	7,640	9,832	3,877	1,860	746	3,090	419,960
Repurchase agreements and other similar secured lending[b]	5,729	11,686	3,482	2,853	898	–	491	–	25,139
Trading portfolio liabilities	33,967	–	–	–	–	–	–	–	33,967
Financial liabilities designated at fair value[b]	20,051	32,470	3,165	5,830	11,851	7,840	4,690	8,694	94,591
Derivative financial instruments	323,786	81	94	102	57	59	80	16	324,275
Debt securities in issue	50	14,352	5,844	9,277	16,775	14,169	11,264	4,542	76,273
Subordinated liabilities	2	235	403	301	6,057	3,670	10,358	6,314	27,340
Other financial liabilities	–	2,664	–	–	1,075	–	–	–	3,739
Total financial liabilities	703,088	180,351	21,985	29,072	40,698	27,668	27,868	22,666	1,053,396

Notes
a Financial liabilities on an undiscounted basis for 2016 exclude BAGL balances now held for sale but are included for 2015.
b The On demand and Not more than three months categories for 2015 have been adjusted by £25bn for financial liabilities. This was done to better reflect the contractual maturity of Repurchase agreements measured at amortised cost and fair value.

Risk review
Risk performance
Funding risk - liquidity

Contractual maturity of financial liabilities - undiscounted (audited)

The Bank

	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016									
Deposits from banks	6,268	49,104	1,187	1,039	25	396	31	–	58,050
Items in the course of collection due to other banks	636	–	–	–	–	–	–	–	636
Customer accounts	308,167	95,693	6,502	8,399	7,384	7,131	7,100	12,236	452,612
Repurchase agreements and other similar secured lending	–	24,096	2,026	2,253	312	83	474	–	29,244
Trading portfolio liabilities	31,999	–	–	–	–	–	–	–	31,999
Financial liabilities designated at fair value	178	60,163	4,449	6,777	12,258	6,330	4,925	9,024	104,104
Derivative financial instruments	316,944	119	–	1	23	44	84	1,086	318,301
Debt securities in issue	–	9,409	9,262	12,336	7,253	3,417	4,859	1,611	48,147
Subordinated liabilities	–	367	635	3,021	6,699	9,011	7,860	4,943	32,536
Other financial liabilities	–	10,215	–	–	548	–	–	–	10,763
Total financial liabilities	664,192	249,166	24,061	33,826	34,502	26,412	25,333	28,900	1,086,392
As at 31 December 2015									
Deposits from banks	21,161	39,831	1,289	835	108	119	345	-	63,688
Items in the course of collection due to other banks	758	–	–	–	–	–	–	–	758
Customer accounts	270,503	84,660	7,542	10,720	17,767	12,083	3,012	7,799	414,086
Repurchase agreements and other similar secured lending	-	18,402	3,470	2,725	1,179	–	491	–	26,267
Trading portfolio liabilities	23,567	–	–	–	–	–	–	–	23,567
Financial liabilities designated at fair value	271	48,138	4,114	7,615	12,011	8,145	5,328	9,321	94,943
Derivative financial instruments	309,740	36	47	8	55	59	80	16	310,041
Debt securities in issue	2	6,905	4,737	7,527	11,560	8,686	7,757	2,386	49,560
Subordinated liabilities	2	235	403	300	5,773	3,362	10,287	6,217	26,579
Other financial liabilities	–	14,297	–	–	1,288	–	–	–	15,585
Total financial liabilities	626,004	212,504	21,602	29,730	49,741	32,454	27,300	25,739	1,025,074

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	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 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016											
Guarantees, letters of credit and credit insurance	6,044	18	1	410	2	23	1	3	-	-	6,502
Forward starting repurchase agreements	102	246	-	1	-	-	18	-	-	-	367
Total off balance sheet commitments received[a]	6,146	264	1	411	2	23	19	3	-	-	6,869
As at 31 December 2015											
Guarantees, letters of credit and credit insurance	6,329	138	4	5	32	84	12	97	4	17	6,722
Forward starting repurchase agreements	-	392	-	73	-	-	-	-	-	-	465
Total off balance sheet commitments received[a]	6,329	530	4	78	32	84	12	97	4	17	7,187

Note
a Off-balance sheet commitments received for 2016 exclude BAGL balances now held for sale but are included for 2015.

Maturity analysis of off-balance sheet commitments given (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 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
As at 31 December 2016											
Contingent liabilities	17,111	425	845	233	285	355	187	88	259	151	19,939
Documentary credits and other short-term trade related transactions	987	10	8	–	–	–	–	–	–	–	1,005
Forward Starting reverse repurchase agreements	–	24	–	–	–	–	–	–	–	–	24
Standby facilities, credit lines and other commitments	300,043	455	415	604	818	55	47	150	–	70	302,657
Total off-balance sheet commitments given[a]	**318,141**	**914**	**1,268**	**837**	**1,103**	**410**	**234**	**238**	**259**	**221**	**323,625**
As at 31 December 2015											
Contingent liabilities	17,421	933	493	140	590	423	158	161	164	138	20,621
Documentary credits and other short-term trade related transactions	617	30	10	-	61	119	-	8	-	-	845
Forward Starting reverse repurchase agreements	-	93	-	-	-	-	-	-	-	-	93
Standby facilities, credit lines and other commitments	274,020	1,152	1,564	1,116	1,071	873	554	906	78	35	281,369
Total off-balance sheet commitments given[a]	292,058	2,208	2,067	1,256	1,722	1,415	712	1,075	242	173	302,928

Maturity analysis of off-balance sheet commitments received

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 2016									
Guarantees, letters of credit and credit insurance	4,760	18	1	412	6	2	-	-	5,199
Forward starting repurchase agreements	43	-	-	-	-	-	-	-	43
Total off balance sheet commitments received[a]	**4,803**	**18**	**1**	**412**	**6**	**2**	**–**	**–**	**5,242**
As at 31 December 2015									
Guarantees, letters of credit and credit insurance	5,878	28	2	7	24	16	2	7	5,964
Forward starting repurchase agreements	-	291	-	-	-	-	-	-	291
Total off balance sheet commitments received[a]	5,878	319	2	7	24	16	2	7	6,255

Note
a Amounts for 2016 exclude BAGL balances now held for sale but are included for 2015.

Risk review

Risk performance

Funding risk - liquidity

Maturity analysis of off-balance sheet commitments given (audited)

The Bank	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 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2016											
Contingent liabilities	21,785	545	1,020	1,469	356	729	294	128	280	156	26,762
Documentary credits and other short-term trade related transactions	965	6	8	-	-	-	-	-	-	-	979
Forward Starting reverse repurchase agreements	-	1	-	-	-	-	-	-	-	-	1
Standby facilities, credit lines and other commitments	237,675	398	366	598	780	32	45	145	1	71	240,111
Total off-balance sheet commitments given[a]	260,425	950	1,394	2,067	1,136	761	339	273	281	227	267,853
As at 31 December 2015											
Contingent liabilities	22,320	431	429	136	282	422	158	160	164	137	24,639
Documentary credits and other short-term trade related transactions	536	28	10	-	-	119	-	-	-	-	693
Forward Starting reverse repurchase agreements	-	14	-	-	-	-	-	-	-	-	14
Standby facilities, credit lines and other commitments	217,363	1,006	160	984	539	694	525	787	49	35	222,141
Total off-balance sheet commitments given[a]	240,219	1,478	599	1,120	821	1,235	683	947	213	172	247,487

Note
a Amounts for 2016 exclude BAGL balances now held for sale but are included for 2015.

Analysis of operational risk

This section provides an analysis of the Group's operational risk profile, including events which have had a significant impact in 2016.

Key metrics

A small reduction in the number of recorded incidents occurring during the period

91%

of the Group's net reportable operational risk events had a loss value of £50,000 or less

65%

of events by number are due to External Fraud

Operational risk

Operational risk is the risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks

All disclosures in this section (pages 141 to 143) are unaudited unless otherwise stated

Overview

Operational risks are inherent in the Group's business activities and it is not always cost effective or possible to attempt to eliminate all operational risks. The operational risk management framework is therefore focussed on ensuring operational risks are identified, assessed and mitigated within the banks approved risk appetite. 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 risks: financial reporting, fraud, information, payments process, people, premises and security, supplier, tax, technology (including cyber) and transaction operations. In 2016 legal risk and financial crime risk were managed as part of operational risk.

For definitions of these risks see page 76. 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 risks listed above to cover areas included within conduct and legal risk.

This section provides an analysis of the Group's operational risk profile, including events, those which are above the Bank's reportable threshold, which have had a financial impact in 2016.

For more information on conduct risk events please see page 145.

Summary of performance in the period

During 2016, total operational risk losses decreased to £225.9m (2015: £283.5m) with a 4% reduction in the number of recorded events compared to prior year. The loss for the year was primarily driven by a limited number of events in execution, delivery and process management categories and external fraud.

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 2016, 90.8% of the Group's net reportable operational risk events had a value of £50,000 or less (2015: 88.1%) and accounted for 23.2% (2015: 14.5%) of the Group's total net loss impact.

The analysis below presents the Group's operational risk events by Basel event category:

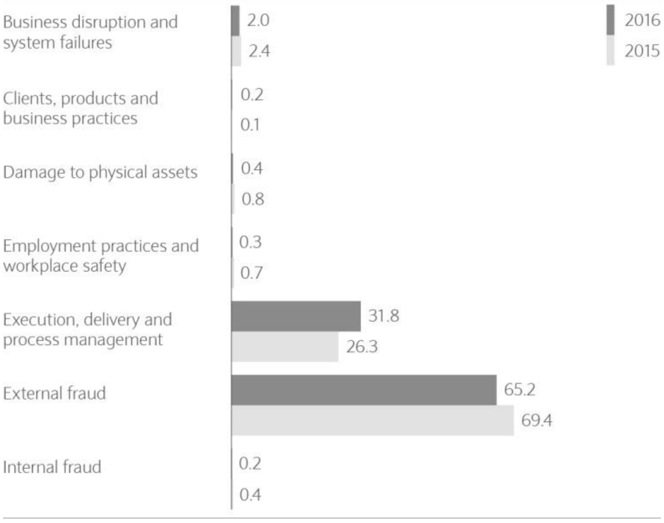
- Execution, delivery and process management impacts increased to £124.4m (2015: £111.8m) and accounted for 55.0% (2015: 39.4%) of overall operational risk losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. The increases in impacts were largely driven by limited number of events with higher loss values.
- External fraud (65.2%) 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. This accounted for 25.8% of overall operational risk losses in the year from 22.2% last year.

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 management for each risk type. External fraud and technology are highlighted as key operational risk exposures. The operational risk profile is also informed by a number of risk themes: change, resilience and cyber security. These represent material risk to the bank but have scope which sits across multiple risk types, and therefore require a risk management approach which is integrated within relevant risk and control frameworks.

Investment continues to be made in new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made and to minimise any disruption to genuine transactions. Fraud remains an industry wide threat and the Bank continues to work closely with external partners on various prevention initiatives. Technology, resilience and cyber security risks evolve rapidly so the Bank maintains continued focus and investment in our control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside the Bank.

For further information see Operational Risk Management section (pages 76 to 77).

Operational risk events by risk category
% of total risk events by count



Operational risk events by risk category
% of total risk events by value

Note

a The data disclosed include operational risk losses for reportable events (excluding Africa) having impact of ≥ £10,000 and exclude events that are conduct risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Legal Risk Events are included. Due to the nature of risk events that keep evolving, prior year losses are updated.

Analysis of conduct risk

This section details Barclays' conduct risk profile and provides information on key 2016 risk events and risk mitigation actions Barclays has taken

Key Metrics

5.4/10 Balanced Scorecard

The Conduct Reputation Balanced Scorecard Measure has been sustained mainly by our focus on:

- Operating openly and transparently
- Having high quality products and services
- Delivering value for money for customers and clients

Conduct risk

Conduct risk is the risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent conduct

All disclosures in this section (pages 144 to 146) are unaudited unless otherwise stated

Conduct Risk

Barclays strives to create and maintain mutually beneficial long-term relationships with our customers and clients. This means taking personal accountability for understanding their needs and providing them with products and services that meet those needs appropriately and help them manage their financial affairs.

As a transatlantic consumer, corporate and investment bank, Barclays also plays a critical role in promoting fair, open and transparent markets, as well as fostering shared growth for all. This means abiding by standards that in many cases are higher than those set by the laws and regulations that apply to our business.

Summary of performance in the period

In 2016, Barclays remained focused on the continuous improvements being made to manage risk effectively, with an emphasis on enhancing governance and management information to help ensure forward-looking risks are identified at earlier stages.

The cornerstone of our efforts is the Strengthening Personal Accountability programme, which is designed to strengthen our culture and embed our values throughout the organisation. The programme includes implementation of the UK Senior Manager, Certification and Conduct Rules, in addition to similar regulatory requirements and expectations in other jurisdictions.

The Group introduced dashboards on conduct, culture, complaints and citizenship to help the Board and senior management oversee and measure change across the organisation and take action where necessary to address issues and encourage progress. The dashboard data reflects a downward trend in conduct issues and complaints alongside an upward trend in confidence with respect to speaking up about potential conduct risks and issues.

Barclays proactively undertook "Lessons Learned" assessments on issues identified in enforcement matters across the industry, including the use of performance metrics and formulaic incentives in remuneration and performance management. The Group also enhanced the role and impact of conduct issues in the remuneration process at both the individual and business level.

Businesses have continued to assess the potential customer, client and market impacts of strategic change and structural reform. As part of the 2016 Medium-Term Planning Process, material conduct risks associated with strategic and financial plans were assessed. Divestment of non-core assets and businesses remains subject to a governance framework that considers the impacts on customer and client choice, market access, liquidity and other conduct risks.

The Group also continually assesses the impact of economic and geopolitical events on customers, clients and markets. In anticipation of the EU Referendum, Barclays successfully applied incident management techniques to prepare for and respond to customer and client needs and provide market liquidity.

Throughout 2016 conduct risks were raised by businesses for consideration by the Board Reputation Committee. The Board Reputation Committee reviewed the risks raised and whether management's proposed actions were appropriate to manage the risks effectively. In addition to structural reform, strategic change, the EU Referendum and lessons learned assessments, the BRC reviewed issues related to data security, cyber risk and technology resilience.

While there has been significant progress, a need for continued focus remains. Barclays must drive cultural change through all levels of the organisation and evidence consistent consideration of conduct risks in long-term, medium-term and day-to-day strategic decisions. The Group must continue to refine its conduct governance structure, particularly with respect to forward-looking management information to drive proactive decision making and address issues that persist around the general control environment and infrastructure.

The Group continued to incur significant costs in relation to litigation and conduct matters, please refer to Note x Legal, competition and regulatory matters and Note x Provisions for further detail. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering the Group's strategy and an ongoing commitment to improve oversight of culture and conduct.

Reputation Risk has been managed as a Key Risk under Conduct Risk, prior to being re-designated as a Principal Risk with effect from 2017. Barclays association with sensitive sectors is often an area of concern for stakeholders and the following topics were of particular interest during the year:

- Climate change and the management of climate risks is an increasingly important issue for the banking sector. There has been an increase in the level of interest in our response to climate change from a number of different stakeholder groups, largely driven by the ratification of COP21 requirements and publication of draft recommendations by the Financial Stability Board's Taskforce on Climate-related Financial Disclosures for annual reports. We are undertaking a review of our global energy sector client portfolio, in order to develop a strategic approach that is sustainable in the long term. We expect credit appetite to fossil fuels more broadly to decrease over time due to regulatory requirements, political appetite and moves towards development of cleaner energy sources, with particular short term focus on coal. In the meantime, we are actively pursuing opportunities in the green energy and renewable sectors.
- Supporting the manufacture and export of military and riot control goods and services is a reputation risk for the financial services sector. Political and public concern in particular relates to the use of weapons against civilians in conflict situations and to support unjustified external aggression. Our Defence Policy mandates our relationship with clients in this sector and includes a number of restrictions regarding client activities. For example, it is our policy not to finance trade in, or manufacture of, nuclear, chemical, biological or other weapons of mass destruction. A formal governance structure is in place to review high risk defence relationships and trade transactions on a case by case basis, taking into account the client, types of goods, end user and country risk.
- The banking sector has come under increased scrutiny for its perceived indirect involvement in human rights abuses committed by clients and customers. Barclays Group Statement on Human Rights outlines how we manage our impacts across four key areas:

employees, local communities, suppliers and clients/customers, taking into account the UN Framework and Guiding Principles on business and human rights and other internationally recognised human rights standards. The UK Modern Slavery Act which came into force in October 2015 has helped raise awareness of the role business plays in managing human rights impacts. We are committed to combatting the risk of modern slavery or human trafficking in our supply chain or in any part of our business and Barclays Group Statement on Modern Slavery is available on home.barclays/content/dam/barclayspublic/docs/Citizenship/Policy-Positions/MSA2016.pdf .

Reputation Risk may also arise as a result of issues and incidents relevant to other Principal Risks, in particular other non-financial risks e.g. Conduct or Operational Risk.

Supervision and regulation

Supervision of the Group

The disclosures within the Barclays Bank PLC supervision and regulation section are the same as those found in the Barclays PLC Annual Report, found at: home.barclays/annualreport

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, impact financial returns and 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 generally reflect global standards developed by, amongst others, the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). They also reflect requirements imposed directly by, or derived from, EU legislation. Various bodies, such as central banks, also create voluntary Codes of Conduct which affect the way the Group does business.

Regulatory developments impact the Group globally. We focus particularly on EU, UK and US regulation due to the location of Barclays' principal areas of business. Regulations elsewhere will affect Barclays due to the location of its branches, subsidiaries and, in some cases, clients.

The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the Bank of England (BoE), the European Banking Authority (EBA), the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System (FRB) and the South African Reserve Bank (SARB). These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's data provision, stress testing capability and internal management processes and controls.

Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group or its members subject to these exercises, could result in the Group or certain of its members being required to enhance its capital position or limit capital distributions, to any external holders of its equity or capital or within the Group. In 2016 Barclays and certain of its subsidiaries completed stress testing pursuant to the requirements of the BoE, EBA and SARB. Barclays was not required to submit revised plans as a result of these tests. Further details of Barclays capital requirements are set out below under 'Prudential Developments'.

Supervision in the EU

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 in the EU. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business in another member state through the establishment of branches or by the provision of services on a cross-border basis without the need for local authorisation. Barclays' operations in Europe are authorised and regulated by a combination of both home and host regulators. The impact of the UK's departure from the EU in this respect and, more broadly, its impact on the UK domestic regulatory framework, is yet to be determined. See the Risk Factor entitled 'EU referendum', which discusses the potential impact of the UK's departure from the EU in more detail.

In the UK, the BoE 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) and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation.

Barclays Bank PLC is authorised and subject to solo and consolidated prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. Barclays Bank PLC's Italian and French branches are also subject to direct supervision by the European Central Bank (ECB).

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, conduct and culture and strategy.

The regulation and supervision of market conduct matters is the responsibility of the FCA. The FCA's regulation of the UK firms in the Group is carried out through a combination of continuous assessment, 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.

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 or matters of conduct.

The FCA has retained an approach to enforcement based on credible deterrence that has seen significant growth in the size of regulatory fines. The approach appears to be trending towards a more US model of enforcement including the use of Deferred Prosecution Agreements, vigorous enforcement of criminal and regulatory breaches, heightened fines and proposed measures related to increased corporate criminal liability and the failure to prevent the facilitation of tax evasion.

Supervision and regulation

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 affect both the incidence of conduct costs and increase the cost of remediation. The FCA has also increasingly focused on individual accountability within firms, as illustrated by the Senior Managers' Regime and Certification Regime detailed below.

Supervision in the US

The supervisory framework of Barclays within the US is set out below in the section entitled "Regulation in the United States".

Supervision in South Africa

In South Africa, Barclays Africa Group Limited's (BAGL) operations are supervised and regulated by the South African Reserve Bank (SARB), the Financial Services Board (SAFSB) as well as ancillary regulators including, amongst others, the Financial Intelligence Centre. SARB oversees the banking industry and follows a risk-based approach to supervision, whilst the SAFSB oversees non-banking financial services such as insurance and investment businesses. The National Credit Regulator regulates consumer credit and the National Consumer Commission is responsible for other aspects of consumer protection not regulated under the jurisdiction of the SAFSB. 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, which will be responsible for matters of market conduct. The proposed "twin peaks" legislation is current going through the consultation phase of the Parliamentary process to enact the legislation. Barclays' and BAGL's operations in other African countries are primarily supervised and regulated by the central banks in the jurisdictions where Barclays or BAGL (as relevant) has a banking presence. In some African countries, the conduct of Barclays' and BAGL's operations and the non-banking activities are also regulated by financial market authorities.

Supervision in Asia Pacific

Barclays' operations in Asia Pacific are supervised and regulated by a broad range of national regulators including: the Japan Financial Services Agency, the Bank of Japan, the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore, the Reserve Bank of India, the Securities and Exchange Board of India and the People's Bank of China, China's State Administration of Foreign Exchange and the China Banking Regulatory Commission. Such supervision and regulation extends to activities conducted through branches of Barclays Bank PLC in the Asia Pacific region as well as subsidiaries of the Group.

Global regulatory developments

Regulatory change continues to affect all large financial institutions. Such change emanates from: global institutions such as the G20, FSB, IOSCO and BCBS; the European Union regionally; and national regulators, especially in the UK and US. 2016 gave rise to significant political changes in these markets, which have increased the level of regulatory and supervisory uncertainty faced by the Group and the financial markets more broadly. For more information, please see the Risk Factor entitled 'Business conditions, general economy and geopolitical issues'.

Further changes to financial services regulations impacting Barclays may affect the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings.

The programme of reform of the global regulatory framework previously agreed by G20 Heads of Government in April 2009 has continued to be taken forward throughout 2016. The G20 continues to monitor emerging risks and vulnerabilities in the financial system and has stated that it will take action to address them if necessary.

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 global systematically important financial institutions (G-SIFIs), including global systematically important banks (G-SIBs), such as Barclays.

Regulatory developments in the financial services industry can broadly be categorised as follows: (a) prudential developments; (b) recovery and resolution developments, a key aspect of which is to ensure that G-SIFIs are capable of being resolved without recourse to taxpayer support; (c) structural reform developments; (d) market infrastructure developments, aimed at enhancing client protection, financial stability and market integrity; and (e) conduct, culture and consumer protection developments.

Regulation in the EU and the UK

(a) Prudential developments

The 'Basel III' capital and liquidity standards, defined by BCBS, are implemented in EU law through CRD IV. The provisions of CRD IV either applied from, or had to be implemented in EU Member States by, 1 January 2014. In addition, the PRA has expected Barclays, in common with other major UK banks and building societies, to meet a 7% CET1 ratio at the level of the consolidated group since 1 January 2016.

G-SIBs are subject to a number of additional prudential requirements, including the requirement to hold additional loss absorbing capacity and additional capital buffers above the level required by Basel III standards. The level of G-SIB buffer is set by the FSB according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets. The G-SIB buffer must be met with common equity.

In November 2016, the FSB published an update to its list of G-SIBs, reducing the G-SIB buffer that Barclays is required to hold from 2% to 1.5%, effective from January 2018. The additional G-SIB buffer began to be phased in from January 2016, from when G-SIBs were required to meet 25% of their designated buffer. This will increase to 50% in 2017, 75% in 2018 and 100% in January 2019. G-SIBs have also been required to meet higher supervisory expectations for data aggregation capabilities since 1 January 2016. Barclays is also subject to, among other buffers, a countercyclical capital buffer (CCyB) based on rates determined by the regulatory authorities in each jurisdiction in which Barclays maintains exposures. These rates may vary in either direction – for example, in July 2016, the FPC published a policy statement directing the PRA to reduce the UK

CCyB rate from 0.5% to 0% of banks' UK exposures with immediate effect, which was subsequently adopted by the PRA. In November 2016, the FPC reaffirmed that it expects to maintain a UK CCyB rate at 0% until at least June 2017, absent any material change in the economic outlook. The systemic risk buffer is expected to be set by the PRA for the first time in early 2019.

The BCBS maintains a number of active workstreams that will affect the Group. In January 2016, the BCBS endorsed a new market risk framework, including rules made as a result of its fundamental review of the trading book, to take effect in 2019. The BCBS also continues to focus on the consistency of risk weighting of assets and on reducing the variations of approaches to risk weightings between banks. This includes revisions to the standardised rules for credit risk, CVA volatility risk and operational risk. The BCBS is also considering whether to limit the use of internal models in certain areas (for example, removing the Advanced Measurement Approach for operational risk) and to apply capital floors based on the standardised approaches. The BCBS has also recently published final standards on the Basel III securitisation framework, interest rate risk in the banking book and minimum capital requirements for market risk. The final standards for measuring and controlling large exposures were published by the BCBS in April 2014 to take effect in 2019. In November 2016 the European Commission adopted a proposal (commonly referred to as CRD V) to begin the legislative process for introducing these standards within the EU, with legislation expected to be finalised in late 2017 or early 2018. These proposals, if implemented in their current form would, among other things, overhaul existing rules relating to standardised and advanced market risk and the rules governing the inclusion of positions in the regulatory trading book.

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The proposals would also enhance rules for counterparty credit risk, strengthen requirements relating to leverage and large exposures and introduce a net stable funding ratio, requiring banks to ensure that they hold reliable sources of funds in excess of their required amount of stable funding over a one year period. CRD V also proposes to require that non-EU parent undertakings with two or more subsidiary firms established in the EU establish an intermediate parent undertaking, authorised and established in, and subject to the supervision of, an EU Member State. This requirement would apply to non-EU groups that have been identified as non-EU Global Systemically Important Institutions (G-SIIs) under CRD IV (as amended) and to groups with entities in the EU with total assets of at least €30bn. If implemented as proposed, Barclays could be required to establish such a holding company in respect of its EU operations following the UK's departure from the EU.

In January 2017, the BCBS announced that its finalisation of reforms to Basel III had been delayed. The BCBS is now expected to issue updated standards on the calculation of operational risk, the standardised framework for credit risk, restrictions on the use of internal models (including the application of RWA floors based on standardised approaches), the leverage ratio (including a leverage ratio buffer for G-SIBs) and an output floor based on a standardised approach, later in 2017. As these measures will require EU and domestic legislation to be implemented, it is not clear when they will become effective.

IFRS9 will be implemented in the European Union from 1 January 2018. In October 2016, the Basel Committee issued two documents on the treatment of accounting provisions in the regulatory framework, to take account of the future move to expected credit loss provisioning under IFRS and Financial Accounting Standards Board (FASB) standards. One paper considered transitional arrangements to phase-in the immediate capital impact of the new provisioning standards, while the other discussed more fundamental changes to the recognition of provisions in regulatory capital and changes to the risk weighting framework. The European Commission's CRR2 proposal also proposed transitional arrangements. The regulatory capital impact of IFRS9 on the group will depend on the timing and final form of all these initiatives.

(b) Recovery and Resolution developments

An important component of the EU legislative framework is the 2014 Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The UK implemented the BRRD through the Financial Services (Banking Reform) Act 2013 (the Banking Reform Act), which amended the Banking Act 2009.

Pursuant to the Banking Act, UK resolution authorities are empowered to intervene in and resolve a UK financial institution that is no longer viable. Pursuant to these laws, the BoE (in consultation with the PRA and HM Treasury as appropriate) has several stabilisation options where a banking institution is failing or likely to fail: (i) transfer some or all of the securities of the bank to a commercial purchaser; (ii) transfer some or all of the property, rights and liabilities of the bank to a 'bridge bank' wholly owned by the BoE or to a commercial purchaser; (iii) transfer the impaired or problem assets to an asset management vehicle to allow them to be managed over time; (iv) cancel or reduce certain liabilities of the institution or convert liabilities to equity to absorb losses and recapitalise the institution and (v) in the case of a holding company, transfer the banking institution into temporary public ownership. In addition, the BoE may apply for a court insolvency order in order to wind up or liquidate the institution or to put the institution into special administration. When exercising any of its stabilisation powers, the

BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims under normal insolvency proceedings.

In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, and in some cases to override events of default or termination rights that might otherwise be invoked as a result of a resolution action. In addition, the Banking Act gives the BoE the power to override, vary, or impose conditions or 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 Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable. In July 2016 the PRA issued final rules on ensuring operational continuity in resolution. The rules will apply from 1 January 2019 and will require banks to ensure that their operational structures facilitate effective recovery and resolution planning and the continued provision of functions critical to the economy in a resolution scenario.

The BRRD requires EU member states to establish pre-funded resolution funds of 1% of covered deposits to be built up by 31 December 2024. The UK government uses the Bank Levy to meet this ex ante funding requirements, as well as the ex post contributions that would be required were the ex-ante contributions not to cover costs or other expenses incurred by use of the resolution funds.

Separately, Financial Services Compensation Scheme (FSCS), a deposit guarantee scheme established under the EU Deposit Guarantee Schemes Directive and Investor Schemes Directive, is funded through fees levied on participant firms, including Barclays. The FSCS 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 insured 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 question in another EEA member state. Deposits covered by the FSCS are preferred in an insolvency of the bank.

In the event that the HM Treasury significantly increases the Bank Levy applicable to Barclays, or the FSCS significantly increases the fees levied on Barclays by virtue of its participation in the FSCS, the associated costs to the Group may have a material impact on the Group's results.

The BRRD also requires competent authorities to impose a 'Minimum Requirement for own funds and Eligible Liabilities' ('MREL') on financial institutions to facilitate the effective exercise of the bail-in tool referred to above. The EU proposes that for G-SIBs, such as Barclays, MREL should be set in accordance with the FSB Total Loss Absorbing Capital (TLAC) standard, discussed further below.

In November 2015 the FSB finalised its proposals to enhance the loss-absorbing capacity of G-SIBs to ensure 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. To this end, the FSB has set a new minimum requirement for 'total loss absorbing capacity' (TLAC). The EU has proposed to implement the TLAC standard via the MREL requirement and the European Commission has proposed amendments in its CRD V proposal to achieve this. As the proposals remain in draft it is uncertain what the final requirements and timing will be. The statement of policy confirmed that the BoE will set MREL for UK G-SIBs as necessary to implement the TLAC standard and that institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group. The MREL will be phased in from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays, will be required to meet a MREL equivalent to the higher of (i) two times the sum of its Pillar 1 and Pillar 2A requirements or (ii) the higher of two times its leverage ratio or 6.75% of leverage exposures. However, the PRA will review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed.

In addition, it is proposed that CET1 capital cannot be counted towards both MREL and the combined buffer requirement (CBR), meaning that the CBR will effectively be applied above both the Pillar 1 and Pillar 2A requirements relating to own funds and MREL, such that a failure to maintain sufficient other MREL resources could result in a breach of the CBR.

In October 2016, the BCBS also published its final standard on the prudential treatment of banks' investments in TLAC instruments issued by other institutions, confirming that internationally active banks (both G-SIBs and non-G-SIBs) must deduct their holdings of TLAC instruments that do not otherwise qualify as regulatory capital from their own Tier 2 capital. Where the investing bank owns less than 10% of the issuing bank's common shares, TLAC holdings are to be deducted from Tier 2 capital only to the extent that they exceed 10% of the investing bank's common equity (or 5% for non-regulatory capital TLAC holdings); below this threshold, holdings would instead be subjected to risk-weighting. G-SIBs may only apply risk-weighting to non-regulatory capital TLAC holdings by the 5% threshold where those holdings are in the trading book and are sold within 20 business days.

In addition to the amendments proposed to align MREL for G-SIBs with the TLAC standard, in November 2016 the European Commission proposed a package of amendments to the BRRD, including to harmonise the priority ranking of unsecured debt instruments under national insolvency proceedings and to enhance the stabilisation tools by including a moratorium tool.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. 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 the UK, Recovery and Resolution Planning (RRP) work is considered part of continuing supervision. Removal of potential impediments to an orderly resolution of the Group or one or more of its subsidiaries in considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays currently provides the PRA with a Recovery Plan annually and with a Resolution Pack every other year.

The BoE's preferred approach for the resolution of the Group is a bail-in strategy with a single point of entry through Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries would remain operational while Barclays PLC's eligible liabilities would be written down or converted to equity in order to recapitalise the Group and allow for the continued provision of services and operations throughout the resolution. This strategy relies on Barclays PLC having issued sufficient loss-absorbing capacity to effect bail-in and recapitalise the Group should the need arise. As a result the Group is focusing on transitioning eligible loss absorbing capital from subsidiary level to Barclays PLC level.

(c) Structural reform developments

Recent developments in banking law and regulation in the UK have included legislation designed to ring-fence the retail and smaller business deposit-taking businesses of large banks. 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. Ring-fencing rules have been published by the PRA further determining how ring-fenced banks will be permitted to operate.

Further rules published by the FCA set out the disclosures that non-ring-fenced banks are required to make to prospective customers that are individuals.

In relation to ring-fencing in the UK, FSMA, as amended by the Banking Reform Act, requires, amongst other things, the separation of the retail and smaller business 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). UK ring-fenced banks and large UK building societies will be required to hold CET1 capital in excess of that required under CRD IV from 2019. This requirement will be applied by the PRA on an institution specific basis according to a framework set out by the FPC. The implications of these requirements on Barclays are discussed in more detail in the Risk Factor entitled 'Structural Reform'.

At European level, the European Commission issued proposals recommending the mandatory separation of proprietary trading and other high-risk trading activities from banking activities in January 2014. These proposals would apply to institutions that have been identified as G-SIIs under CRD IV and envisage, amongst other things: (i) a ban on proprietary trading in financial instruments and commodities; and (ii) rules on the economic, legal, governance, and operational links between the trading entities and other banking group entities. The legislative proposal includes a derogation in respect of the separation of trading activities (but not the ban on proprietary trading) for Member States which had adopted similar measures before the date of its publication. The legislative proposal remains under consideration by the European Parliament and the Council of the EU.

(d) Market Infrastructure developments

The European Market Infrastructure Regulation (EMIR) has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be fully implemented. EMIR requires that certain entities that enter into derivative contracts: report such transactions; clear certain over the counter (OTC) transactions where mandated to do so; and implement risk mitigation standards in respect of uncleared OTC trades. The obligation to clear derivatives only applies to certain counterparties and specified types of derivative. In October 2016 the European Commission adopted a delegated regulation relating to the exchange of collateral, one of the risk mitigation techniques under EMIR. Provisions relating to initial margin will be phased in from 6 February 2017 until 1 September 2020. Provisions relating to variation margin applied on a phased basis from

4 February 2017. EMIR has potential operational and financial impacts on the Group, including by imposing collateral requirements.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared over-the-counter derivative trades. Lower capital requirements for cleared derivatives trades are only available if the central counterparty through which the trade is cleared is recognised as a 'qualifying central counterparty' (QCCP) which has been authorised or recognised under EMIR (in accordance with binding technical standards). Higher capital requirements may apply to the Group following the UK's departure from the EU if UK CCPs are not regarded as QCCPs.

The amended Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) is expected to apply from 3 January 2018. MiFID II will affect many of the investment markets in which the Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. Changes introduced by MiFID II include: the introduction of a new type of trading venue (the organised trading facility), capturing non-equity trading that falls outside the current regime; and the expansion of the concept of, and requirements applicable to, firms which systematically trade against proprietary capital (systematic internalisers).

MiFID II also strengthens investor protections and imposes new curbs on high frequency and commodity trading. It also increases pre-and post-trade transparency and introduces a new regime for third country firms. MiFID II also includes new requirements relating to non- discriminatory access to trading venues, central counterparties and benchmarks, and harmonised supervisory powers and sanctions across the EU.

The EU Benchmarks Regulation came into force in June 2016, with the majority of provisions intended to apply from January 2018. This Regulation applies to the administration, contribution of data to and use of benchmarks within the EU. Financial institutions within the EU will be prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU. This may impact the ability of Barclays to use certain benchmarks.

In 2015 the European Commission launched work on establishing a Capital Markets Union (CMU) within the EU. The CMU aims to increase the availability of non-bank financing in the EU, deepen the single market for financial services and promote growth and financial stability.

The Commission's work on the CMU includes the development of a regulatory framework in order to enhance efficiencies in the cross-border environment for capital markets, as well as a review of existing legislation to determine instances in which such legislation should be modified.

This work is likely to continue through 2017 and beyond and may result in changes to the EU regulatory framework in which the Group operates.

(e) Conduct, Culture and Consumer Protection developments

On 7 March 2016 the PRA and FCA introduced measures to increase the individual accountability of senior managers and other covered individuals in the banking sector. The new regime comprises the 'Senior Managers Regime', which applies to a limited number of individuals with senior management responsibilities within a firm, the 'Certification Regime', which is intended to assess and monitor the fitness and proprietary of a wider range of employees who could pose a risk of significant harm to the firm or its customers and conduct rules that individuals subject to either regime must comply with. From March 2017, the conduct rules will apply more widely to other staff of firms within scope of the regime.

The Financial Services Act 2010, amongst 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.

Barclays has to comply with national data protection laws, governing the collection, use, and disclosure of personal data, in a majority of the countries in which it operates. From 25 May 2018 data protection laws throughout the EU will be replaced by a single General Data Protection Regulation (GDPR); the UK government has confirmed the UK will adopt and apply the GDPR from May 2018. The impact across Barclays will be significant, affecting not only Group entities operating and processing personal data within the EU but also those outside the EU offering goods or services to, or monitoring individuals within the EU. The GDPR contains significant penalties for data protection breaches and non- compliance, up to 4% of Group global turnover.

A number of recent developments have indicated a clear political and regulatory desire to make customer transactional account information more easily accessible to customers and parties providing services to them. One such example is the revised Payment Services Directive (PSD2), which came into force on 12 January 2016 and must be implemented by 13 January 2018. Shortly after the finalisation of PSD2, the Open Banking Working Group, a body established at the request of HM Treasury, issued a report outlining how an ecosystem allowing the sharing of bank and customer information could be established, operated and governed. The resulting 'Open Banking Standard' is intended to allow for the provision of access to public data and secure access to private data.

In August 2016, the UK Competition and Markets Authority (CMA) published the results of its market investigation into retail banking, identifying features of the market that were having an adverse effect on competition and setting out a number of measures to remedy the shortcomings. One of these remedies requires Barclays, among other banks, to help establish and fund an entity to govern open access to information about bank services, provision and service quality. Barclays expects to be required to make public information available through open application programming interfaces (APIs) through the course of 2017, with transactional information being available through an open API by January 2018 to align with the PSD2 timeframes.

EU regulation and governments have been increasingly focused on cyber security risk management for banking organisations and have proposed laws that would impose a variety of requirements on regulated Barclays entities. These requirements include minimum required security measures, enhanced reporting requirements and a variety of other cyber and information risk governance measures. When implemented, the proposals may increase technology and compliance costs for Barclays.

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focussed on a company's failure to prevent bribery on its behalf. The legislation has broad application and in certain circumstances may have extraterritorial impact as to entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. In practice, the legislation requires Barclays to have adequate procedures to prevent bribery which, due to the extraterritorial nature of the status, makes this both complex and costly.

Regulation in the United States

Supervision in the US

Barclays' US activities and operations are subject to umbrella supervision by the Board of Governors of the Federal Reserve System (FRB), as well as additional supervision, requirements and restrictions imposed by other federal and state regulators. Barclays PLC, Barclays Bank PLC and their US branches and 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). In some cases, US requirements may impose restrictions on Barclays' global activities in addition to its activities in the US.

In July 2016, Barclays established a US intermediate holding company, Barclays US LLC (BUSL), which holds 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. BUSL, Barclays PLC and Barclays Bank PLC are regulated as bank holding companies (BHCs) by the FRB, which exercises umbrella supervisory authority over and imposes a wide variety of requirements and restrictions on Barclays' US operations, including with respect to safety and soundness. As Barclays' top-tier US bank holding company, BUSL is or will become subject to the enhanced prudential supervision requirements applicable to US bank holding companies of comparable size, including: (i) regulatory capital requirements and leverage limits; (ii) mandatory annual supervisory and annual and semi-annual company-run stress testing of capital levels, and annual submission of a capital plan in connection with the FRB's annual Comprehensive Capital Analysis and Review (CCAR), resulting in an FRB objection or non-objection to the capital plan; (iii) FRB non- objection to any proposed capital distributions by BUSL, including to Barclays Bank PLC; (iv) additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for BUSL (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. BUSL will become subject to the FRB's capital planning requirements in 2017.

The BHC Act generally restricts the activities of BHCs to banking and activities closely related to banking. In order to engage in a broader range of activities, Barclays PLC and Barclays Bank PLC have also elected to be treated as financial holding companies under the BHC Act. Financial holding companies may engage in a range of financial and related activities, directly or through subsidiaries, including underwriting, dealing and making markets in securities. In order to maintain its status as a financial holding company, a financial holding company is required to meet or exceed certain regulatory capital ratios and other requirements and be deemed 'well capitalised' and 'well managed'. In addition, the financial holding company status requires Barclays Bank Delaware to maintain at least a 'satisfactory' rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements are required to enter into an agreement to correct the deficiency and are allotted a period of time in which to restore capital levels or management ratings. The non-compliant entity will be subject to limitations on activities during any period of non-compliance. If the capital level or rating is not restored, the non-compliant entity would be subjected to increasingly stringent penalties and could ultimately be closed or required to cease certain activities in the US.

In addition to general oversight by the FRB, certain of Barclays' branches and subsidiaries are regulated by additional authorities based on the location or activities of those entities. The deposits of Barclays Bank Delaware are insured by the FDIC, which also exercises supervisory authority over the bank's operations. Under the Federal Deposit Insurance Act Barclays PLC, Barclays Bank PLC and BUSL are required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require these entities to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements. The New York and Florida branches of Barclays Bank PLC are subject to extensive supervision and regulation by, as applicable, the New York State Department of Financial Services (NYSDFS) and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Delaware Office of the State Bank Commissioner.

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 US federal and state securities laws.

Similarly, Barclays' US commodity futures, commodity options and swaps-related operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs.

Barclays' US retail and consumer activities, including the US credit card operations of Barclays Bank Delaware, are subject to direct supervision and regulation by the Consumer Financial Protection Bureau (CFPB), which was established by the DFA. The CFPB has the authority to examine and take enforcement action related to compliance with federal laws and regulations regarding the provision of consumer financial services and the prohibition of 'unfair, deceptive or abusive acts and practices'.

The 'Volcker Rule', a provision of the DFA that came into effect in July 2015, prohibits banking entities from undertaking certain 'proprietary trading' activities and limits 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 exemptions, including for underwriting, market-making and risk-mitigating hedging activities as well as for transactions and investments occurring solely outside of the US. As required by the rule, Barclays has developed and implemented an extensive compliance and monitoring programme (both inside and outside of the US) addressing proprietary trading and covered fund activities. These efforts are expected to continue as the FRB and the other relevant US regulatory agencies further implement and monitor these requirements and Barclays may incur additional costs in relation to such efforts. The Volcker Rule is highly complex and its full impact will not be known with certainty until market practices and structures further develop under it.

The Bank Secrecy Act, USA PATRIOT Act 2001 and regulations thereunder contain numerous anti-money laundering and anti-terrorist financing requirements for financial institutions. In addition, Barclays is subject to the US Foreign Corrupt Practices Act, which prohibits certain payments to foreign officials, as well as rules and regulations relating to economic sanctions and embargo programs administered by the US Office of Foreign Assets Control which restrict certain business activities with certain individuals, entities, groups, countries and territories. In some cases, these regulations may impact entities, persons or activities located outside the US, including Barclays PLC and its subsidiaries. The enforcement of these regulations has been a major focus of US government policy relating to financial institutions in recent years, and failure of a financial institution to ensure compliance could have serious legal, financial and reputational consequences for the institution.

The US regulators have enhanced their focus on the promotion of cultural values as a key area for banks. The regulators view the responsibility for reforming culture as primarily sitting with the industry. In this regard regulators have increasingly focused on areas such as incentive compensation, promotion processes and measurements of success.

Title II of the DFA established the Orderly Liquidation Authority, a new regime for orderly liquidation of systemically important financial institutions, which could apply to BUSL. Specifically, when a systemically important financial institution is in default or danger of default, the FDIC may be appointed receiver under the orderly liquidation authority instead of the institution being resolved through a voluntary or involuntary proceeding under the US Bankruptcy Code. In addition, the licensing authorities of each US branch of Barclays Bank PLC and of Barclays Bank Delaware have the authority, in certain circumstances, to take possession of the business and property of the applicable Barclays entity they license or to revoke or suspend such licence. Such circumstances include violations of law, unsafe business practices and insolvency.

Under the DFA, Barclays must submit annually to the FRB and the FDIC a plan for its 'rapid and orderly' resolution in the event of material financial distress or failure. As required, Barclays submitted its most recent annual US resolution plan to the US regulators on 1 July 2015. Barclays' next submission will be due on 1 July 2017 in view of the FDIC's and FRB's joint determination that certain foreign banking organisations' 2016 annual resolution plan filing requirements would be satisfied by the 2017 submission.

In addition, on 3 February 2017, the President of the US issued an executive order identifying 'core principles' for the administration's financial services regulatory policy and directing the US Secretary of Treasury, in consultation with the heads of other US financial regulatory agencies, to evaluate and issue a report within 120 days examining how the current regulatory framework promotes or inhibits the principles and what actions have been and are being taken to promote the principles.

Regulatory Developments in the US

The DFA's ultimate impact on the Group continues to remain uncertain and some rules are not yet fully implemented. 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 proposed or final regulations are particularly likely to have a significant effect on the Group, including:

(a) 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. The DFA also mandates that swaps and security-based swaps be reported and that certain of that information be made available to the public on an anonymous basis. In addition, certain participants in these markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or, following the compliance date for relevant SEC rules, with the SEC as 'security-based swap dealers' or 'major security- based swap participants'. Such registrants would be subject to CFTC and SEC regulation and oversight. SEC finalised the rules governing security based swap dealer registration in 2015 but clarified that registration timing is contingent upon the finalisation of certain additional rules under Title VII of DFA, several of which are still pending. Additional SEC rules governing security-based swap transactions, including security- based swap reporting, will become effective after the security-based swap dealer registration date. Barclays Bank PLC has provisionally registered with the CFTC as a swap dealer. Entities required to register are subject to business conduct and record-keeping requirements and will be subject to capital and margin requirements in connection with transactions with certain US and non-US counterparties. Barclays Bank PLC is also prudentially regulated as a swaps dealer so is subject to the FRB swaps rules.

The CFTC has approved certain comparability determinations that would permit substituted compliance with non-US regulatory regimes for certain swap regulations related to business conduct requirements.

The CFTC had previously stated that its transaction-level rules (such as margin and documentation requirements) would apply to certain transactions entered into between a non-US swap dealer and a non-US counterparty but has delayed the compliance date for this requirement a number of times. The most recent extension of this relief expires on 30 September 2017. In addition, the CFTC has proposed to apply transaction-level rules to certain cross-border transactions with a US nexus. It is unclear whether further changes will be made to these proposed rules or when they will become effective.

In this regard, the US prudential regulators and the CFTC have imposed rules requiring the exchange of collateral in respect of OTC derivative transactions, in a similar manner to the European Commission as set out above in the section entitled 'Market Infrastructure Developments'.

(b) Prudential developments

The FRB has proposed a number of prudential rules to implement DFA requirements, as well as its own versions of a number of international regulatory standards, including Basel large exposure rules (or single counterparty credit limits, proposed in March 2016) and temporary resolution stays for qualified financial contracts (proposed in May 2016).

In December 2016, the FRB issued final regulations for TLAC which will apply to BUSL. The FRB's final TLAC rule, while generally following the FSB termsheet, contains a number of provisions that are more restrictive. For example, the FRB's TLAC rule includes provisions that require BUSL (the Barclays IHC) to have (i) a specified outstanding amount of eligible long-term debt, (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus long term debt), and (iii) a specified common equity buffer. In addition, the FRB's TLAC rule would prohibit BUSL, for so long as the Group's overall resolution plan treats BUSL as a non-resolution entity, from issuing TLAC to entities other than the Group and its non-US subsidiaries.

In addition, the FRB has issued proposed regulations for net stable funding ratio (NSFR) implementation. The NSFR is one of the two Basel III-based liquidity measures, along with the LCR, and as proposed by the FRB, would apply to US bank holding companies with more than $250bn in total assets or $10bn or more in on-balance sheet foreign exposures, including BUSL, and consolidated depositary institution subsidiaries of such banking organisations with more than $10bn in assets, including Barclays Bank Delaware. Under the proposed rule, such entities would be required to maintain a minimum level of available stable funding that equals or exceeds the amount of required stable funding over a one-year period. The proposal provides for an effective date of 1 January 2018, subject to finalisation of the rules.

Supervision and regulation

If finally adopted as currently proposed, the NSFR requirement could impact Barclays liquidity and increase the funding and compliance costs for BUSL.

(c) Cybersecurity

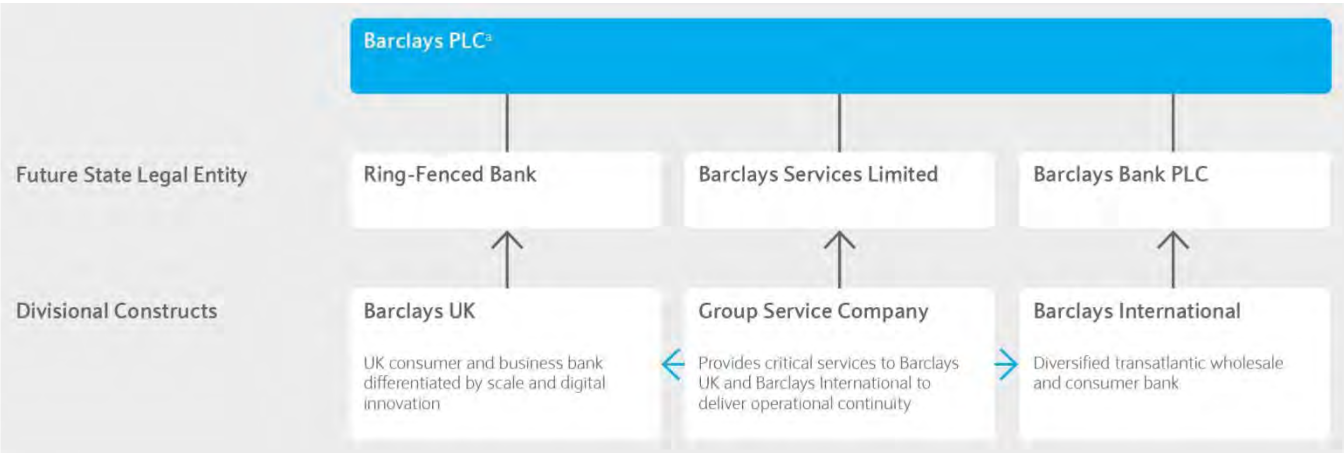
US regulators, including the FRB, FDIC and NYSDFS, have been increasingly focused on cybersecurity risk management for banking organisations and have issued proposals for, or requested comment on, regulations that would impose a variety of new requirements on regulated Barclays entities. These requirements include, among others, the adoption of cybersecurity policies and procedures meeting specified criteria, a set of minimum required security measures, new reporting and compliance certification requirements and a variety of other cyber and information risk governance measures. If finally implemented, the proposals may increase technology and compliance costs for Barclays.

Structural Reform

Overview

Barclays announced in March 2016 that it will be organised as two clearly defined divisions, Barclays UK and Barclays International, to simplify the Group and prepare early for UK ring-fencing requirements.

Barclays intends to achieve ring-fencing separation by setting up an operational legal entity, which will constitute the ring-fenced bank (RFB) and will be separate from Barclays Bank PLC (BBPLC). The Barclays UK division of BBPLC will be transferred to the RFB. BBPLC will continue to house the Barclays International division. The two banking entities, RFB (containing Barclays UK) and BBPLC (containing Barclays International) will operate alongside one another, together with the Group Service Company, Barclays Services Limited (BSerL), as subsidiaries of Barclays PLC (BPLC) within the Barclays Group.



Note

a Illustration of Barclays business divisions in preparation for regulatory ring-fencing. Plans are subject to internal and regulatory approvals and may change.

In order to achieve this target-state structure, Barclays will need to undertake a number of legal transfers, including the transfer of customer and non-customer assets, liabilities and contractual arrangements.

Barclays intends to use a court approved statutory ring-fence transfer scheme process as defined in Financial Services and Markets Act 2000 Part VII section 106B ('RFTS') to conduct the majority of these transfers to the RFB, as well as certain other items to BSerL. In addition to the transfers conducted through the RFTS, certain items will be transferred via alternative arrangements.

Between now and 1 January 2019, Barclays will complete the transition from the former divisional constructs to the legal entity constructs described above.

Timeline

Barclays' Structural Reform timeline, including progress to date and indicative future milestones is as follows:

- **2015**:
  - The legal entity which will become the RFB was incorporated.
- **2016**:
  - Barclays' US intermediate holding company was established.
  - RFB banking authorisation application was submitted to the regulators.
  - BSerL, which will become the Group Service Company, was transferred to be a direct subsidiary of BPLC.
- **2017**:
  - Various legal entities connected with the future Barclays UK business will be transferred to be subsidiaries of the entity which will become the RFB.
  - Certain assets, liabilities, and other items connected with service provision will be transferred from BBPLC to BSerL to establish the entity as the Group Service Company.
  - RFTS court process will be initiated during Q4 2017 with the submission of an application to the high court followed by the directions court hearing.
- **2018**:
  - Final court hearing will be held in respect of the RFTS.
  - Barclays UK businesses and related items will be transferred to the RFB through the RFTS and via alternative arrangements, taking effect in H1 2018.
  - Additional items connected with service provision will be transferred to BSerL, also via the RFTS in H1 2018.
  - Immediately following completion of the RFTS, the equity ownership in the RFB will be transferred, establishing the RFB as a direct subsidiary of BPLC, alongside BBPLC and BSerL

Financial review
Contents

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.

Key performance indicators

In assessing the financial performance of the Barclays Bank Group, management uses a range of Key Performance Indicators (KPIs) which focus on financial strength and cost management.

Non-IFRS performance measures

Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to pages 177 to 182 for further information and reconciliations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

Definition	Why is it important and how the Group performed	
Total income Defined as total income.	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. Total income decreased 1% to £22,469m as Non-Core income reduced £1,778m to a net expense of £1,166m due to the acceleration of the Non-Core rundown, while Core income increased 6% to £23,635m. Within Core, Barclays International income increased 9% to £15,014m, with growth in both CIB and Consumer, Cards and Payments, and Barclays UK income increased 2% to £7,517m.	2016: £22,469m 2015: £22,808m
Operating expenses Defined as total operating expenses.	Barclays views operating expenses as a key strategic area for banks; those who actively manage costs and control them effectively will gain a strong competitive advantage. Total operating expenses reduced 12% to £16,348m, including a £3,024m reduction in litigation and conduct charges in 2016 to £1,363m. This was partially offset by increased structural reform implementation costs and the strengthening in average USD and EUR against GBP. Operating expenses also included a £395m additional charge in Q416 relating to 2016 compensation awards reflecting the decision to more closely align income statement recognition with performance awards and to harmonise deferral structures across the Group.	2016: £16,348m 2015: £18,536m

Financial review
Key performance indicators

Definition	Why is it important and how the Group performed	
Profit before tax Profit before tax is the primary profitability measure 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, operating expenses and other net expenses.	Profit before tax is a key indicator of financial performance to many of our stakeholders. Profit before tax increased to £4,383m (2015: £1,914m). The Group performance reflected solid operational performance in Barclays UK and Barclays International whilst being impacted by the Non-Core loss before tax of £2,809m (2015: £2,603m) driven by the accelerated rundown of Non-Core and a £3,024m reduction in litigation and conduct charges in 2016 to £1,363m.	2016: £4,383m 2015: £1,914m
Cost to income ratio Cost to income ratio is calculated as total operating expenses divided by total income.	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 cost to income ratio decreased to 73% (2015: 81%) driven by 12% reduction in operating expenses, partially offset by a 1% reduction in income.	2016: 73% 2015: 81%

Financial review
Consolidated summary income statement

For the year ended 31 December[a]	2016 £m	2015 £m
Continuing operations		
Net interest income	**11,457**	11,363
Non-interest income	**11,012**	11,445
Total income	**22,469**	22,808
Credit impairment charges and other provisions	**(2,373)**	(1,762)
Operating expenses	**(14,575)**	(13,723)
UK bank levy	**(410)**	(426)
Litigation and conduct	**(1,363)**	(4,387)
Total operating expenses	**(16,348)**	(18,536)
Other net income/(expenses)	**635**	(596)
Profit before tax	**4,383**	1,914
Tax charge	**(1,245)**	(1,302)
Profit after tax in respect of continuing operations	**3,138**	612
Profit after tax in respect of discontinued operation[b]	**591**	626
Non-controlling interests in respect of continuing operations	**(3)**	(3)
Non-controlling interests in respect of discontinued operation[b]	**(402)**	(324)
Other equity holders	**(457)**	(345)
Attributable profit	**2,867**	566

Notes
a Comparatives have been restated to reflect the implementation of the Group business reorganisation. These restatements were detailed in our announcement on 14 April 2016, accessible at home.barclays/results.
b Refer to page 176 for further information on the Africa Banking discontinued operation.

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements.

Financial review
Income statement commentary

2016 compared to 2015

Profit before tax increased to £4,383m (2015: £1,914m). The Group performance reflected good operational performance in Barclays UK and Barclays International whilst being impacted by the Non-Core loss before tax of £2,809m (2015: £2,603m) driven by the accelerated rundown of Non-Core and provisions for UK customer redress of £1,000m (2015: £2,772m). The appreciation of average USD and EUR against GBP positively impacted income and adversely affected impairment and operating expenses.

Total income decreased 1% to £22,469m as Non-Core income reduced £1,778m to a net expense of £1,166m due to the acceleration of the Non-Core rundown, while Core income increased 6% to £23,635m. Within Core, Barclays International income increased 9% to £15,014m, with growth in both CIB and Consumer, Cards and Payments, and Barclays UK income increased 2% to £7,517m.

Total income included a £615m (2015: £nil) gain on disposal of Barclays' share of Visa Europe Limited and an own credit loss of £35m (2015: gain of £430m).

Credit impairment charges increased £611m to £2,373m including a £320m charge in Q316 following the management review of the UK and US cards portfolio impairment modelling and balance growth primarily within Consumer, Cards and Payments. This was partially offset by a reduction in credit impairment charges of 9% to £122m in Non-Core due to lower impairment charges in European businesses.

Total operating expenses reduced 12% to £16,348m reflecting lower litigation and conduct charges. This was partially offset by the non-recurrence of the prior year gain of £429m on the valuation of a component of the defined retirement benefit liability and increased structural reform implementation costs. Operating expenses also included a £395m additional charge in Q416 relating to 2016 compensation awards reflecting a decision to more closely align income statement recognition with performance awards and to harmonise deferral structures across the Group.

Total operating expenses included provisions for UK customer redress of £1,000m (2015: £2,772m).

The cost: income ratio improved to 73% (2015: 81%).

Other net income of £635m (2015: expense of £596m) included gains on the sale of Barclays Risk Analytics and Index Solutions, the Asia wealth and investment management business and the Southern European cards business, partly offset by the loss on sale of the French retail business of £455m.

The effective tax rate on profit before tax decreased to 28.4% (2015: 68.0%) principally as a result of a reduction in non-deductible charges.

Profit after tax in respect of continuing operations increased to £3,138m (2015: £612m). Profit after tax in relation to the Africa Banking discontinued operation decreased 6% to £591m as increased credit impairment charges and operating expenses were partially offset by income growth.

Financial review
Consolidated summary balance sheet

As at 31 December	2016 £m	2015 £m
Assets		
Cash and balances at central banks	**102,328**	49,711
Items in the course of collection from other banks	**1,467**	1,011
Trading portfolio assets	**80,255**	77,398
Financial assets designated at fair value	**78,608**	76,830
Derivative financial instruments	**346,820**	327,870
Financial investments	**63,365**	90,304
Loans and advances to banks	**43,634**	41,829
Loans and advances to customers	**392,783**	399,217
Reverse repurchase agreements and other similar secured lending	**13,454**	28,187
Assets included in disposal groups classified as held for sale	**71,454**	7,364
Other assets	**19,787**	21,006
Total assets	**1,213,955**	1,120,727
Liabilities		
Deposits from banks	**48,214**	47,080
Items in the course of collection due to other banks	**636**	1,013
Customer accounts	**424,703**	418,307
Trading portfolio liabilities	**34,687**	33,967
Financial liabilities designated at fair value	**96,032**	91,745
Derivative financial instruments	**340,487**	324,252
Debt securities in issue	**75,369**	69,150
Subordinated liabilities	**23,871**	21,955
Repurchase agreements and other similar secured borrowings	**19,760**	25,035
Liabilities included in disposal groups classified as held for sale	**65,292**	5,997
Other liabilities	**13,949**	16,207
Total liabilities	**1,143,000**	1,054,708
Equity		
Called up share capital and share premium	**14,462**	14,472
Other equity instruments	**6,486**	5,350
Other reserves	**4,295**	933
Retained earnings	**42,190**	43,350
Total equity excluding non-controlling interests	**67,433**	64,105
Non-controlling interests	**3,522**	1,914
Total equity	**70,955**	66,019
Total liabilities and equity	**1,213,955**	1,120,727

Financial review
Balance sheet commentary

Total assets
Total assets increased £93bn to £1,214bn.

Cash and balances at central banks and items in the course of collection from other banks increased £53bn to £102bn, as the cash contribution to the Group liquidity pool was increased.

Trading portfolio assets increased £3bn to £80bn primarily driven by client activity and the appreciation of USD against GBP, partially offset by reduction due to firm strategy.

Financial assets designated at fair value increased by £2bn to £79bn. During the period, reverse repurchase agreements designated at fair value have decreased by £15bn. Additionally, within financial assets designated at fair value, there was a partial offset by decreases in loans and advances due to £8m reclassification of ESHLA loans to amortised cost and, equity securities, debt securities and assets held in respect of linked liabilities.

Derivative financial instrument assets increased £19bn to £347bn, consistent with the increase in derivative financial instrument liabilities. The increase was primarily due to foreign exchange derivatives mainly driven by an increase in trade volumes and appreciation of all major currencies against GBP.

Financial investments decreased £27bn to £63bn due to decrease in government bonds held in the liquidity pool.

Total loans and advances decreased by £5bn to £436bn driven by a £31bn decrease due to the reclassification of BAGL balances to held for sales and £9bn from the exit of other assets in Non-Core. This was offset by lending growth of £20bn, a net £9bn increase in settlement and cash collateral balances, and an £8bn increase due to the reclassification of ESHLA loans now recognised at amortised cost.

Reverse repurchase agreements and other similar secured lending decreased £15bn to £13bn mainly due to maturity of trades within amortised cost. New trades are designated as fair value through profit and loss to better align to the way the business manages the portfolio's risk and performance.

Assets included in disposal groups classified as held for sale increased £64bn to £71bn mainly due to the reclassification of BAGL to held for sale.

Total liabilities
Total liabilities increased £88bn to £1,143bn.

Customer accounts increased £6bn to £425bn mainly due to deposit growth of £38bn and an increase in settlement and cash collateral balances of £5bn offset by reclassification of £29bn of BAGL to held for sale and £8bn decrease due to Non-Core disposals.

Repurchase agreements and other similar secured borrowing decreased £5bn to £20bn in line with Reverse repurchase agreements and other similar secured lending described above.

Trading portfolio liabilities increased £1bn to £35bn primarily driven by client demand and the appreciation of the USD against GBP.

Financial liabilities designated at fair value increased by £4bn to £96bn. During the period, repurchase agreements designated at fair value have increased by £5bn and debt securities at fair value by £2bn, which was partially offset due by decreases in liabilities to customer under investment contracts and deposits at fair value.

Derivative financial instrument liabilities increased £16bn to £340bn in line with the increase in derivative financial assets.

Debt Securities in issue increased by £6bn to £75bn driven primarily by an increase in liquidity requirements and currency revaluations partially offset by the reclassification of BAGL balances to held for sale.

Subordinated liabilities increased £2bn to £24bn due to issuances of dated subordinated notes and FX movements due to the appreciation of USD and EUR against GBP. These were partially offset by the redemptions of dated and undated subordinated notes, and the reclassification of BAGL balances to held for sale.

Accruals, deferred income and other liabilities decreased £2bn to £9bn mainly driven by a reduction in Insurance contract liabilities.

Liabilities included in disposal groups classified as held for sale increased £59bn to £65bn mainly due to the reclassification of BAGL to held for sale.

Shareholders' equity
Total shareholders' equity increased by £5bn to £71bn.

Other equity instruments increased by £1.2bn to £6.5bn due to issuance of equity accounted AT1 securities to investors.

As at 31 December 2016 there was a debit balance of £22m (2015: £338m credit) in the available for sale reserve. The decrease of £360m (2015: £240m decrease) was mainly due to a £2,192m gain from changes in fair value on Government Bonds, predominantly held in the liquidity pool and a £47m fair value adjustment to own shares which was more than offset by £1,677m of losses from related hedging and £912m of net gains transferred to net profit, mainly due to £615m purchase of Visa Europe by Visa Inc. A tax charge of £28m was recognised in the period relating to these items.

The cash flow hedging reserve increased £245m to £954m driven by £829m increase in the fair value of interest rate swaps held for hedging purposes as forward interest rates decreased, partially offset by decreases of £0.5bn due to gains recycled to the income statement and £93m tax charge.

The currency translation reserve increased by £3.7bn to £3.1bn due to the appreciation of USD and EUR against GBP.

Financial review

Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated.

Segmental analysis (audited)

Analysis of results by business

	Barclays UK	Barclays International	Head Office	Barclays Core	Barclays Non-Core	Group results
	£m	£m	£m	£m	£m	£m
For the year ended 31 December 2016						
Total income	7,517	15,014	1,104	23,635	(1,166)	22,469
Credit impairment charges and other provisions	(896)	(1,355)	-	(2,251)	(122)	(2,373)
Net operating income	6,621	13,659	1,104	21,384	(1,288)	20,096
Operating expenses	(3,790)	(9,132)	(123)	(13,045)	(1,530)	(14,575)
UK bank levy	(48)	(284)	(2)	(334)	(76)	(410)
Litigation and conduct	(1,042)	(48)	(27)	(1,117)	(246)	(1,363)
Total operating expenses	(4,880)	(9,464)	(152)	(14,496)	(1,852)	(16,348)
Other net (expenses)/income[a]	(1)	32	273	304	331	635
Profit/(loss) before tax from continuing operations	1,740	4,227	1,225	7,192	(2,809)	4,383
Total assets (£bn)[b]	209.6	647.8	76.8	934.2	279.7	1,214.0
For the year ended 31 December 2015						
Total income	7,343	13,747	1,106	22,196	612	22,808
Credit impairment charges and other provisions	(706)	(922)	-	(1,628)	(134)	(1,762)
Net operating income	6,637	12,825	1,106	20,568	478	21,046
Operating expenses	(3,464)	(8,029)	(272)	(11,765)	(1,958)	(13,723)
UK bank levy	(77)	(253)	(8)	(338)	(88)	(426)
Litigation and conduct	(2,511)	(1,310)	(66)	(3,887)	(500)	(4,387)
Total operating expenses	(6,052)	(9,592)	(346)	(15,990)	(2,546)	(18,536)
Other net income/(expenses)[a]	-	45	(106)	(61)	(535)	(596)
Profit/(loss) before tax from continuing operations	585	3,278	654	4,517	(2,603)	1,914
Total assets (£bn)[b]	202.5	532.3	60.1	794.9	325.8	1,120.7

Notable items[c]

For the year ended 31 December	2016 £m	2015 £m
Total income		
Own credit	(35)	430
Gain on disposal of Barclays' share of Visa Europe Limited	615	-
Gains on US Lehman acquisition assets	-	496
Litigation and conduct		
Provisions for UK customer redress	(1,000)	(2,772)
Provisions for ongoing investigations and litigation including Foreign Exchange	-	(1,237)
Operating expenses		
Gain on valuation of a component of the defined retirement benefit liability	-	429
Impairment of goodwill and other assets relating to businesses being disposed	-	(96)
Other net expenses		
Losses on sale relating to the Spanish, Portuguese and Italian businesses	-	(580)
Total notable items	(420)	(3,330)

Notes

a Other net (expenses)/income 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 Africa Banking assets held for sale are reported in Head Office within Core.

c Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

Financial review

Analysis of results by business

Income by geographic region (audited)

For the year ended 31 December	2016 £m	2015 £m
Continuing operations		
UK	**12,114**	12,928
Europe	**2,078**	2,245
Americas	**7,278**	6,610
Africa and Middle East	**419**	387
Asia	**571**	638
Total	**22,469**	22,808

Income from individual countries which represent more than 5% of total income (audited)[a]

For the year ended 31 December	2016 £m	2015 £m
Continuing operations		
UK	**12,114**	12,928
United States	**6,876**	6,228

Note

a Total income is based on counterparty location. Income from each single external customer does not amount to 10% or greater of the Group's total income.

Financial review
Analysis of results by business

Barclays Core

	2016 £m	2015 £m
Income statement information[a]		
Total income	**23,635**	22,196
Credit impairment charges and other provisions	**(2,251)**	(1,628)
Net operating income	**21,384**	20,568
Operating expenses	**(13,045)**	(11,765)
UK bank levy	**(334)**	(338)
Litigation and conduct	**(1,117)**	(3,887)
Total operating expenses	**(14,496)**	(15,990)
Other net income/(expenses)	**304**	(61)
Profit before tax	**7,192**	4,517
Balance sheet information		
Total assets[b]	**£934.2bn**	£794.9bn
Risk weighted assets[b]	**£333.5bn**	£304.1bn
Key facts		
Number of employees (full time equivalent)	**73,000**	78,000
Performance measures		
Cost: income ratio	**61%**	72%
Loan loss rate (bps)	**58**	45
Notable items		
Total income		
Own credit	**(35)**	430
Gain on disposal of Barclays' share of Visa Europe Limited	**615**	-
Gains on US Lehman acquisition assets	**-**	496
Litigation and conduct		
Provisions for UK customer redress	**(1,000)**	(2,649)
Provisions for ongoing investigations and litigation including Foreign Exchange	**-**	(1,036)
Operating expenses		
Gains on valuation of a component of the defined retirement benefit liability	**-**	429
Other net expenses		
Losses on sale relating to the Spanish, Portuguese and Italian businesses	**-**	(112)
Total notable items	**(420)**	(2,442)

Notes
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.
b Assets held for sale and risk weighted assets in respect of the Africa Banking discontinued operation are reported in Head Office within Core.

Barclays UK

	2016 £m	2015 £m
Income statement information[a]		
Net interest income	**6,048**	5,973
Net fee, commission and other income	**1,469**	1,370
Total income	**7,517**	7,343
Credit impairment charges and other provisions	**(896)**	(706)
Net operating income	**6,621**	6,637
Operating expenses	**(3,790)**	(3,464)
UK bank levy	**(48)**	(77)
Litigation and conduct	**(1,042)**	(2,511)
Total operating expenses	**(4,880)**	(6,052)
Other net expenses	**(1)**	-
Profit before tax	**1,740**	585
Balance sheet information		
Loans and advances to customers at amortised cost	**£166.4bn**	£166.1bn
Total assets	**£209.6bn**	£202.5bn
Customer deposits	**£189.0bn**	£176.8bn
Risk weighted assets	**£67.5bn**	£69.5bn
Key facts		
Average LTV of mortgage portfolio[b]	**48%**	49%
Average LTV of new mortgage lending[b]	**63%**	64%
Number of branches	**1,305**	1,362
Barclays mobile banking customers	**5.7m**	4.7m
30 day arrears rate - Barclaycard Consumer UK	**1.9%**	2.3%
Number of employees (full time equivalent)	**36,000**	38,800
Performance measures		
Cost: income ratio	**65%**	82%
Loan loss rate (bps)	**52**	42
Loan: deposit ratio	**88%**	94%
Net interest margin	**3.62%**	3.56%
Notable Items		
Total income		
Gain on disposal of Barclays' share of Visa Europe Limited	**151**	-
Litigation and conduct		
Provisions for UK customer redress	**(1,000)**	(2,431)
Operating expenses		
Gain on valuation of a component of the defined retirement benefit liability	**-**	296
Total notable items	**(849)**	(2,135)

Notes
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.
b Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.

Analysis of Barclays UK	2016 £m	2015 £m
Analysis of total income		
Personal Banking	**3,891**	3,714
Barclaycard Consumer UK	**2,022**	2,065
Wealth, Entrepreneurs & Business Banking	**1,604**	1,564
Total income	**7,517**	7,343
Analysis of credit impairment charges and other provisions		
Personal Banking	**(183)**	(194)
Barclaycard Consumer UK	**(683)**	(488)
Wealth, Entrepreneurs & Business Banking	**(30)**	(24)
Total credit impairment charges and other provisions	**(896)**	(706)
Analysis of loans and advances to customers at amortised cost		
Personal Banking	**£135.0bn**	£134.0bn
Barclaycard Consumer UK	**£16.5bn**	£16.2bn
Wealth, Entrepreneurs & Business Banking	**£14.9bn**	£15.9bn
Total loans and advances to customers at amortised cost	**£166.4bn**	£166.1bn
Analysis of customer deposits		
Personal Banking	**£139.3bn**	£131.0bn
Barclaycard Consumer UK	**-**	-
Wealth, Entrepreneurs & Business Banking	**£49.7bn**	£45.8bn
Total customer deposits	**£189.0bn**	£176.8bn

Financial review
Analysis of results by business

Barclays UK
2016 compared to 2015

Profit before tax increased £1,155m to £1,740m reflecting lower provisions for UK customer redress. Profit before tax excluding notable items[a] decreased 5% to £2,589m driven by an increase in credit impairment charges following the management review of the cards portfolio impairment modelling, partially offset by a reduction in total operating expenses.

Total income, including a gain on disposal of Barclays' share of Visa Europe Limited recognised in Personal Banking and Wealth, Entrepreneurs & Business Banking (WEBB) increased 2% to £7,517m.

Total income excluding notable items was broadly in line at £7,366m (2015: £7,343m). Personal Banking income increased 1% to £3,762m driven by improved deposit margins and balance growth, partially offset by lower mortgage margins. Barclaycard Consumer UK income decreased 2% to £2,022m primarily as a result of the European Interchange Fee Regulation, which came into full effect from December 2015, offset by balance growth and gains from debt sales. WEBB income increased 1% to £1,582m reflecting improved margins and deposit growth, partially offset by reduced transactional fee income. Net interest income increased 1% to £6,048m due to balance growth and deposit pricing initiatives, partially offset by lower mortgage margins.

Net interest margin increased 6bps to 3.62% reflecting higher margins on deposits, partially offset by lower mortgage margins. Net fee, commission and other income decreased 4% to £1,318m due to the impact of the European Interchange Fee Regulation in Barclaycard Consumer UK, which came into full effect from December 2015, and reduced fee and commission income in WEBB.

Credit impairment charges increased 27% to £896m due to a £200m charge in Q316 following the management review of the cards portfolio impairment modelling. The 30 day and 90 day arrears rates on the cards portfolio improved year-on-year to 1.9% (2015: 2.3%) and 0.9% (2015: 1.2%) respectively.

Total operating expenses, including provisions for UK customer redress of £1,000m (2015: £2,431m), reduced 19% to £4,880m. Total operating expenses excluding notable items reduced 1% to £3,880m reflecting savings realised from strategic cost programmes, relating to restructuring of the branch network and technology improvements, offset by structural reform programme implementation costs.

The cost: income ratio excluding notable items was 53% (2015: 53%).

Loans and advances to customers were stable at £166.4bn (December 2015: £166.1bn).

Total assets increased £7.1bn to £209.6bn primarily reflecting an increase in the allocated liquidity pool.

Customer deposits increased 7% to £189.0bn primarily driven by higher balances in Personal Banking and WEBB.

RWAs reduced £2.0bn to £67.5bn primarily driven by changes in the mortgages credit risk model.

Note

a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

Analysis of results by business

Barclays International

	2016 £m	2015 £m
Income statement information[a]		
Net interest income	**4,514**	4,324
Net trading income	**4,586**	3,782
Net fee, commission and other income	**5,914**	5,641
Total income	**15,014**	13,747
Credit impairment charges and other provisions	**(1,355)**	(922)
Net operating income	**13,659**	12,825
Operating expenses	**(9,132)**	(8,029)
UK bank levy	**(284)**	(253)
Litigation and conduct	**(48)**	(1,310)
Total operating expenses	**(9,464)**	(9,592)
Other net income	**32**	45
Profit before tax	**4,227**	3,278
Balance sheet information		
Loans and advances to banks and customers at amortised cost[b]	**£211.4bn**	£184.1bn
Trading portfolio assets	**£73.2bn**	£62.0bn
Derivative financial instrument assets	**£156.2bn**	£111.5bn
Derivative financial instrument liabilities	**£160.6bn**	£119.0bn
Reverse repurchase agreements and other similar secured lending	**£13.4bn**	£24.7bn
Financial assets designated at fair value	**£62.3bn**	£46.8bn
Total assets	**£647.8bn**	£532.3bn
Customer deposits[c]	**£216.2bn**	£185.6bn
Risk weighted assets	**£212.7bn**	£194.8bn
Key facts		
Number of employees (full time equivalent)	**36,900**	39,100
Performance measures		
Cost: income ratio	**63%**	70%
Loan loss rate (bps)	**63**	49
Loan: deposit ratio	**86%**	88%
Net interest margin[d]	**3.98%**	3.80%
Notable items		
Total income		
Gains on US Lehman acquisition assets	**-**	496
Gain on disposal of Barclays' share of Visa Europe Limited	**464**	-
Litigation and conduct		
Provisions for UK customer redress	**-**	(218)
Provisions for ongoing investigations and litigation including Foreign Exchange	**-**	(984)
Operating expenses		
Gain on valuation of a component of the defined retirement benefit liability	**-**	133
Total notable items	**464**	(573)

Notes
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document
b As at 31 December 2016 loans and advances included £186.0bn (December 2015: £162.6bn) of loans and advances to customers (including settlement balances of £19.5bn (December 2015: £18.5bn) and cash collateral of £30.1bn (December 2015: £24.8bn)), and £25.4bn (December 2015: £21.5bn) of loans and advances to banks (including settlement balances of £1.7bn (December 2015: £1.6bn) and cash collateral of £6.3bn (December 2015: £5.7bn)). Loans and advances to banks and customers in respect of Consumer, Cards and Payments were £39.7bn (December 2015: £32.1bn).
c As at 31 December 2016 customer deposits included settlement balances of £16.6bn (December 2015: £16.3bn) and cash collateral of £20.8bn (December 2015: £15.9bn).
d Barclays International margins have been restated to include interest earning lending within the investment banking business.

Analysis of results by business

Analysis of Barclays International

	2016 £m	2015 £m
Corporate and Investment Bank		
Income statement information		
Analysis of total income		
Credit	1,185	824
Equities	1,790	1,912
Macro	2,304	2,108
Markets	5,279	4,844
Banking fees	2,397	2,087
Corporate lending	1,195	1,361
Transactional banking	1,657	1,663
Banking	5,249	5,111
Other	24	495
Total income	10,552	10,450
Credit impairment charges and other provisions	(260)	(199)
Total operating expenses	(7,633)	(7,929)
Profit before tax	2,660	2,322
Balance sheet information		
Risk weighted assets	£178.6bn	£167.3bn

	2016 £m	2015 £m
Consumer, Cards and Payments		
Income statement information		
Total income	4,462	3,297
Credit impairment charges and other provisions	(1,095)	(723)
Total operating expenses	(1,831)	(1,663)
Profit before tax	1,567	956
Balance sheet information		
Loans and advances to banks and customers at amortised cost	£39.7bn	£32.1bn
Customer deposits	£50.0bn	£41.8bn
Risk weighted assets	£34.1bn	£27.5bn
Key facts		
30 day arrears rates - Barclaycard US	2.6%	2.2%
Total number of Barclaycard business clients	355,000	341,000
Value of payments processed	£296bn	£271bn

Financial review
Analysis of results by business

Barclays International
2016 compared to 2015

Profit before tax increased 29% to £4,227m, including the gain on disposal of Barclays' share of Visa Europe Limited. Profit before tax excluding notable items[a] decreased 2% to £3,763m driven by an 11% increase in total operating expenses, and a 47% increase in impairment, partially offset by a 10% increase in total income.

Total income excluding notable items increased 10% to £14,550m, including the appreciation of average USD and EUR against GBP, with Consumer, Cards and Payments income increasing 21% to £3,998m and Corporate and Investment Bank (CIB) income increasing 6% to £10,552m.

Markets income increased 9% to £5,279m. Credit income increased 44% to £1,185m driven by strong performance in fixed income flow credit, which benefitted from increased market volatility and client demand. Equities income decreased 6% to £1,790m with lower client activity in Asia and the simplification of the EMEA business, partially offset by improved performance in cash, derivatives and financing in H216. Macro income increased 9% to £2,304m driven by increased activity post the EU referendum decision and US elections.

Banking income increased 3% to £5,249m. Banking fees income increased 15% to £2,397m driven by higher debt underwriting and advisory fees, partially offset by lower equity underwriting fees. Corporate lending reduced 12% to £1,195m due to losses on fair value hedges and the non-recurrence of one-off work-out gains recognised in Q215. Transactional banking was broadly flat at £1,657m (2015: £1,663m) as income from higher deposit balances was offset by margin compression.

Consumer, Cards and Payments income excluding notable items increased 21% to £3,998m driven by growth across all key businesses and the appreciation of average USD and EUR against GBP.

Credit impairment charges increased 47% to £1,355m including the appreciation of average USD and EUR against GBP. CIB credit impairment charges increased 31% to £260m driven by the impairment of a number of single name exposures. Consumer, Cards and Payments credit impairment charges increased 51% to £1,095m primarily driven by balance growth, a change in portfolio mix and a £120m charge in Q316 following a management review of the cards portfolio impairment modelling

Total operating expenses excluding notable items increased 11%. CIB increased 12% to £7,633m. In addition to the appreciation of average USD against GBP this reflected an additional charge in Q416 relating to the 2016 compensation awards, higher restructuring costs, £150m of which related to reducing the real estate footprint in Q316, and higher structural reform programme implementation costs including those relating to the incorporation of the US Intermediate Holding Company (IHC) on 1 July 2016. These increases were partially offset by lower litigation and conduct costs. Consumer, Cards and Payments increased 7% to £1,831m due to continued business growth and the appreciation of average USD and EUR against GBP, partially offset by lower restructuring costs.

The cost: income ratio excluding notable items was 65% (2015: 64%).

Loans and advances to banks and customers at amortised cost increased £27.3bn to £211.4bn with CIB increasing £19.8bn to £171.8bn due to increased lending and cash collateral and the appreciation of USD and EUR against GBP. Consumer, Cards and Payments increased £7.6bn to £39.7bn driven by appreciation of USD and EUR against GBP and growth in Barclaycard US, including the acquisition of the JetBlue credit card portfolio.

Trading portfolio assets increased £11.2bn to £73.2bn due to an increase in client activity and appreciation of major currencies against GBP.

Derivative financial instrument assets and liabilities increased £44.7bn to £156.2bn and £41.6bn to £160.6bn respectively, due to the appreciation of USD and EUR against GBP and decreases in forward interest rates.

Financial assets designated at fair value increased £15.5bn to £62.3bn and reverse repurchase agreements and other similar lending decreased £11.3bn to £13.4bn. Since 2015, new reverse repurchase agreements in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. On a net basis reverse repos have increased by £4.2bn as a result of increased matched book trading.

Customer deposits increased £30.6bn to £216.2bn, with CIB increasing £22.6bn to £166.3bn primarily driven by increases in deposits cash collateral and the appreciation of USD and EUR against GBP. Consumer, Cards and Payments increased £8.2bn to £50.0bn driven by balance growth in Barclaycard US and Private Banking, and the appreciation of USD and EUR against GBP.

RWAs increased £17.9bn to £212.7bn, due to the appreciation of USD against GBP, and business growth, including the acquisition of the JetBlue credit card portfolio in Consumer, Cards and Payments.

Note
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

Financial review

Analysis of results by business

Head Office

	2016 £m	2015 £m
Income statement information[a]		
Net interest income	735	450
Net fee, commission and other income	369	656
Net operating income	**1,104**	1,106
Operating expenses	**(123)**	(272)
UK bank levy	**(2)**	(8)
Litigation and conduct	**(27)**	(66)
Total operating expenses	**(152)**	(346)
Other net income/(expenses)	**273**	(106)
Profit before tax	**1,225**	654
Balance sheet information		
Total assets[b]	**£76.8bn**	£60.1bn
Risk weighted assets[b]	**£53.3bn**	£39.7bn
Key facts		
Number of employees (full time equivalent)	**100**	100
Notable items		
Total income		
Own credit	**(35)**	430
Litigation and conduct		
Provisions for ongoing investigations and litigation including Foreign Exchange	**-**	(52)
Other net expenses		
Losses on sale relating to the Spanish business	**-**	(112)
Total notable items	**(35)**	266

Notes

a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

b Includes Africa Banking assets held for sale of £65.1bn (December 2015: £47.9bn) and risk weighted assets of £42.3bn (December 2015: £31.7bn).

Head Office

2016 compared to 2015

Profit before tax was £1,225m (2015: £654m). Profit before tax excluding notable items[a] increased to £1,260m (2015: £388m).

Net operating income excluding notable items increased 68% to £1,139m primarily due to changes in net income from treasury operations.

Total operating expenses excluding notable items reduced to £152m (2015: £294m) primarily due to a reduction in structural reform implementation costs now allocated to the businesses.

Other net income excluding notable items increased to £273m (2015: £6m) primarily due to recycling of the currency translation reserve on the disposal of the Southern European cards business.

Total assets increased £16.7bn to £76.8bn primarily driven by the appreciation of ZAR against GBP.

RWAs increased £13.6bn to £53.3bn primarily driven by the appreciation of ZAR against GBP and the reallocation of operational risk RWAs from Non-Core associated with exited businesses and assets.

Note
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

Analysis of results by business

Barclays Non-Core

	2016 £m	2015 £m
Income statement information[a]		
Net interest income	160	615
Net trading income	(1,707)	(706)
Net fee, commission and other income	381	703
Total income	(1,166)	612
Credit impairment charges and other provisions	(122)	(134)
Net operating income	(1,288)	478
Operating expenses	(1,530)	(1,958)
UK bank levy	(76)	(88)
Litigation and conduct	(246)	(500)
Total operating expenses	(1,852)	(2,546)
Other net income/(expenses)	331	(535)
Loss before tax	(2,809)	(2,603)
Balance sheet information		
Loans and advances to banks and customers at amortised cost[b]	£51.1bn	£51.8bn
Derivative financial instrument assets	£188.7bn	£213.7bn
Derivative financial instrument liabilities	£178.6bn	£202.1bn
Reverse repurchase agreements and other similar secured lending	£0.1bn	£3.1bn
Financial assets designated at fair value	£14.5bn	£21.4bn
Total assets	£279.7bn	£325.8bn
Customer deposits[c]	£12.5bn	£20.9bn
Risk weighted assets	£32.1bn	£54.3bn
Key facts		
Number of employees (full time equivalent)	5,500	9,900
Performance measures		
Loan loss rate (bps)	22	23
Notable items		
Litigation and conduct		
Provisions for UK customer redress	-	(123)
Provisions for ongoing investigations and litigation including Foreign Exchange	-	(201)
Operating expenses		
Impairment of goodwill and other assets relating to businesses being disposed	-	(96)
Other net expenses		
Losses on sale relating to the Spanish business	-	(468)
Total notable items	-	(888)
Analysis of total income		
Businesses	483	1,139
Securities and loans	(638)	(350)
Derivatives	(1,011)	(177)
Total income	(1,166)	612

Notes
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.
b As at 31 December 2016 loans and advances included £38.5bn (December 2015: £40.4bn) of loans and advances to customers (including settlement balances of £0.1bn (December 2015: £0.3bn) and cash collateral of £17.3bn (December 2015: £19.0bn)), and £12.6bn (December 2015: £11.4bn) of loans and advances to banks (including settlement balances of £0.1bn (December 2015: £nil) and cash collateral of £12.1bn (December 2015: £10.1bn)).
c As at 31December 2016 customer deposits included settlement balances of £0.1bn (December 2015: £0.2bn) and cash collateral of £11.9bn (December 2015: £12.3bn).

Financial review
Analysis of results by business

Barclays Non-Core
2016 compared to 2015

Loss before tax increased to £2,809m (2015: £2,603m). Loss before tax excluding notable items[a] increased to £2,809m (2015: £1,715m) driven by reduced income and increased losses resulting from continued progress on the rundown of Derivatives, Businesses and Securities and loans, partially offset by lower operating expenses and higher other net income primarily from business and country exits.

Total income reduced £1,778m to a net expense of £1,166m.

Businesses income reduced £656m to £483m due to the impact of lower income following the completion of the sale of a number of income generating businesses and fees paid to Head Office relating to the termination of internal hedging and funding positions no longer required.

Securities and loans income decreased £288m to a net expense of £638m primarily driven by the impact of restructuring the ESHLA portfolio, the non-recurrence of a £91m provision release relating to a litigation matter in Q115 and portfolio rundown. Fair value losses on the ESHLA portfolio were £393m (2015: £359m).

Derivatives income reduced £834m to a net expense of £1,011m principally reflecting the costs of running down the portfolio.

Credit impairment charges improved 9% to £122m due to lower impairment charges in European businesses.

Total operating expenses excluding notable items improved 13% to £1,852m reflecting cost savings from ceasing certain investment banking activities in a number of countries and the completion of the sale of a number of businesses, partially offset by a c.£200m increase in restructuring charges, which totalled c.£400m.

Other net income excluding notable items of £331m (2015: net expense of £70m) included gains on the sale of Barclays Risk Analytics and Index Solutions, the Asia wealth and investment management business and the Southern European cards business, partially offset by the loss on sale of the French retail business of £455m.

Loans and advances to banks and customers at amortised cost decreased £0.7bn to £51.1bn due to the sale of the Asia wealth and investment management business, and the rundown and exit of historical investment bank assets, partially offset by the recognition of £8bn of ESHLA loans at amortised cost, following the restructure of LOBO loan terms.

Total assets decreased £46.1bn to £279.7bn due to lower derivative financial instrument assets which decreased £25.0bn to £188.7bn whilst derivative financial instrument liabilities decreased £23.5bn to £178.6bn mainly on continued rundown of the derivative back book.

RWAs reduced £22.2bn to £32.1bn despite the appreciation of USD and EUR against GBP, including a £10bn reduction in Derivatives, a £3bn reduction in Securities and loans, a £4bn reduction in Businesses RWAs, and a £4bn reallocation of operational risk RWAs to Head Office associated with business disposals and exits.

Note
a Refer to pages 177 to 182 for information and reconciliations of non-IFRS performance measures included throughout this document.

Financial review
Analysis of results by business

Discontinued Operation: Africa Banking

On 1 March 2016, Barclays announced its intention to sell down the Group's interest in BAGL. This sell down is intended to be to a level which will permit deconsolidation from an accounting and regulatory perspective, subject to shareholder and regulatory approvals as required. On 5 May 2016 Barclays executed the first tranche of the sell down of the Group's interest in BAGL with the sale of 12.2% of BAGL's issued share capital. Following completion of the sale, Barclays' holding represents 50.1% of BAGL's issued share capital.

The terms of the transitional services arrangements and related separation payments have been agreed with BAGL and submitted to relevant regulators as part of a request for approval for Barclays to sell down to below a 50% holding. These proposed separation terms include contributions totalling £765m, of which £27.5m was paid in 2016, with the remainder to be paid over the period through to completion of any initial sale of Barclays' stake in BAGL to below 50%. The majority of these funds would be used by BAGL to separate from the Barclays group, including termination of the existing Master Services Agreement, making investments in branding, operations and technology, and covering separation related expenses. In addition, Barclays will contribute an amount equivalent to 1.5% of BAGL's market capitalisation to a new Broad-Based Black Economic Empowerment scheme, equating to approximately £130m at the 31 December 2016 share price and ZAR exchange rate, and expects to incur some additional operating expenses in respect of delivering the separation of the businesses under the transitional services arrangements.

These proposed contributions have been taken into account in assessing whether any impairment of the BAGL disposal group was required in the Group's balance sheet. No impairment of the BAGL disposal group was required at 31 December 2016, as the market value of BAGL less estimated costs to sell at the year-end share price and ZAR exchange rate was £8.4bn, which was greater than the carrying asset value of BAGL at that date of £7.3bn, plus the proposed costs of separation referred to above.

The Africa Banking business meets the requirements for presentation as a discontinued operation. As such, these results have been presented as two lines on the face of the Group income statement, representing the profit after tax and non-controlling interest in respect of the discontinued operation. Were the fair value of BAGL, based on its quoted share price, less estimated costs to sell, to fall below the carrying amount of the net assets of BAGL including goodwill on acquisition, a resulting impairment to Barclays' stake in BAGL would also be recognised through these lines.

	2016 £m	2015 £m
Income statement information		
Net interest income	**2,169**	1,950
Net fee, commission and other income	**1,577**	1,464
Total income	**3,746**	3,414
Credit impairment charges and other provisions	**(445)**	(353)
Net operating income	**3,301**	3,061
Operating expenses	**(2,345)**	(2,091)
UK bank levy	**(65)**	(50)
Total operating expenses	**(2,410)**	(2,141)
Other net income	**6**	7
Profit before tax	**897**	927
Profit after tax	189	626
Balance sheet information	£bn	£bn
Total assets[a]	**65.1**	47.9
Risk weighted assets[a]	**42.3**	31.7
Key facts		
Period end - ZAR/GBP	**16.78**	23.14
Average - ZAR/GBP[b]	**20.04**	19.57
Barclays Africa Group Limited share price (ZAR)	**168.69**	143.49
Barclays Africa Group Limited number of shares (m)	**848**	848
Number of employees (full time equivalent)	**40,800**	41,500

Notes
a Africa Banking assets held for sale and RWAs are reported in Head Office within Core.
b The average rate is derived from daily spot rates during the year.

Financial review
Non-IFRS performance measures

Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of Barclays PLC and its subsidiaries (the Group). They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management.

Non-IFRS and IFRS performance measures may also be presented on an excluding notable items basis. Notable items are considered to be significant items impacting comparability of performance.

Any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Non-IFRS performance measures glossary

Measure	Definition
Barclays Core	Barclays Core includes Barclays UK, Barclays International and Head Office. A reconciliation of Core statutory results and results excluding notable items is included on page 178.
Cost: income ratio	Total operating expenses divided by total income.
Loan loss rate	Is quoted in basis points and represents total loan impairment divided by gross loans and advances to customers and banks held at amortised cost at the balance sheet date.
Loan: deposit ratio	Loans and advances divided by customer accounts calculated for Barclays UK, Barclays International and Non-Core, excluding investment banking businesses. This excludes particular liabilities issued by the retail businesses that have characteristics comparable to retail deposits (for example structured Certificates of Deposit and retail bonds), which are included within debt securities in issue.
Notable items	Notable items are considered to be significant items impacting comparability of performance and are shown for each of the business segments. A reconciliation between statutory results and results excluding notable items is included on pages 179 to 182 including relevant performance measures.

Non-IFRS performance measures

Barclays Core reconciliation for the year ended	31.12.16				31.12.15			
	Barclays UK £m	Barclays International £m	Head Office £m	Barclays Core £m	Barclays UK £m	Barclays International £m	Head Office £m	Barclays Core £m
Total income	7,517	15,014	1,104	23,635	7,343	13,747	1,106	22,196
Credit impairment charges and other provisions	(896)	(1,355)	-	(2,251)	(706)	(922)	-	(1,628)
Net operating income/(expenses)	6,621	13,659	1,104	21,384	6,637	12,825	1,106	20,568
Operating expenses	(3,790)	(9,132)	(123)	(13,045)	(3,464)	(8,029)	(272)	(11,765)
UK bank levy	(48)	(284)	(2)	(334)	(77)	(253)	(8)	(338)
Litigation and conduct	(1,042)	(48)	(27)	(1,117)	(2,511)	(1,310)	(66)	(3,887)
Total operating expenses	(4,880)	(9,464)	(152)	(14,496)	(6,052)	(9,592)	(346)	(15,990)
Other net (expenses)/income	(1)	32	273	304	-	45	(106)	(61)
Profit/(loss) before tax	1,740	4,227	1,225	7,192	585	3,278	654	4,517
Risk weighted assets (£bn)‡	67.5	212.7	53.3	333.5	69.5	194.8	39.7	304.1
Notable items								
Total income								
Own credit	-	-	(35)	(35)	-	-	430	430
Gain on disposal of Barclays' share of Visa Europe Limited	151	464	-	615	-	-	-	-
Gains on US Lehman acquisition assets	-	-	-	-	-	496	-	496
Litigation and conduct								
Provisions for UK customer redress	(1,000)	-	-	(1,000)	(2,431)	(218)	-	(2,649)
Provisions for ongoing investigations and litigation including Foreign Exchange	-	-	-	-	-	(984)	(52)	(1,036)
Operating expenses								
Gain on valuation of a component of the defined retirement benefit liability	-	-	-	-	296	133	-	429
Other net expenses								
Losses on sale relating to the Spanish, Portuguese and Italian businesses	-	-	-	-	-	-	(112)	(112)
Total notable items	(849)	464	(35)	(420)	(2,135)	(573)	266	(2,442)
Results excluding notable items								
Total income	7,366	14,550	1,139	23,055	7,343	13,251	676	21,270
Credit impairment charges and other provisions	(896)	(1,355)	-	(2,251)	(706)	(922)	-	(1,628)
Net operating income/(expenses)	6,470	13,195	1,139	20,804	6,637	12,329	676	19,642
Operating expenses	(3,790)	(9,132)	(123)	(13,045)	(3,760)	(8,162)	(272)	(12,194)
UK bank levy	(48)	(284)	(2)	(334)	(77)	(253)	(8)	(338)
Litigation and conduct	(42)	(48)	(27)	(117)	(80)	(108)	(14)	(202)
Total operating expenses	(3,880)	(9,464)	(152)	(13,496)	(3,917)	(8,523)	(294)	(12,734)
Other net (expenses)/ income	(1)	32	273	304	-	45	6	51
Profit/(loss) before tax	2,589	3,763	1,260	7,612	2,720	3,851	388	6,959

Non-IFRS performance measures

Results excluding notable items

Barclays Core	Statutory results	Notable items[a]	Results excluding notable items	Statutory results	Notable items[a]	Results excluding notable items
for the year ended		31.12.16			31.12.15	
Income statement information	£m	£m	£m	£m	£m	£m
Net interest income	11,297	-	11,297	10,748	-	10,748
Net fee, commission and other income	12,338	580	11,758	11,448	926	10,522
Total income	23,635	580	23,055	22,196	926	21,270
Credit impairment charges and other provisions	(2,251)	-	(2,251)	(1,628)	-	(1,628)
Net operating income	21,384	580	20,804	20,568	926	19,642
Operating expenses	(13,045)	-	(13,045)	(11,765)	429	(12,194)
UK bank levy	(334)	-	(334)	(338)	-	(338)
Litigation and conduct	(1,117)	(1,000)	(117)	(3,887)	(3,685)	(202)
Total operating expenses	(14,496)	(1,000)	(13,496)	(15,990)	(3,256)	(12,734)
Other net income	304	-	304	(61)	(112)	51
Profit before tax	7,192	(420)	7,612	4,517	(2,442)	6,959
Performance measures						
Cost: income ratio	61%		59%	72%		60%

Barclays Non-Core

Income statement information						
Net interest income	160	-	160	615	-	615
Net trading income	(1,707)	-	(1,707)	(706)	-	(706)
Net fee, commission and other income	381	-	381	703	-	703
Total income	(1,166)	-	(1,166)	612	-	612
Credit impairment charges and other provisions	(122)	-	(122)	(134)	-	(134)
Net operating (expenses)/income	(1,288)	-	(1,288)	478	-	478
Operating expenses	(1,530)	-	(1,530)	(1,958)	(99)	(1,859)
UK bank levy	(76)	-	(76)	(88)	-	(88)
Litigation and conduct	(246)	-	(246)	(500)	(324)	(176)
Total operating expenses	(1,852)	-	(1,852)	(2,546)	(423)	(2,123)
Other net income/(expenses)	331	-	331	(535)	(465)	(70)
Loss before tax	(2,809)	-	(2,809)	(2,603)	(888)	(1,715)

Note
a Refer to page 165 for a breakdown of notable items.

Results excluding notable items

Barclays UK	Statutory results	Notable items[a]	Results excluding notable items	Statutory results	Notable items[a]	Results excluding notable items
for the year ended		31.12.16			31.12.15	
Income statement information	£m	£m	£m	£m	£m	£m
Net interest income	6,048	-	6,048	5,973	-	5,973
Net fee, commission and other income	1,469	151	1,318	1,370	-	1,370
Total income	7,517	151	7,366	7,343	-	7,343
Credit impairment charges and other provisions	(896)	-	(896)	(706)	-	(706)
Net operating income	6,621	151	6,470	6,637	-	6,637
Operating expenses	(3,790)	-	(3,790)	(3,464)	296	(3,760)
UK bank levy	(48)	-	(48)	(77)	-	(77)
Litigation and conduct	(1,042)	(1,000)	(42)	(2,511)	(2,431)	(80)
Total operating expenses	(4,880)	(1,000)	(3,880)	(6,052)	(2,135)	(3,917)
Other net expenses	(1)	-	(1)	-	-	-
Profit before tax	1,740	(849)	2,589	585	(2,135)	2,720

Performance measures

Cost: income ratio	65%		53%	82%		53%
Analysis of total income						
Personal Banking	3,891	129	3,762	3,714	-	3,714
Barclaycard Consumer UK	2,022	-	2,022	2,065	-	2,065
Wealth, Entrepreneurs & Business Banking	1,604	22	1,582	1,564	-	1,564
Total income	7,517	151	7,366	7,343	-	7,343

Note
a Refer to page 166 for a breakdown of notable items.

Non-IFRS performance measures

Results excluding notable items

Barclays International	Statutory results	Notable items[a]	Results excluding notable items	Statutory results	Notable items[a]	Results excluding notable items
for the year ended	31.12.16			31.12.15		
Income statement information	£m	£m	£m	£m	£m	£m
Net interest income	**4,514**	**-**	**4,514**	4,324	-	4,324
Net trading income	**4,586**	**-**	**4,586**	3,782	-	3,782
Net fee, commission and other income	**5,914**	**464**	**5,450**	5,641	496	5,145
Total income	**15,014**	**464**	**14,550**	13,747	496	13,251
Credit impairment charges and other provisions	**(1,355)**	**-**	**(1,355)**	(922)	-	(922)
Net operating income	**13,659**	**464**	**13,195**	12,825	496	12,329
Operating expenses	**(9,132)**	**-**	**(9,132)**	(8,029)	133	(8,162)
UK bank levy	**(284)**	**-**	**(284)**	(253)	-	(253)
Litigation and conduct	**(48)**	**-**	**(48)**	(1,310)	(1,202)	(108)
Total operating expenses	**(9,464)**	**-**	**(9,464)**	(9,592)	(1,069)	(8,523)
Other net income	**32**	**-**	**32**	45	-	45
Profit before tax	**4,227**	**464**	**3,763**	3,278	(573)	3,851

Performance measures						
Cost: income ratio	**63%**		**65%**	70%		64%

Analysis of Barclays International

Corporate and Investment Bank

Income statement information						
Total income	**10,552**	**-**	**10,552**	10,450	496	9,954
Credit impairment charges and other provisions	**(260)**	**-**	**(260)**	(199)	-	(199)
Total operating expenses	**(7,633)**	**-**	**(7,633)**	(7,929)	(1,124)	(6,805)
Profit before tax	**2,660**	**-**	**2,660**	2,322	(628)	2,950

Consumer, Cards and Payments

Income statement information						
Total income	**4,462**	**464**	**3,998**	3,297	-	3,297
Credit impairment charges and other provisions	**(1,095)**	**-**	**(1,095)**	(723)	-	(723)
Total operating expenses	**(1,831)**	**-**	**(1,831)**	(1,663)	55	(1,718)
Profit before tax	**1,567**	**464**	**1,103**	956	55	901

Note
a Refer to page 169 for a breakdown of notable items.

Financial review
Non-IFRS performance measures

Results excluding notable items

Head Office for the year ended	Statutory results 31.12.16	Notable items[a] 31.12.16	Results excluding notable items 31.12.16	Statutory results 31.12.15	Notable items[a] 31.12.15	Results excluding notable items 31.12.15
Income statement information	£m	£m	£m	£m	£m	£m
Net interest income	**735**	**-**	**735**	450	-	450
Net fee, commission and other income	**369**	**(35)**	**404**	656	430	226
Net operating income	**1,104**	**(35)**	**1,139**	1,106	430	676
Operating expenses	**(123)**	**-**	**(123)**	(272)	-	(272)
UK bank levy	**(2)**	**-**	**(2)**	(8)	-	(8)
Litigation and conduct	**(27)**	**-**	**(27)**	(66)	(52)	(14)
Total operating expenses	**(152)**	**-**	**(152)**	(346)	(52)	(294)
Other net income/(expenses)	**273**	**-**	**273**	(106)	(112)	6
Profit/(loss) before tax	**1,225**	**(35)**	**1,260**	654	266	388

Note
a Refer to page 172 for a breakdown of notable items.

Financial Statements
Contents

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Consolidated financial statements
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 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. 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 together 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.

On 1 March 2016, Barclays announced its intention to sell down the Group's interest in BAGL. This sell down is intended to be to a level which will permit deconsolidation from an accounting and regulatory perspective, subject to shareholder and regulatory approvals as required. As the Africa Banking Business meets requirements for presentation as a discontinued operation, these results have been presented as two lines on the face of the Group income statement, representing the profit after tax and non-controlling interest in respect of the discontinued operation.

British Bankers' Association (BBA) Code for Financial Reporting Disclosure

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2016 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 190 to 197.

The financial statements have been prepared on a going concern basis, in accordance with The Companies Act 2006 as applicable to companies using IFRS.

Consolidated financial statements
Presentation of information

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 differences are the holding company, Barclays PLC and following a restructure in November 2016, the Group Service Company transferring from Barclays Bank PLC to Barclays PLC.

Differences between Barclays PLC and Barclays Bank PLC results can be summarised as follows:
- Balance Sheet Asset size – Barclays PLC £1,213,126m, Barclays Bank PLC £1,213,955m
- Income Statement Profit before tax – Barclays PLC £3,230m, Barclays Bank PLC £4,383m

The differences occur primarily due to the following reasons:
- Funding structures
- Cash flow hedging
- Group Service Company

More detail regarding the main differences is described below.

Funding Structures

	Barclays PLC £m	Barclays Bank PLC £m
Preference shares	-	5,836
Other shareholders' equity	-	271
Non-controlling interests (NCI)	6,492	3,522

Preference shares and capital notes issued by Barclays Bank PLC are included within share capital in Barclays Bank PLC, and where still outstanding are presented as non-controlling interests in the financial statements of Barclays PLC Group.

	Barclays PLC £m	Barclays Bank PLC £m
Treasury shares	(42)	-

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.

	Barclays PLC £m	Barclays Bank PLC £m
Capital Redemption Reserve (CRR)	394	38

Arising from the redemption or exchange of Barclays PLC or Barclays Bank PLC shares respectively

	Barclays PLC £m	Barclays Bank PLC £m
Loans and advances to banks	43,251	43,634
Subordinated liabilities	(23,383)	(23,871)

Barclays Bank PLC has in issue two series of contingent capital notes (CCNs). These both 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 7.625% CCN issuance, the cancellation is effected by an automatic legal transfer of title 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 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.

Cash flow hedging

	Barclays PLC £m	Barclays Bank PLC £m
Income Statement		
Net interest income	10,537	11,457
Tax	(993)	(1,245)
Equity		
Cash flow hedging reserve	2,105	954

Barclays PLC cash flow hedging reserve is larger than Barclays Bank PLC as it is no longer exposed to the same variable rate cash flows. This is as a direct result of anticipated bank ring fencing and transfer of assets to an entity which is not expected to be consolidated by Barclays Bank PLC (although is expected to be consolidated by Barclays PLC). There is also a difference in the income statement due to variance in income and tax due to cash flow hedging not included in Barclays Bank PLC.

Group Service Company

The ownership of the Group service company was transferred from Barclays Bank PLC to Barclays PLC in November 2016 contributing to the following key differences between Barclays PLC and Barclays Bank PLC.

	Barclays PLC £m	Barclays Bank PLC £m
Staff costs	(9,423)	(9,211)
Administration and general expenses	(2,917)	(3,200)

Employees within the Group Service Company reallocated from Barclays Bank PLC as part of the restructure. Therefore these staff costs are only shown in Barclays PLC. Group Service Company recharged costs to Barclays Bank PLC leading to higher expenses. These are eliminated on consolidation in Barclays PLC.

	Barclays PLC £m	Barclays Bank PLC £m
Prepayments, accrued income and other assets	2,893	4,011

Barclays Bank PLC recognises a receivable from the Group Service Company which is eliminated on consolidation in Barclays PLC. The Bank funded acquisition of shares on behalf of the Group Service Company to satisfy employee share awards creating a receivable of £1,009m. This is offset by prepayments and sundry assets receivable in the Group Service Company which are reflected in Barclays PLC.

	Barclays PLC £m	Barclays Bank PLC £m
Goodwill and intangibles	7,726	7,348
Property, plant and equipment	2,825	2,466
Customer accounts	(423,178)	(424,703)
Debt securities in issue	(75,932)	(75,369)
Provisions	(4,134)	(3,909)

Differences driven by Group Service Company balances reflected in Barclays PLC only, or in the case of customer accounts, intercompany balances between Group Service Company and Barclays Bank PLC, which eliminate on consolidation in Barclays PLC.

Consolidated financial statements
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 2016 and of the group's and the parent company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- 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

The financial statements, included within the Annual Report, comprise:

- the consolidated and Parent Company Balance Sheets as at 31 December 2016;
- the consolidated income statement and 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 IFRSs as adopted by the European Union, and applicable law.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Opinion on additional disclosures

Directors' Remuneration Report

The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 Directors' Responsibilities Statement set out on page 50, 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 parent 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Henry Daubeney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 February 2017

Consolidated financial statements
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, consolidated 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 of 31 December 2016 and 31 December 2015, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2016 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 financial 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.

PricewaterhouseCoopers LLP
London, United Kingdom
22 February 2017

Consolidated financial statements
Consolidated income statement

For the year ended 31 December	Notes	2016 £m	2015 £m
Continuing operations			
Interest income	3	**14,423**	13,947
Interest expense	3	**(2,966)**	(2,584)
Net interest income		**11,457**	11,363
Fee and commission income	4	**8,625**	8,494
Fee and commission expense	4	**(1,789)**	(1,611)
Net fee and commission income		**6,836**	6,883
Net trading income	5	**2,795**	3,430
Net investment income	6	**1,324**	1,097
Other income		**57**	35
Total income		**22,469**	22,808
Credit impairment charges and other credit provisions	7	**(2,373)**	(1,762)
Net operating income		**20,096**	21,046
Staff costs	33	**(9,211)**	(8,853)
Infrastructure costs	8	**(2,937)**	(2,691)
Administration and general expenses	8	**(3,200)**	(2,983)
Provision for UK customer redress	26	**(1,000)**	(2,772)
Provision for ongoing investigations and litigation including Foreign Exchange	26	**-**	(1,237)
Operating expenses		**(16,348)**	(18,536)
Share of post-tax results of associates and joint ventures		**70**	41
Gain/(Loss) on disposal of subsidiaries, associates and joint ventures	9	**565**	(637)
Profit before tax		**4,383**	1,914
Tax	10	**(1,245)**	(1,302)
Profit after tax in respect of continuing operations		**3,138**	612
Profit after tax in respect of discontinued operations		**591**	626
Profit after tax		**3,729**	1,238
Attributable to:			
Equity holders of the parent		**2,867**	566
Other equity holders		**457**	345
Total equity holders		**3,324**	911
Profit attributable to non-controlling interests in respect of continuing operations	32	**3**	3
Profit attributable to non-controlling interests in respect of discontinued operations	32	**402**	324
Profit after tax		**3,729**	1,238

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	2016 £m	2015 £m
Profit after tax	**3,729**	1,238
Profit/(loss) after tax in respect of continuing operations	**3,138**	612
Profit after tax in respect of discontinued operation	**591**	626
Other comprehensive (loss)/income from continuing operations:		
Currency translation reserve		
Currency translation differences	**3,027**	748
Available for sale reserve		
Net gains from changes in fair value	**2,178**	60
Net losses transferred to net profit on disposal	**(912)**	(377)
Net gains transferred to net profit due to impairment	**20**	17
Net losses transferred to net profit due to fair value hedging	**(1,677)**	(148)
Changes in insurance liabilities	**53**	86
Tax	**(18)**	132
Cash flow hedging reserve		
Net (losses)/gains from changes in fair value	**689**	(990)
Net losses transferred to net profit	**(431)**	(276)
Tax	**(59)**	221
Other	**47**	19
Total comprehensive (loss)/income that may be recycled to profit and loss	**2,917**	(508)
Other comprehensive (loss)/income not recycled to profit or loss:		
Retirement benefit remeasurements	**(1,309)**	1,179
Tax	**329**	(260)
Other comprehensive income for the period	**1,937**	411
Total comprehensive income for the period, net of tax from continuing operations	**5,075**	1,023
Total comprehensive income/(loss) for the period, net of tax from discontinued operations	**2,111**	(720)
Total comprehensive income for the year	**7,186**	303
Attributable to:		
Equity holders of the parent	**5,947**	457
Non-controlling interests	**1,239**	(154)
	7,186	303

Consolidated financial statements

Consolidated balance sheet

		The Group		The Bank	
		2016	2015	2016	2015
As at 31 December	Notes	£m	£m	£m	£m
Assets					
Cash and balances at central banks		**102,328**	49,711	**97,466**	43,669
Items in the course of collection from other banks		**1,467**	1,011	**1,010**	596
Trading portfolio assets	12	**80,255**	77,398	**36,527**	33,057
Financial assets designated at fair value	13	**78,608**	76,830	**80,865**	71,987
Derivative financial instruments	14	**346,820**	327,870	**327,202**	316,252
Financial investments	15	**63,365**	90,304	**61,599**	83,608
Loans and advances to banks	19	**43,634**	41,829	**43,964**	62,201
Loans and advances to customers	19	**392,783**	399,217	**431,124**	395,207
Reverse repurchase agreements and other similar secured lending	21	**13,454**	28,187	**22,941**	28,803
Prepayments, accrued income and other assets		**4,011**	3,027	**4,730**	9,103
Investments in associates and joint ventures	38	**684**	573	**164**	127
Investment in subsidiaries	36	**-**	-	**14,399**	17,782
Property, plant and equipment	22	**2,466**	3,468	**1,454**	1,502
Goodwill and intangible assets	23	**7,348**	8,222	**5,651**	5,340
Current tax assets	10	**501**	385	**506**	27
Deferred tax assets	10	**4,763**	4,495	**2,258**	2,069
Retirement benefit assets	35	**14**	836	**7**	807
Assets included in disposal groups classified as held for sale	44	**71,454**	7,364	**3,453**	5,180
Total assets		**1,213,955**	1,120,727	**1,135,320**	1,077,317
Liabilities					
Deposits from banks		**48,214**	47,080	**58,037**	63,682
Items in the course of collection due to other banks		**636**	1,013	**636**	758
Customer accounts		**424,703**	418,307	**447,394**	411,791
Repurchase agreements and other similar secured borrowing	21	**19,760**	25,035	**29,226**	26,164
Trading portfolio liabilities	12	**34,687**	33,967	**31,999**	23,567
Financial liabilities designated at fair value	16	**96,032**	91,745	**101,330**	90,198
Derivative financial instruments	14	**340,487**	324,252	**317,874**	310,025
Debt securities in issue		**75,369**	69,150	**45,206**	45,720
Subordinated liabilities	29	**23,871**	21,955	**23,878**	21,411
Accruals, deferred income and other liabilities	25	**8,951**	10,612	**15,118**	17,779
Provisions	26	**3,909**	4,142	**3,515**	3,681
Current tax liabilities	10	**708**	930	**751**	695
Deferred tax liabilities	10	**4**	100	**16**	6
Retirement benefit liabilities	35	**377**	423	**207**	213
Liabilities included in disposal groups classified as held for sale	44	**65,292**	5,997	**2,135**	4,103
Total liabilities		**1,143,000**	1,054,708	**1,077,322**	1,019,793
Total equity					
Called up share capital and share premium	30	**14,462**	14,472	**14,462**	14,472
Other equity instruments	30	**6,486**	5,350	**6,486**	5,350
Other reserves	31	**4,295**	933	**2,100**	1,498
Retained earnings		**42,190**	43,350	**34,950**	36,204
Total equity excluding non-controlling interests[a]		**67,433**	64,105	**57,998**	57,524
Non-controlling interests	32	**3,522**	1,914		-
Total equity		**70,955**	66,019	**57,998**	57,524
Total liabilities and equity		**1,213,955**	1,120,727	**1,135,320**	1,077,317

The Board of Directors approved the financial statements on pages 190 to 316 on 22 February 2017.

John McFarlane
Group Chairman

Jes Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Note
a 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 2016 of £2,078m (2015: £802m).

Consolidated financial statements

Consolidated statement of changes in equity

The Group	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[a,b]	Retained earnings	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2016	**14,472**	**5,350**	**338**	**709**	**(623)**	**509**	**43,350**	**64,105**	**1,914**	**66,019**
Profit after tax	-	457	-	-	-	-	2,678	3,135	3	3,138
Currency translation movements	-	-	-	-	3,025	-	-	3,025	2	3,027
Available for sale investments	-	-	(356)	-	-	-	-	(356)	-	(356)
Cash flow hedges	-	-	-	199	-	-	-	199	-	199
Pension remeasurement	-	-	-	-	-	-	(980)	(980)	-	(980)
Other	(17)	-	-	-	-	-	64	47	-	47
Total comprehensive income net of tax from continuing operations	(17)	457	(356)	199	3,025	-	1,762	5,070	5	5,075
Total comprehensive income net of tax from discontinued operation	-	-	(4)	46	652		183	877	1,234	2,111
Total comprehensive income for the year	**(17)**	**457**	**(360)**	**245**	**3,677**	**-**	**1,945**	**5,947**	**1,239**	**7,186**
Issue and exchange of equity instruments	-	1,136	-	-	-	-	-	1,136	-	1,136
Other equity instruments coupons paid	-	(457)	-	-	-	-	128	(329)	-	(329)
Equity settled share schemes	-	-	-	-	-	-	577	577	-	577
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(414)	(414)	-	(414)
Dividends paid on ordinary shares	-	-	-	-	-	-	(638)	(638)	(235)	(873)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	(340)	(340)	-	(340)
Capital contribution from Barclays PLC	-	-	-	-	-	-	114	114	-	114
Redemption of preference shares	-	-	-	-	-	(199)	(1,378)	(1,577)		(1,577)
Net equity impact of partial BAGL disposal	-	-	-	-	-	-	(349)	(349)	601	252
Net equity impact of Group Service Company disposal	-	-	-	-	-	-	(806)	(806)	-	(806)
Other reserve movements	7		-		-	(1)	1	7	3	10
Balance as at 31 December 2016	**14,462**	**6,486**	**(22)**	**954**	**3,054**	**309**	**42,190**	**67,433**	**3,522**	**70,955**

Notes
a For further details refer to Note 30
b For further details refer to Note 31

Consolidated financial statements

Consolidated statement of changes in equity

The Group	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[a,b]	Retained earnings	Total equity excluding non-controlling interests	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2015	14,472	4,350	578	1,817	(582)	509	42,650	63,794	2,251	66,045
Profit after tax	-	345	-	-	-	-	264	609	3	612
Currency translation movements	-	-	-	-	748	-	-	748	-	748
Available for sale investments	-	-	(230)	-	-	-	-	(230)	-	(230)
Cash flow hedges	-	-	-	(1,045)	-	-	-	(1,045)	-	(1,045)
Pension remeasurement	-	-	-	-	-	-	919	919	-	919
Other	-	-	-	-	-	-	19	19	-	19
Total comprehensive income net of tax for continuing operations	-	345	(230)	(1,045)	748	-	1,202	1,020	3	1,023
Total comprehensive income net of tax for discontinued operations	-	-	(10)	(63)	(789)	-	299	(563)	(157)	(720)
Total comprehensive income for the year	-	345	(240)	(1,108)	(41)	-	1,501	457	(154)	303
Issue and exchange of equity instruments	-	1,000	-	-	-	-	-	1,000	-	1,000
Redemption of preference shares	-	-	-	-	-	-	-	-	-	-
Other equity instruments coupons paid	-	(345)	-	-	-	-	70	(275)	-	(275)
Equity settled share schemes	-	-	-	-	-	-	571	571	-	571
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(755)	(755)	-	(755)
Dividends on ordinary shares	-	-	-	-	-	-	(876)	(876)	(209)	(1,085)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	(343)	(343)	-	(343)
Capital contribution from Barclays PLC	-	-	-	-	-	-	560	560	-	560
Other reserve movements	-	-	-	-	-	-	(28)	(28)	26	(2)
Balance as at 31 December 2015	14,472	5,350	338	709	(623)	509	43,350	64,105	1,914	66,019

Notes
a For further details refer to Note 30
b For further details refer to Note 31

Consolidated financial statements
Consolidated statement of changes in equity

The Bank	Called up share capital and share premium[a]	Other equity instruments	Available for sale reserve[b]	Cash flow hedging reserve[b]	Currency translation reserve[b]	Other reserves and other shareholders' equity[b]	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2016	**14,472**	**5,350**	**159**	**760**	**6**	**573**	**36,204**	**57,524**
Profit after tax	-	457	-	-	-	-	1,621	2,078
Currency translation movements	-	-	-	-	890	-	-	890
Available for sale investments	-	-	(290)	-	-	-	-	(290)
Cash flow hedges	-	-		202	-	-	-	202
Pension remeasurement	-	-	-	-	-	-	(970)	(970)
Other	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	457	(290)	202	890	-	651	1,910
Issue and exchange of other equity instruments	-	1,136	-	-	-	-	-	1,136
Redemption of preference shares	(10)	-	-	-	-	(201)	(1,378)	(1,589)
Other equity instruments coupons paid	-	(457)	-	-	-	-	128	(329)
Equity settled share schemes	-		-	-	-	-	223	223
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(80)	(80)
Dividends paid on ordinary shares	-	-	-	-	-	-	(343)	(343)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	(639)	(639)
Capital contribution from Barclays PLC	-	-	-	-	-	-	114	114
Other reserve movements	-	-	-	-	-	1	70	71
Balance as at 31 December 2016	**14,462**	**6,486**	**(131)**	**962**	**896**	**373**	**34,950**	**57,998**
Balance as at 1 January 2015	14,472	4,350	362	1,807	(370)	573	35,518	56,712
Profit after tax	-	345	-	-	-	-	457	802
Currency translation movements	-	-	-	-	376	-	-	376
Available for sale investments	-	-	(203)	-	-	-	-	(203)
Cash flow hedges	-	-	-	(1,047)	-	-	-	(1,047)
Pension remeasurement	-	-	-	-	-	-	886	886
Other	-	-	-	-	-	-	4	4
Total comprehensive income/(loss) for the year	-	345	(203)	(1,047)	376	-	1,347	818
Issue and exchange of other equity instruments	-	1,000	-	-	-	-	-	1,000
Other equity instruments coupons paid	-	(345)	-	-	-	-	70	(275)
Equity settled share schemes	-	-	-	-	-	-	103	103
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(144)	(144)
Dividends paid on ordinary shares	-	-	-	-	-	-	(871)	(871)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	(343)	(343)
Capital contribution from Barclays PLC	-	-	-	-	-	-	560	560
Other reserve movements	-	-	-	-	-	-	(36)	(36)
Balance as at 31 December 2015	14,472	5,350	159	760	6	573	36,204	57,524

Notes
a For further details refer to Note 30
b For further details refer to Note 31

Consolidated financial statements
Consolidated cash flow statement

	The Group		The Bank	
	2016	2015	2016	2015
For the year ended 31 December	£m	£m	£m	£m
Continuing operations				
Reconciliation of profit before tax to net cash flows from operating activities:				
Profit before tax	**4,383**	1,914	**2,415**	1,216
Adjustment for non-cash items:				
Allowance for impairment	**2,357**	1,752	**1,372**	1,145
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**1,232**	1,215	**589**	600
Other provisions, including pensions	**1,726**	4,243	**1,856**	3,767
Net profit on disposal of investments and property, plant and equipment	**(912)**	(374)	**-**	-
Other non-cash movements including exchange rate movements	**(20,780)**	(1,189)	**(20,509)**	(2,229)
Changes in operating assets and liabilities				
Net (increase)/decrease in loans and advances to banks and customers	**(25,439)**	22,705	**(17,375)**	27,472
Net decrease in reverse repurchase agreements and other similar lending	**14,733**	103,471	**5,862**	74,021
Net increase/(decrease) in deposits and debt securities in issue	**49,961**	(33,219)	**29,444**	(38,054)
Net (decrease) in repurchase agreements and other similar borrowing	**(4,852)**	(99,602)	**3,062**	(69,209)
Net (increase)/decrease in derivative financial instruments	**(2,351)**	(3,309)	**(3,101)**	733
Net (increase)/decrease in trading assets	**(5,542)**	37,079	**(3,623)**	15,992
Net increase/(decrease) in trading liabilities	**880**	(10,877)	**8,432**	(2,343)
Net decrease/(increase) in financial investments	**807**	(3,064)	**2,254**	(3,638)
Net (increase)/decrease in other assets	**(3,731)**	(2,680)	**5,688**	3,071
Net (increase) in other liabilities	**(452)**	(1,772)	**(7,143)**	(1,864)
Corporate income tax paid	**(742)**	(1,643)	**(219)**	(225)
Net cash from operating activities	**11,278**	**14,650**	**9,004**	10,455
Purchase of available for sale investments	**(65,086)**	(120,061)	**(64,086)**	(119,427)
Proceeds from sale or redemption of available for sale investments	**102,515**	114,529	**100,569**	113,185
Purchase of property, plant and equipment and intangibles	**(2,054)**	(1,928)	**(1,050)**	(1,479)
Proceeds from sale of property, plant and equipment and intangibles	**234**	393	**88**	384
Proceeds from part disposal of investment in BAGL	**595**	-	**595**	-
Net decrease in investment in subsidiaries	**-**	-	**3,344**	1,201
Other cash flows associated with investing activities	**32**	516	**(13)**	117
Net cash from investing activities	**36,236**	(6,551)	**39,447**	(6,019)
Dividends paid	**(1,186)**	(1,428)	**(982)**	(1,214)
Issuance of subordinated debt	**1,457**	879	**1,457**	896
Redemption of subordinated debt	**(1,143)**	(556)	**(1,105)**	(280)
Net redemption of shares and other equity instruments	**1,125**	655	**1,255**	655
Capital contribution from Barclays PLC	**114**	560	**114**	560
Repurchase of shares and other equity instruments	**(1,378)**	-	**(1,378)**	-
Net cash from financing activities	**(1,011)**	110	**(639)**	617
Net cash from discontinued operations	**405**	(1,821)	**-**	-
Effect of exchange rates on cash and cash equivalents	**10,468**	1,689	**7,400**	1,157
Net increase in cash and cash equivalents	**57,376**	8,077	**55,212**	6,210
Cash and cash equivalents at beginning of year	**86,556**	78,479	**66,938**	60,728
Cash and cash equivalents at end of year	**143,932**	86,556	**122,150**	66,938
Cash and cash equivalents comprise:				
Cash and balances at central banks	**102,328**	49,711	**97,466**	43,669
Loans and advances to banks with original maturity less than three months	**38,099**	35,876	**24,328**	22,804
Available for sale treasury and other eligible bills with original maturity less than three months	**356**	816	**356**	312
Trading portfolio assets with original maturity less than three months	**-**	153	**-**	153
Cash and cash equivalents held for sale	**3,149**	-	**-**	-
	143,932	86,556	**122,150**	66,938

Consolidated financial statements
Consolidated cash flow statement

Interest received by the Group in 2016 was £21,981m (2015: £20,370m) and interest paid by the Group in 2016 was £7,812m (2015: £6,992m). Interest received by the Bank in 2016 was £16,649m (2015: £13,812m) and interest paid by the Bank in 2016 was £5,627m (2015: £4,582m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,254m at 31 December 2016 (2015: £4,369m). The Bank was required to maintain balances with central banks and other regulatory authorities of £215m in 2016 (2015: £219m).

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 31 December 2016

This section describes Barclays' significant 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 particular note, the accounting policy and/or critical accounting estimate is contained with 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. In addition, individual financial statements have been presented for the holding company.

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.

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.

Details of the principal subsidiaries are given in Note 36, and a complete list of all subsidiaries is presented in Note 45.

1 Significant accounting policies continued

(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.

(iii) Financial assets and liabilities

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement* to 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.

1 Significant accounting policies continued

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.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There were no new or amended standards or interpretations that resulted in a change in accounting policy.

Future accounting developments

There have been and are expected to be a number of significant changes to the Group's financial reporting after 2016 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:

IFRS 9 – Financial instruments

IFRS 9 *Financial Instruments* which will replace IAS 39 *Financial Instruments: Recognition and Measurement* is effective for periods beginning on or after 1 January 2018 and was endorsed by the EU in November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. Barclays does not expect to restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7.

Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, IAS 39 requires the impairment to be based on the fair value loss for available for sale debt rather than estimated future cashflows. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope in the stand alone reporting entity accounts.

The measurement of expected loss will involve increased complexity and judgment including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

It is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts will be higher. Unsecured products with longer expected lives, such as revolving credit cards, are expected to be most impacted. It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced, which will be no later than the Barclays Bank PLC Annual Report 2017.

Based on the current requirements of CRD IV, the expected increase in the accounting impairment provision would reduce CET1 capital but the impact would be partially mitigated by the 'excess of expected losses over impairment' included in the CET1 calculation as discussed on page 117. However, the Basel Committee on Banking Supervision (BCBS) is currently considering amending the capital rules as a result of IFRS 9 and is considering transitional rules which may mitigate or spread capital impacts from 1 January 2018 as well as permanent changes to the capital requirements. In addition, as part of its review of the Capital Requirements Regulation (CRR) the European Commission has proposed that the capital impact of IFRS 9 is phased-in over a five year period. IFRS 9 is considered in the Group capital planning.

Key concepts and management judgments

The impairment requirements are complex and require management judgments, estimates and assumptions. Key concepts and management judgments will continue to be refined during the 2017 parallel run and as any further authoratative guidance is issued, and include:

- *Determining a significant increase in credit risk since initial recognition*

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition or which are credit impaired. Barclays expects to estimate when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Quantitative assessments will be based on changes in and/or absolute thresholds for weighted average cumulative lifetime probabilities of default, determined for each portfolio. Qualitative drivers of a significant increase in credit risk are expected to include exposures determined to be higher risk (by credit risk) and subject to closer credit risk monitoring. Exposures which are more than 30 days past due will be used as a backstop rather than a primary driver. Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to a minimum of 12 months' full performance including timely receipt of all payments over that period, for exposures that have been restructured or granted forbearance or concessions. Barclays does not expect to primarily rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated. Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the

1 Significant accounting policies continued

effective date of IFRS 9. For certain revolving facilities such as credit cards and overdrafts, this is expected to be when the facility was first entered into which could be a long time in the past. Exposures modified due to financial difficulty do not generally result in a substantial modification or de-recognition and therefore the probability of default at initial recognition is not reset for these exposures.

- *Forward looking information*

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non linear relationship between forward looking economic scenarios and their associated credit losses, a range of forward looking economic scenarios, currently expected to be a minimum of five, will be considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies will be leveraged for forecasting economic scenarios for IFRS 9 purposes.

- *Definition of default and credit impaired assets*

The definition of default for the purpose of determining expected credit losses is expected to be aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income to be presented on a net basis rather than gross.

Credit impaired, is expected to be when the exposure has defaulted which is also anticipated to align to when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-off polices are not expected to change from IAS 39.

- *Expected life*

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period, such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioral life. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

- *Modelling techniques*

Expected credit losses ('ECL') are calculated by multiplying three main components, being the probability of default ('PD'), loss given default ('LGD') and the exposure at default ('EAD'). The Basel ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 month or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives; and
- IFRS 9 models do not include some of the conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original effective interest rate rather than using the cost of capital to the date of default.

Management adjustments will be made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events.

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed, and

2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and loss. Gains and losses on such financial liabilities arising from changes in Barclays' own credit risk will be presented in other comprehensive income rather than in profit and loss. There is no subsequent reclassification of realised gains or losses on own credit to profit and loss statement.

1 Significant accounting policies continued

Barclays' Classification and Measurement implementation programme is in progress. An assessment of potential changes to financial assets based on 30 June 2016 balances is being conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for material financial assets.

There are some classification changes expected but they are not significant from a Group perspective. The notable potential exception relates to loans with symmetric make whole or fair value prepayment options, which are currently subject to interpretation discussions at IFRS Interpretations Committee (IFRIC) and IASB as to whether their contractual cash flows represent solely payments of principal and interest, or whether they must be measured at fair value through profit or loss in their entirety. Such prepayment features are present in some fixed rate corporate and investment bank loans. The carrying value of such loans is expected to be significant on initial application of IFRS 9. If such loans are concluded to be measured at fair value through profit or loss the potential impact on opening equity and profit or loss would depend on their fair values compared to their carrying amounts, and the fair value movements going forward.

Business models are determined on initial application and this may differ from the model at 30 June 2016 for certain portfolios, and contractual cash flow characteristics assessed as at 30 June 2016 may not be representative of the population on transition.

The focus of the project during 2017 will be on finalising processes, governance and controls in preparation for initial application in 2018. IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening equity.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity's risk management strategies and risk management objectives. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations would not be allowed.

Adoption of the IFRS 9 hedge accounting requirements is optional, and certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, would continue to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships) until the IASB completes its accounting for dynamic risk management project.

Based on analysis performed, Barclays expects to continue applying IAS 39 hedge accounting, although it will implement the amended IFRS 7 hedge accounting disclosure requirements.

Own Credit

Barclays has applied the option in IFRS 9 to recognise changes in own credit in other comprehensive income from 1 January 2017. This will have no effect on net assets, and any changes due to own credit in prior periods have not been restated. Any realised and unrealised amounts recognised in other comprehensive income will not be reclassified to the income statement in future periods.

IFRS 15 – Revenue from Contracts with Customers

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 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied. In April 2016, the IASB issued clarifying amendments to IFRS 15 which provide additional application guidance but did not change the underlying principles of the standard. The standard was endorsed by the EU in September 2016. Adoption of the standard on 1 January 2018 is not expected to have a significant impact. Current project implementation efforts are primarily focused on preparing and sourcing information necessary to comply with the enhanced disclosure requirements introduced by IFRS 15.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 will not result in a significant change to lessor accounting; however for lessee accounting there will no longer be a distinction between operating and finance leases. Instead lessees will be required to recognise both a right of use asset and lease liability on balance sheet for all leases. As a result Barclays will observe an increase in both assets and liabilities for transactions currently accounted for as operating leases as at 1 January 2019 (the effective date of IFRS 16). A scope exemption will apply to short term and low value leases. Current project implementation efforts are focused on preparing and sourcing information necessary to comply with IFRS 16 requirements. The standard has not yet been endorsed by the EU.

1 Significant accounting policies continued

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	206	Fair value of financial instruments	223
Income taxes	209	Provisions	258
Financial investments	222	Retirement benefit obligations	282

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 163 to 176;
- Credit risk management, on pages 67 and 68 including exposures to selected countries;
- Market risk, on pages 69 and 70
- Funding risk – capital, on pages 71 and 72 ; and
- Funding risk – liquidity, on pages 73 and 74.

These are covered by the Audit opinion, where referenced as audited, included on pages 187 to 189.

The accompanying notes on pages 198 to 316 form an integral part of these financial statements.

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, earnings per share 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 being eliminated in Head Office. Segmental income and expense excludes Africa Banking business as it meets the requirement of discontinued operation. Income and expenses directly associated with each segment are included in determining business segment performance.

During 2016 the Group's activities have been re-segmented into Barclays UK and Barclays International in preparation for regulatory ring fencing requirements. In addition Barclays' interest in Barclays Africa Group Limited was re-classified as a discontinued operation and the Non-Core segment has been enlarged. Comparatives have been updated to reflect the re-segmentation.

An analysis of the Group's performance by business segment and income by geographic segment is included on pages 163 and 164. Further details on each of the segment are provided on page 165 to 176.

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, financial investments, debt securities 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.

Barclays incurs certain costs to originate credit card balances with the most significant being co-brand partner fees. To the extent these costs are attributed to revolving customer balances they are capitalised and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected repayment of the originated balance. Costs attributed to transacting customer balances are recorded within fee and commission expense when incurred. There are no other individual estimates involved in the calculation of effective interest rates that are material to the results or financial position.

	2016 £m	2015 £m
Cash and balances with central banks	**186**	157
Financial investments	**740**	698
Loans and advances to banks	**483**	481
Loans and advances to customers	**12,957**	12,512
Other	**57**	99
Interest income[a]	**14,423**	13,947
Deposits from banks	**(204)**	(123)
Customer accounts	**(1,808)**	(1,510)
Debt securities in issue	**(690)**	(422)
Subordinated liabilities	**(988)**	(978)
Other	**724**	449
Interest expense[a]	**(2,966)**	(2,584)
Net interest income	**11,457**	11,363

Note
a Both interest income and interest expense for 2015 has been adjusted by £442m in order to better align the effect of hedge accounting relationships with the related hedged items. The following categories were restated: financial investments by £(545)m, loans and advances to customers by £987m, customer accounts by £(1,783)m, debt securities in issue by £784m and subordinated liabilities by £557m.

Notes to the financial statements
Performance/return

3 Net interest income continued

Costs to originate credit card balances of £480m (2015: £368m) have been amortised to interest income during the period.

Interest income includes £75m (2015: £91m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements. Similarly, other interest expense principally includes interest expense relating to repurchase agreements. Included in net interest income is hedge ineffectiveness as detailed in Note 15.

Net interest income increased by 1% to £11,457m (2015: £11,363m) driven by volume growth and margin improvement within Barclays International cards portfolio, increased cashflow hedge recycling income (recorded within Other Interest Expense) partially offset by increased expenses from debt securities in issue and customer accounts.

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.

	2016 £m	2015 £m
Banking, investment management and credit related fees and commissions	**8,507**	8,365
Foreign exchange commission	**118**	129
Fee and commission income	**8,625**	8,494
Fee and commission expense	**(1,789)**	(1,611)
Net fee and commission income	**6,836**	6,883

Net fee and commission income decreased £47m to £6,836m. This was primarily driven by a decrease within Barclays UK due to lower interchange fees on account of EU Interchange regulation as well as lower fee~~s~~ income in Non Core due to the sale of the US and Asia wealth businesses and the closure of the equities traded securities business an increase in expenses in Barclays International due to higher customer reward. These movements were partially offset by an increase in income in Barclays International driven by growth in the cards portfolio and an increase in Investment Banking Business due to higher fee~~s~~ income from the US loans/bonds and investment grade products coupled with higher financial advisory fees.

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.

	2016 £m	2015 £m
Trading income	**2,830**	3,000
Own credit (losses)/gains	**(35)**	430
Net trading income	**2,795**	3,430

Included within net trading income were gains of £31m (2015: £992m loss) on financial assets designated at fair value and gains of £346m (2015: £187m loss) on financial liabilities designated at fair value.

Net trading income decreased 19% to £2,795m, primarily reflecting a £465m movement in own credit as the credit spreads on Barclays' issued debt were relatively flat as compared to prior year. Trading income decreased by £170m, mainly driven by the continued disposal and running down of certain businesses and fair value reduction on the ESHLA portfolio within Non Core. This was partially offset by higher contributions from Fixed Income businesses that benefitted from market volatility and higher client volumes during the year.

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 13 Financial assets designated at fair value and Note 15 Financial investments.

	2016 £m	2015 £m
Net gain from disposal of available for sale investments	**912**	385
Dividend income	**8**	8
Net gain from financial instruments designated at fair value	**158**	193
Other investment income	**246**	511
Net investment income	**1,324**	1,097

Net investment income increased by 21% to £1,324m. This was largely driven by a gain of £615m on disposal of Barclays' share of Visa Europe Limited and gains on buy back of senior and subordinated debt issuances. These increases were partially offset by non repeat of gains of £469m recognised in 2015 in other investment income due to the final and full legal settlement in respect of US Lehman acquisition assets.

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.

7 Credit impairment charges and other provisions continued

Financial investments

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 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 retail portfolios is £2,053m (2015: £1,535m) and amounts to 87% (2015: 88%) 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 £299m (2015: £209m) and amounts to 13% (2015: 12%) 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.

	2016	2015
	£m	£m
New and increased impairment allowances	**3,259**	2,641
Releases	**(551)**	(535)
Recoveries	**(365)**	(350)
Impairment charges on loans and advances	**2,343**	1,756
Provision charges/(releases) for undrawn contractually committed facilities and guarantees provided	**9**	(12)
Loan impairment	**2,352**	1,744
Available for sale investment	**21**	18
Reverse repurchase agreements	**-**	-
Credit impairment charges and other provisions	**2,373**	1,762

Loan impairment increased by 35% to £2,352m primarily due to increased charges following the management review of impairment modelling for UK and US cards portfolios and the impairment of a number of single name exposures.

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 and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards. For past awards, 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. In relation to awards granted in 2017, the Group, taking into account the changing employee understanding surrounding those awards, considered it appropriate for expense to be recognised over four years including the financial year prior to the grant date. The impact in 2016 of the 2017 grant is an expense of £150m including social security costs.

The accounting policies for share based payments, and pensions and other post-retirement benefits are included in Note 34 and Note 35 respectively.

	2016 £m	2015 £m
Infrastructure costs		
Property and equipment	**1,147**	1,082
Depreciation of property, plant and equipment	**482**	475
Operating lease rentals	**550**	411
Amortisation of intangible assets	**661**	570
Impairment of property, equipment and intangible assets	**97**	150
Gain on property disposals	**-**	3
Total infrastructure costs	**2,937**	2,691
Other costs		
Consultancy, legal and professional fees	**1,079**	1,078
Subscriptions, publications, stationery and communications	**638**	678
Marketing, advertising and sponsorship	**430**	451
Travel and accommodation	**132**	188
UK bank levy	**410**	425
Goodwill impairment	**-**	102
Other administration and general expenses	**511**	61
Total other costs	**3,200**	2,983
Recurring staff costs	**9,211**	9,282
Gain on retirement benefits	**-**	(429)
Staff costs	**9,211**	8,853
Provision for UK customer redress	**1,000**	2,772
Provision for ongoing investigations and litigation including Foreign Exchange	**-**	1,237
Operating expenses	**16,348**	18,536

Operating expenses decreased by 12% to £16,348m (2015: £18,536m) primarily due to lower PPI provisions and lower litigation provisions in 2016. This is partially offset by an increase in staff costs of £358m and other costs of £217m. Employees within the Group Service Company reallocated from Barclays Bank PLC to Barclays PLC when the ownership of the Group Service Company was transferred in November 2016. Group Service Company recharged costs to Barclays Bank PLC after the transfers, which are included in Other administration and general expenses.

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 gain on disposal of subsidiaries, associates and joint ventures was £565m (2015: loss of £637m), principally relating to the sale of Barclays Risk Analytics and Index Solutions, the disposal of the Southern European card business, private banking and wealth management services conducted through Hong Kong and Singapore branches. These gains were partially offset with the IFRS5 charge on an impending disposal of the French business. Please refer to Note 44 Non-current assets held for sale and associated liabilities for further details.

10 Tax

Accounting for income taxes

Barclays applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (Current Tax) 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.

The Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Group's tax returns. The Group accounts for provisions in respect of uncertain tax positions in two different ways.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Group ultimately expects to pay the tax authority to resolve the position.

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. Barclays' measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, Barclays will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

	2016 £m	2015 £m
Current tax charge/(credit)		
Current year	**1,147**	1,772
Adjustment for prior years	**(359)**	(188)
	788	1,584
Deferred tax charge/(credit)		
Current year	**392**	(360)
Adjustment for prior years	**65**	78
	457	(282)
Tax charge	**1,245**	1,302

10 Tax continued

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.

	2016 £m	2016 %	2015 £m	2015 %
Profit before tax from continuing operations	**4,383**		1,914	
Tax charge based on the standard UK corporation tax rate of 20% (2015: 20.25%)	**877**	**20.0%**	387	20.2%
Impact of profits/losses earned in territories with different statutory rates to the UK (weighted average tax rate is 29.5% (2015: 28.1%))	**415**	**9.5%**	151	7.9%
Recurring items:				
Non-creditable taxes including withholding taxes	**277**	**6.3%**	309	16.1%
Non-deductible expenses	**114**	**2.6%**	67	3.5%
Impact of UK bank levy being non-deductible	**82**	**1.9%**	96	5.0%
Banking surcharge on UK profits	**75**	**1.7%**	-	
Other items	**49**	**1.1%**	(16)	(0.8%)
Tax adjustments in respect of share based payments	**34**	**0.8%**	30	1.6%
Impact of change in tax rates	**32**	**0.7%**	158	8.3%
Adjustments in respect of prior years	**(294)**	**(6.7%)**	(110)	(5.7%)
Non-taxable gains and income	**(208)**	**(4.7%)**	(197)	(10.3%)
Changes in recognition of deferred tax and effect of unrecognised tax losses	**(178)**	**(4.1%)**	(71)	(3.7%)
Impact of BB PLC's overseas branches being taxed both locally and in the UK	**(128)**	**(2.9%)**	(35)	(1.8%)
Non-recurring items:				
Non-deductible provisions for UK customer redress	**203**	**4.6%**	283	14.8%
Non-deductible impairments and losses on divestments	**27**	**0.6%**	39	2.0%
Non-deductible provisions for investigations and litigation	**48**	**1.1%**	261	13.6%
Non-taxable gains and income on divestments	**(180)**	**(4.1%)**	(50)	(2.6%)
Total tax charge	**1,245**	**28.4%**	1,302	68.0%

Factors driving the effective tax rate

The effective tax rate of 28.4% is higher than the UK corporation tax rate of 20% primarily due to profits earned outside the UK being taxed at higher local statutory tax rates. In addition the effective tax rate is affected by provisions for UK customer redress being non-deductible for tax purposes, non-creditable taxes, the introduction of a new surcharge of 8% that applies to banks' UK profits and non-deductible expenses including UK bank levy. These factors, which have each increased the effective tax rate, are partially offset by the impact of non-taxable gains and income, including those arising from divestments, and reductions in expected liabilities in respect of a range of issues related to a number of prior years.

Relative to the prior year, the effective tax rate on profit before tax decreased to 28.4% (2015: 68.0%). This was principally a result of a lower level of non-deductible provisions for investigations and litigation in 2016, as well as gains arising in 2016 on the divestment of businesses and assets, as the Group has pursued its strategy to run-down Non-Core, that were taxed at low rates.

The Group's future tax charge will be sensitive to the geographic mix of profits earned and the tax rates in force in the jurisdictions that we operate in. In the UK, legislation to reduce the corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 has been enacted. In the US, proposed tax reform measures include a reduction in the US corporate income tax rate to as low as 15%. The US rate change is a proposal only at this stage and developments are being closely monitored. In the long term, a reduction in the tax rate would enhance the returns generated by the Group's US business. However, if enacted, such a change would have a substantial up-front negative impact on the measurement of the Group's US deferred tax assets, although this would reverse over time and result in a lower effective tax rate as these assets are utilised.

Tax in other comprehensive income

Tax relating to each component of other comprehensive income on page 191 can be found in the consolidated statement of comprehensive income which additionally includes within Other a tax credit of £49m (2015: £19m credit) relating to share based payments.

10 Tax continued

Tax in respect of discontinued operation
Tax relating to the discontinued operation can be found in the Barclays Africa disposal group income statement (see Note 44). The tax charge of £306m (2015: £301m) relates entirely to the profit from the ordinary activities of the discontinued operation.

Current tax assets and liabilities
Movements on current assets and liabilities were as follows:

	The Group		The Bank	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Assets	**385**	334	**27**	-
Liabilities	**(930)**	(1,023)	**(695)**	(395)
As at 1 January	**(545)**	(689)	**(668)**	(395)
Income statement from continuing operations	**(788)**	(1,584)	**(36)**	(550)
Tax in relation to BAGL disposal group	**-**	(301)	**-**	-
Other comprehensive income	**295**	145	**260**	105
Corporate income tax paid	**742**	1,643	**219**	225
Other movements	**89**	241	**(20)**	(53)
	(207)	(545)	**(245)**	(668)
Assets	**501**	385	**506**	27
Liabilities	**(708)**	(930)	**(751)**	(695)
As at 31 December	**(207)**	(545)	**(245)**	(668)

Deferred tax assets and liabilities
The deferred tax amounts on the balance sheet were as follows:

	The Group		The Bank	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Intermediate Holding Company (IHC) - US tax group	**2,207**	2,049	**-**	-
Barclays Bank PLC (US Branch) - US tax group	**1,766**	1,569	**1,766**	1,569
Barclays Bank PLC - UK tax group	**469**	411	**272**	227
Other	**321**	466	**220**	273
Deferred tax asset	**4,763**	4,495	**2,258**	2,069
Deferred tax liability	**(4)**	(100)	**(16)**	(6)
Net deferred tax	**4,759**	4,395	**2,242**	2,063

US deferred tax assets in the IHC and the US Branch
The deferred tax asset in the IHC of £2,207m (2015: £2,049m) includes £321m (2015: £503m) relating to tax losses and the deferred tax asset in the US Branch of £1,766m (2015: £1,569m) includes £142m (2015: £244m) 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 2011 in the IHC and 2008 in the US Branch and therefore any unused amounts may begin to expire in 2031 and 2028 respectively. The remaining US deferred tax assets relate to temporary differences for which there is no time limit on recovery. The deferred tax assets for the IHC tax loss and the US Branch loss are projected to be fully utilised by 2018.

The measurement of the US branch deferred tax assets takes into account both US and UK tax. This is because Barclays Bank PLC is subject to UK tax on the profits of its overseas branches. The US branch deferred tax assets are valued at the difference between the US and UK tax rates.

UK tax group deferred tax asset
The deferred tax asset in the UK tax group of £469m (2015: £411m) relates entirely to temporary differences.

Notes to the financial statements
Performance/return

10 Tax continued

Other deferred tax assets

The deferred tax asset of £321m (2015: £466m) in other entities within the Group includes £40m (2015: £155m) relating to tax losses carried forward. These deferred tax assets relate to a number of different territories and their recognition is based on profit forecasts or local country law which indicate that it is probable that the losses and temporary differences will be utilised.

Of the deferred tax asset of £321m (2015: £466m), an amount of £267m (2015: £106m) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

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 and in the preceding table 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 £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	**2,008**	**28**	**5**	**95**	**157**	**261**	**902**	**623**	**1,511**	**5,590**
Liabilities	**(194)**	**(70)**	**(239)**	**(144)**	**-**	**-**	**-**	**-**	**(548)**	**(1,195)**
At 1 January 2016	**1,814**	**(42)**	**(234)**	**(49)**	**157**	**261**	**902**	**623**	**963**	**4,395**
Income statement	**(358)**	**9**	**-**	**(8)**	**52**	**17**	**(522)**	**15**	**338**	**(457)**
Other comprehensive income	**-**	**49**	**(61)**	**132**	**-**	**-**	**-**	**18**	**(8)**	**130**
Other movements	**224**	**26**	**(31)**	**16**	**(58)**	**(27)**	**123**	**8**	**410**	**691**
	1,680	**42**	**(326)**	**91**	**151**	**251**	**503**	**664**	**1,703**	**4,759**
Assets	**1,772**	**183**	**-**	**91**	**151**	**251**	**503**	**664**	**2,004**	**5,619**
Liabilities	**(92)**	**(141)**	**(326)**	**-**	**-**	**-**	**-**	**-**	**(301)**	**(860)**
At 31 December 2016	**1,680**	**42**	**(326)**	**91**	**151**	**251**	**503**	**664**	**1,703**	**4,759**
Assets	1,542	18	5	321	176	233	1,315	729	951	5,290
Liabilities	(555)	(35)	(464)	-	-	-	-	-	(361)	(1,415)
At 1 January 2015	987	(17)	(459)	321	176	233	1,315	729	590	3,875
Income statement	779	(13)	1	(119)	(14)	21	(540)	(126)	293	282
Other comprehensive income	-	(14)	221	(261)	-	-	122	(10)	(21)	37
Other movements	48	2	3	10	(5)	7	5	30	101	201
	1,814	(42)	(234)	(49)	157	261	902	623	963	4,395
Assets	2,008	28	5	95	157	261	902	623	1,511	5,590
Liabilities	(194)	(70)	(239)	(144)	-	-	-	-	(548)	(1,195)
At 31 December 2015	1,814	(42)	(234)	(49)	157	261	902	623	963	4,395

Notes to the financial statements
Performance/return

10 Tax continued

The Bank	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	1,757	-	4	30	118	54	344	112	441	2,860
Liabilities	(26)	(42)	(270)	(144)	-	-	-	-	(315)	(797)
At 1 January 2016	1,731	(42)	(266)	(114)	118	54	344	112	126	2,063
Income statement	(397)	3	-	4	-	6	(242)	33	298	(295)
Other comprehensive income	-	64	(56)	144	-	-	-	3	(20)	135
Other movements	209	(1)	-	4	9	10	38	2	68	339
	1,543	24	(322)	38	127	70	140	150	472	2,242
Assets	1,543	156	4	38	127	70	140	150	666	2,894
Liabilities	-	(132)	(326)	-	-	-	-	-	(194)	(652)
At 31 December 2016	1,543	24	(322)	38	127	70	140	150	472	2,242
Assets	1,259	1	5	256	119	62	835	76	521	3,134
Liabilities	(337)	(7)	(456)	-	-	-	-	-	(268)	(1,068)
At 1 January 2015	922	(6)	(451)	256	119	62	835	76	253	2,066
Income statement	765	-	-	(113)	-	(7)	(615)	37	91	158
Other comprehensive income	-	(37)	182	(260)	-	-	122	-	(2)	5
Other movements	44	1	3	3	(1)	(1)	2	(1)	(216)	(166)
	1,731	(42)	(266)	(114)	118	54	344	112	126	2,063
Assets	1,757	-	4	30	118	54	344	112	441	2,860
Liabilities	(26)	(42)	(270)	(144)	-	-	-	-	(315)	(797)
At 31 December 2015	1,731	(42)	(266)	(114)	118	54	344	112	126	2,063

Other movements include the impact of changes in foreign exchange rates as well as deferred tax amounts relating to acquisitions, disposals and transfers to held for sale.

The amount of deferred tax liability expected to be settled after more than 12 months for the Group is £248m (2015: £675m) and for The Bank is £220m (2015: £423m). The amount of deferred tax asset expected to be recovered after more than 12 months for the Group is £4,988m (2015: £4,838m) and for The Bank is £2,719m (2015: £2,548m). 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

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £64m (2015: £51m) and gross tax losses of £16,820m (2015: £13,456m). The increase in these losses in 2016 is largely a result of the weakening of sterling against the overseas currencies these losses are denominated in. The tax losses include capital losses of £3,138m (2015: £3,838m) and unused tax credits of £514m (2015: £452m). Of these tax losses, £394m (2015: £389m) expire within five years, £57m (2015: £13m) expire within six to ten years, £357m (2015: £124m) expire within 11 to 20 years and £16,012m (2015: £12,930m) 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 they can be utilised.

For The Bank, deferred tax assets have not been recognised in respect of gross deductible temporary differences of £57m (2015: £44m), gross tax losses of £6,162m (2015: £5,799m) which includes capital losses of £2,543m (2015: £2,888m), and unused tax credits of £508m (2015: £447m). Of these tax losses, £225m (2015: £199m) expire within 5 years, £28m (2015: £nil) expire within 6 to10 years, £313m (2015: £104m) expire within 11 to 20 years and £5,597m (2015: £5,496m) 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.

Group investments in subsidiaries, branches and associates

Deferred tax is not recognised in respect of the value of 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. The aggregate amount of these temporary differences for which deferred tax liabilities have not been recognised is £2bn (2015: £2bn).

10 Tax continued

Critical accounting estimates and judgements

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect legal advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

Deferred tax assets have been recognised based on business profit forecasts. Further detail on the recognition of deferred tax assets is provided 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 2016 financial statements include £638m (2015: £876m) of dividends paid. This includes the final dividend declared in relation to the prior year of £502m (2015: £476m) and interim dividends of £119m (2015: £400m), resulting in interim dividends of 5p (2015: 17p) per ordinary share and a total dividend for the year of 27p (2015: 37p) per ordinary share paid during the year. There was a £18m dividend in specie paid to Barclays PLC in respect of the distribution of the Group Service Company to Barclays Bank PLC.

Dividends paid on the 4.75% €100 preference shares amounted to £370.20 per share (2015: £339.67). Dividends paid on the 6.0% £100 preference shares amounted to £600.00 per share (2015: £600.00). Dividends paid on the 6.278% US$100 preference shares amounted to £467.05 per share (2015: £410.28). Dividends paid on the 6.625% US$0.25 preference shares amounted to £1.19 per share (2015: £1.09). Dividends paid on the 7.1% US$0.25 preference shares amounted to £1.30 per share (2015: £1.17). Dividends paid on the 7.75% US$0.25 preference shares amounted to £1.35 per share (2015: £1.28). Dividends paid on the 8.125% US$0.25 preference shares amounted to £1.49 per share (2015: £1.34).

Dividends paid on preference shares amounted to £339m (2015: £343m). Dividends paid on other equity instruments amounted to £462m (2015: £346m). For further detail on other equity instruments, please refer to Note 30.

Notes to the financial statements
Assets and liabilities held at fair value

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 estimate based on available market data. Detail regarding the Group's approach to managing market risk can be found on pages 69 to 70.

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	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Debt securities and other eligible bills	**38,804**	45,626	**24,695**	24,878
Equity securities	**38,329**	29,055	**8,781**	5,553
Traded loans	**2,975**	2,474	**2,971**	2,469
Commodities	**147**	243	**80**	157
Trading portfolio assets	**80,255**	77,398	**36,527**	33,057
Debt securities and other eligible bills	**(26,842)**	(24,985)	**(20,292)**	(17,661)
Equity securities	**(7,831)**	(8,982)	**(11,693)**	(5,906)
Commodities	**(14)**	-	**(14)**	-
Trading portfolio liabilities	**(34,687)**	(33,967)	**(31,999)**	(23,567)

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 that 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 financial instruments (Note 17).

	The Group		The Bank	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Loans and advances	**10,518**	17,913	**12,901**	20,558
Debt securities	**70**	1,383	**4,196**	8,648
Equity securities	**4,558**	6,197	**6**	4
Reverse repurchase agreements	**63,163**	49,513	**63,743**	42,582
Customers' assets held under investment contracts	**37**	1,449	**-**	-
Other financial assets	**262**	375	**19**	195
Financial assets designated at fair value	**78,608**	76,830	**80,865**	71,987

Notes to the financial statements
Assets and liabilities held at fair value

13 Financial assets designated at fair value continued

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk	**10,518**	17,913	**(42)**	69	**(42)**	(629)	**12,901**	20,558	**(42)**	69	**(42)**	(629)
Value mitigated by related credit derivatives	**339**	417	**(2)**	26	**(13)**	42	**339**	417	**(2)**	26	**(13)**	42

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 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. If these are separated from the host i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss then they are accounted for in the same way as derivatives.

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.

14 Derivative financial instruments continued

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.

The Group's total derivative asset and liability position as reported on the balance sheet is as follows:

	The Group			The Bank		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
Total derivative assets/(liabilities) held for trading	**36,261,030**	**345,834**	**(339,647)**	**25,923,851**	**326,809**	**(316,945)**
Total derivative assets/(liabilities) held for risk management	**261,314**	**986**	**(840)**	**246,817**	**393**	**(929)**
Derivative assets/(liabilities)	**36,522,344**	**346,820**	**(340,487)**	**26,170,668**	**327,202**	**(317,874)**
As at 31 December 2015						
Total derivative assets/(liabilities) held for trading	29,437,102	326,933	(323,788)	22,945,932	315,565	(309,742)
Total derivative assets/(liabilities) held for risk management	316,605	937	(464)	315,425	687	(283)
Derivative assets/(liabilities)	29,753,707	327,870	(324,252)	23,261,357	316,252	(310,025)

The fair value of derivative assets increased by 6% to £347bn. This was mainly in foreign exchange derivatives largely due to increase in trade volumes and appreciation of all major currencies against GBP. Information on further netting of derivative financial instruments is included within Note 18 Offsetting financial assets and financial liabilities.

Trading derivatives are managed in the Group's market risk management policies, which are outlined on pages 69 and 70.

The Group's exposure to credit risk arising from derivative contracts are outlined in the Credit risk section on page 85.

14 Derivative financial instruments continued

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
As at 31 December 2016						
Foreign exchange derivatives						
Forward foreign exchange	2,308,922	32,442	(30,907)	2,307,703	32,383	(30,852)
Currency swaps	1,086,552	40,083	(40,164)	1,085,482	39,867	(40,034)
OTC options bought and sold	772,031	6,338	(6,762)	771,901	6,324	(6,762)
OTC derivatives	4,167,505	78,863	(77,833)	4,165,086	78,574	(77,648)
Foreign exchange derivatives cleared by central counterparty	43,478	366	(388)	43,478	366	(388)
Exchange traded futures and options – bought and sold	18,813	31	(27)	9,888	1	
Foreign exchange derivatives	4,229,796	79,260	(78,248)	4,218,452	78,941	(78,036)
Interest rate derivatives						
Interest rate swaps	4,799,994	153,838	(143,060)	2,559,724	143,635	(133,045)
Forward rate agreements	296,559	999	(968)	57,700	109	(61)
OTC options bought and sold	2,522,430	42,412	(43,373)	2,522,430	42,412	(43,373)
OTC derivatives	7,618,983	197,249	(187,401)	5,139,854	186,156	(176,479)
Interest rate derivatives cleared by central counterparty[a]	14,514,520	30,503	(31,528)	11,187,061	1,592	(2,048)
Exchange traded futures and options – bought and sold	7,952,733	397	(370)	1,355,743	14	(8)
Interest rate derivatives	30,086,236	228,149	(219,299)	17,682,658	187,762	(178,535)
Credit derivatives						
OTC swaps	615,057	12,005	(10,513)	566,555	11,035	(9,945)
Credit derivatives cleared by central counterparty[a]	332,743	4,462	(4,572)	271,935	3,728	(3,617)
Credit derivatives	947,800	16,467	(15,085)	838,490	14,763	(13,562)
Equity and stock index derivatives						
OTC options bought and sold	102,545	6,766	(8,837)	102,255	6,751	(8,914)
Equity swaps and forwards	105,120	2,253	(4,435)	104,575	2,226	(4,278)
OTC derivatives	207,665	9,019	(13,272)	206,830	8,977	(13,192)
Exchange traded futures and options – bought and sold	585,620	8,070	(8,600)	133,465	2,409	(2,658)
Equity and stock index derivatives	793,285	17,089	(21,872)	340,295	11,386	(15,850)
Commodity derivatives						
OTC options bought and sold	14,053	395	(461)	14,012	394	(461)
Commodity swaps and forwards	16,086	1,528	(1,821)	16,086	1,528	(1,821)
OTC derivatives	30,139	1,923	(2,282)	30,098	1,922	(2,282)
Exchange traded futures and options – bought and sold	173,774	2,946	(2,861)	32,453	950	(896)
Commodity derivatives	203,913	4,869	(5,143)	62,551	2,872	(3,178)
Derivatives with subsidiaries	-	-	-	2,781,405	31,085	(27,784)
Derivative assets/(liabilities) held for trading	36,261,030	345,834	(339,647)	25,923,851	326,809	(316,945)
Total OTC derivatives held for trading	12,639,349	299,059	(291,301)	10,108,423	286,664	(279,546)
Total derivatives cleared by central counterparty held for trading	14,890,741	35,331	(36,488)	11,502,474	5,686	(6,053)
Total exchange traded derivatives held for trading	8,730,940	11,444	(11,858)	1,531,549	3,374	(3,562)
Derivatives with subsidiaries held for trading	-	-	-	2,781,405	31,085	(27,784)
Derivative assets/(liabilities) held for trading	36,261,030	345,834	(339,647)	25,923,851	326,809	(316,945)

Note

a The Chicago Mercantile Exchange (CME) changed its rulebook with effective date 3 January 2017. Under the new rules, OTC positions cleared will be daily settled by cash payments and not collateralised by these payments (known currently as variation margin). For reporting periods following the effective date, the fair value of derivatives will reflect the settlement which will reduce the fair value of the recognised derivative assets and liabilities and there will be no separate cash collateral recognised for the daily 'variation margin'. As of 31 December 2016, the fair value of impacted derivatives assets was £20.4bn and derivative liabilities £21.5bn.

Notes to the financial statements
Assets and liabilities held at fair value

14 Derivative financial instruments continued

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
As at 31 December 2015						
Foreign exchange derivatives						
Forward foreign exchange	1,277,863	17,613	(19,433)	1,271,202	17,476	(19,202)
Currency swaps	1,006,640	30,703	(32,449)	988,045	29,823	(31,468)
OTC options bought and sold	924,832	6,436	(6,771)	922,244	6,354	(6,732)
OTC derivatives	3,209,335	54,752	(58,653)	3,181,491	53,653	(57,402)
Foreign exchange derivatives cleared by central counterparty	9,308	33	(44)	9,308	33	(44)
Exchange traded futures and options – bought and sold	6,071	13	(12)	1,022	-	-
Foreign exchange derivatives	3,224,714	54,798	(58,709)	3,191,821	53,686	(57,446)
Interest rate derivatives						
Interest rate swaps	4,600,472	159,040	(148,475)	3,249,682	152,105	(142,509)
Forward rate agreements	371,510	440	(390)	198,251	274	(213)
OTC options bought and sold	2,634,527	48,995	(49,001)	2,628,891	48,983	(48,987)
OTC derivatives	7,606,509	208,475	(197,866)	6,076,824	201,362	(191,709)
Interest rate derivatives cleared by central counterparty	11,407,745	21,871	(22,603)	8,687,749	1,335	(972)
Exchange traded futures and options– bought and sold	5,470,872	281	(263)	1,206,045	7	(17)
Interest rate derivatives	24,485,126	230,627	(220,732)	15,970,618	202,704	(192,698)
Credit derivatives						
OTC swaps	671,389	14,248	(12,693)	636,005	13,335	(12,339)
Credit derivatives cleared by central counterparty	277,257	4,094	(3,931)	234,816	3,735	(3,422)
Credit derivatives	948,646	18,342	(16,624)	870,821	17,070	(15,761)
Equity and stock index derivatives						
OTC options bought and sold	53,645	5,507	(7,746)	52,181	5,431	(7,785)
Equity swaps and forwards	98,264	1,794	(3,855)	90,241	1,590	(2,845)
OTC derivatives	151,909	7,301	(11,601)	142,422	7,021	(10,630)
Exchange traded futures and options– bought and sold	429,592	6,498	(6,851)	95,995	1,501	(1,966)
Equity and stock index derivatives	581,501	13,799	(18,452)	238,417	8,522	(12,596)
Commodity derivatives						
OTC options bought and sold	21,959	1,402	(1,408)	21,897	1,400	(1,408)
Commodity swaps and forwards	29,161	3,645	(3,397)	28,992	3,641	(3,395)
OTC derivatives	51,120	5,047	(4,805)	50,889	5,041	(4,803)
Exchange traded futures and options – bought and sold	145,995	4,320	(4,466)	21,961	1,891	(1,940)
Commodity derivatives	197,115	9,367	(9,271)	72,850	6,932	(6,743)
Derivatives with subsidiaries	-	-	-	2,601,405	26,651	(24,498)
Derivative assets/(liabilities) held for trading	29,437,102	326,933	(323,788)	22,945,932	315,565	(309,742)
Total OTC derivatives held for trading	11,690,262	289,823	(285,618)	10,087,631	280,412	(276,883)
Total derivatives cleared by central counterparty held for trading	11,694,310	25,998	(26,578)	8,931,873	5,103	(4,438)
Total exchange traded derivatives held for trading	6,052,530	11,112	(11,592)	1,325,023	3,399	(3,923)
Derivatives with subsidiaries held for trading	-	-	-	2,601,405	26,651	(24,498)
Derivative assets/(liabilities) held for trading	29,437,102	326,933	(323,788)	22,945,932	315,565	(309,742)

Notes to the financial statements
Assets and liabilities held at fair value

14 Derivative financial instruments continued
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
As at 31 December 2016						
Derivatives designated as cash flow hedges						
Currency swaps	**1,357**	**453**	**-**	**-**	**-**	**-**
Interest rate swaps	**5,877**	**138**	**(6)**	**2,377**	**41**	**(6)**
Forward foreign exchange	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate derivatives cleared by central counterparty	**107,524**	**62**	**(27)**	**96,480**	**-**	**-**
Derivatives designated as cash flow hedges	**114,758**	**653**	**(33)**	**98,857**	**41**	**(6)**
Derivatives designated as fair value hedges						
Interest rate swaps	**10,724**	**301**	**(742)**	**10,724**	**301**	**(742)**
Forward foreign exchange	**63**	**-**	**(1)**	**63**	**-**	**(1)**
Interest rate derivatives cleared by central counterparty	**129,683**	**-**	**-**	**129,683**	**-**	**-**
Derivatives designated as fair value hedges	**140,470**	**301**	**(743)**	**140,470**	**301**	**(743)**
Derivatives designated as hedges of net investments						
Forward foreign exchange	**6,086**	**32**	**(64)**	**6,086**	**32**	**(64)**
Derivatives designated as hedges of net investment	**6,086**	**32**	**(64)**	**6,086**	**32**	**(64)**
Derivatives with subsidiaries	**-**	**-**	**-**	**1,404**	**19**	**(116)**
Derivative assets/(liabilities) held for risk management	**261,314**	**986**	**(840)**	**246,817**	**393**	**(929)**
Total OTC derivatives held for risk management	**24,107**	**924**	**(813)**	**19,250**	**374**	**(813)**
Total derivatives cleared by central counterparty held for risk management	**237,207**	**62**	**(27)**	**226,163**	**-**	**-**
Derivatives with subsidiaries held for risk management	**-**	**-**	**-**	**1,404**	**19**	**(116)**
Derivative assets/(liabilities) held for risk management	**261,314**	**986**	**(840)**	**246,817**	**393**	**(929)**
As at 31 December 2015						
Derivatives designated as cash flow hedges						
Currency swaps	1,357	133	-	-	-	-
Interest rate swaps	14,198	162	(115)	5,290	82	(7)
Forward foreign exchange	759	5	-	759	5	-
Interest rate derivatives cleared by central counterparty	147,072	-	-	147,072	-	-
Derivatives designated as cash flow hedges	163,386	300	(115)	153,121	87	(7)
Derivatives designated as fair value hedges						
Interest rate swaps	13,798	637	(264)	12,049	554	(191)
Forward foreign exchange	2,527	-	(32)	2,527	-	(32)
Interest rate derivatives cleared by central counterparty	134,939	-	-	134,939	-	-
Derivatives designated as fair value hedges	151,264	637	(296)	149,515	554	(223)
Derivatives designated as hedges of net investments						
Forward foreign exchange	1,955	-	(53)	1,955	-	(53)
Derivatives designated as hedges of net investment	1,955	-	(53)	1,955	-	(53)
Derivatives with subsidiaries	-	-	-	10,834	46	-
Derivative assets/(liabilities) held for risk management	316,605	937	(464)	315,425	687	(283)
Total OTC derivatives held for risk management	34,594	937	(464)	22,580	641	(283)
Total derivatives cleared by central counterparty held for risk management	282,011	-	-	282,011	-	-
Derivatives with subsidiaries held for risk management	-	-	-	10,834	46	-
Derivative assets/(liabilities) held for risk management	316,605	937	(464)	315,425	687	(283)

14 Derivative financial instruments continued

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	One to two years	Two to three years	Three to four years	Four to five years	More than five years
	£m	£m	£m	£m	£m	£m	£m
2016							
The Group							
Forecast receivable cash flows	**2,081**	**316**	**376**	**408**	**363**	**327**	**291**
Forecast payable cash flows	**52**	**15**	**16**	**7**	**6**	**5**	**3**
The Bank							
Forecast receivable cash flows	**2,041**	**294**	**364**	**402**	**362**	**328**	**291**
Forecast payable cash flows	**8**	-	8	-	-	-	-
2015							
The Group							
Forecast receivable cash flows	2,818	360	562	613	560	379	344
Forecast payable cash flows	872	769	35	31	22	11	4
The Bank							
Forecast receivable cash flows	2,809	351	562	613	560	379	344
Forecast payable cash flows	764	764	-	-	-	-	-

The maximum length of time over which Barclays Bank hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 7 years (2015: 10 years).

Amounts recognised in net interest income	The Group	The Bank
	£m	£m
Year ended 31 December 2016		
Gains on the hedged items attributable to the hedged risk	**1,787**	**1,787**
Losses on the hedging instruments	**(1,741)**	**(1,741)**
Fair value ineffectiveness	**46**	**46**
Cash flow hedging ineffectiveness	**28**	**28**
Net investment hedging ineffectiveness	**(3)**	**(3)**
Year ended 31 December 2015		
Gains on the hedged items attributable to the hedged risk	552	549
Losses on the hedging instruments	(485)	(493)
Fair value ineffectiveness	67	56
Cash flow hedging ineffectiveness	16	24
Net investment hedging ineffectiveness	(2)	(2)

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 £17m gain (2015: £36m gain) transferred to interest income; a £557m gain (2015: £275m gain) to interest expense; nil (2015: £4m loss) to net trading income; a £17m gain (2015: £17m gain) to administration and general expenses; and a £75m loss (2015: £69m loss) to taxation; and for The Bank to the income statement included nil (2015: nil) transferred to interest income; a £557m gain (2015: £270m gain) to interest expense; nil (2015: £2m gain) to net trading income; a £17m gain (2015: £17m gain) to administration and general expenses; and nil (2015: nil) to taxation.

Notes to the financial statements
Assets and liabilities held at fair value

15 Financial investments

Accounting for financial investments
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.

Held to maturity assets are held at amortised cost. The Group uses this classification when there is an intent and ability to hold the asset to maturity. Interest on the investments are recognised in the income statement within Net interest income (Note 3).

	The Group		The Bank	
	2016	2015	2016	2015
	£m	£m	£m	£m
Available for sale debt securities and other eligible bills	57,704	89,278	56,144	82,968
Available for sale equity securities	485	1,026	279	640
Held to maturity debt securities	5,176	-	5,176	-
Financial investments	63,365	90,304	61,599	83,608

In June 2016 UK Gilts previously classified as available for sale investments, were reclassified to held to maturity in order to reflect the intention with these assets. Any previous fair value gain or loss on the asset that has been accumulated within the available for sale reserve (Note 31) is amortised to profit or loss over the remaining life of the financial asset using the effective interest method.

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 it 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 liabilities designated at fair value are described in Fair value of financial instruments (Note 17).

	The Group 2016		The Bank 2016		The Group 2015		The Bank 2015	
	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	34,985	37,034	36,347	38,501	33,177	36,097	39,137	42,535
Deposits	5,269	5,303	5,228	5,261	6,029	6,324	5,603	5,906
Liabilities to customers under investment contracts	37	-	-	-	1,633	-	-	-
Repurchase agreements at fair value	55,710	55,760	59,755	59,803	50,838	50,873	45,458	45,498
Other financial liabilities	31	31	-	-	68	68	-	-
Financial liabilities designated at fair value	96,032	98,128	101,330	103,565	91,745	93,362	90,198	93,939

The cumulative own credit loss recognised is £239m (2015: £226m).

Notes to the financial statements
Assets and liabilities held at fair value

17 Fair value of financial 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 calibrated to observable market data such as in primary issuance and redemption activity for structured notes. Own credit spreads for instruments issued out of Barclays Bank PLC were previously derived from Barclays Bank PLC issued vanilla debt in the secondary market but, due to extensive bond buy-back programmes, observations of Barclays Bank PLC secondary market bond prices have significantly decreased and no longer provide a reliable estimation for the fair value measurement.

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, depending 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 possible changes in significant unobservable inputs is shown on page 236.

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 either directly or indirectly. 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.

Notes to the financial statements
Assets and liabilities held at fair value

17 Fair value of financial instruments continued

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 2016				
Trading portfolio assets	**41,550**	**36,640**	**2,065**	**80,255**
Financial assets designated at fair value	**4,031**	**64,630**	**9,947**	**78,608**
Derivative financial assets	**5,261**	**333,013**	**8,546**	**346,820**
Available for sale investments	**21,218**	**36,599**	**372**	**58,189**
Investment property	**-**	**-**	**81**	**81**
Assets included in disposal groups classified as held for sale[a]	**6,754**	**8,511**	**6,009**	**21,274**
Total assets	**78,814**	**479,393**	**27,020**	**585,227**
Trading portfolio liabilities	**(20,205)**	**(14,475)**	**(7)**	**(34,687)**
Financial liabilities designated at fair value	**(70)**	**(95,122)**	**(840)**	**(96,032)**
Derivative financial liabilities	**(5,051)**	**(328,265)**	**(7,171)**	**(340,487)**
Liabilities included in disposal groups classified as held for sale[a]	**(397)**	**(5,224)**	**(6,201)**	**(11,822)**
Total liabilities	**(25,723)**	**(443,086)**	**(14,219)**	**(483,028)**
As at 31 December 2015				
Trading portfolio assets	36,676	35,775	4,947	77,398
Financial assets designated at fair value	6,163	52,909	17,758	76,830
Derivative financial assets	6,342	316,110	5,418	327,870
Available for sale investments	42,552	46,730	1,022	90,304
Investment property	-	-	140	140
Assets included in disposal groups classified as held for sale[a]	26	8	7,330	7,364
Total assets	91,759	451,532	36,615	579,906
Trading portfolio liabilities	(23,978)	(9,989)	-	(33,967)
Financial liabilities designated at fair value	(240)	(90,203)	(1,302)	(91,745)
Derivative financial liabilities	(5,450)	(314,033)	(4,769)	(324,252)
Liabilities included in disposal groups classified as held for sale[a]	(1,024)	(802)	(4,171)	(5,997)
Total liabilities	(30,692)	(415,027)	(10,242)	(455,961)

Note

a Disposal groups held for sale and measured at fair value less cost to sell are included in the fair value table. For disposal groups measured at carrying amount, the underlying financial assets and liabilities measured at fair value are included in the fair value disclosures on pages 224 to 241 and items measured at amortised cost items are included on page 242. Non financial assets (£6.6bn) and liabilities (£1.7bn) within disposal groups measured at carrying amount are excluded from these disclosures.

17 Fair value of financial instruments continued

The following tables show The Bank'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 Bank	£m	£m	£m	£m
As at 31 December 2016				
Trading portfolio assets	**13,029**	**21,495**	**2,003**	**36,527**
Financial assets designated at fair value	**22**	**71,708**	**9,135**	**80,865**
Derivative financial assets	**868**	**317,793**	**8,541**	**327,202**
Available for sale investments	**21,110**	**35,063**	**250**	**56,423**
Investment property	**-**	**-**	**16**	**16**
Assets included in disposal groups classified as held for sale	**-**	**-**	**3,453**	**3,453**
Total assets	**35,029**	**446,059**	**23,398**	**504,486**
Trading portfolio liabilities	**(21,024)**	**(10,975)**	**-**	**(31,999)**
Financial liabilities designated at fair value	**-**	**(100,863)**	**(467)**	**(101,330)**
Derivative financial liabilities	**(822)**	**(309,737)**	**(7,315)**	**(317,874)**
Liabilities included in disposal groups classified as held for sale	**-**	**-**	**(2,135)**	**(2,135)**
Total liabilities	**(21,846)**	**(421,575)**	**(9,917)**	**(453,338)**
As at 31 December 2015				
Trading portfolio assets	10,825	17,290	4,942	33,057
Financial assets designated at fair value	406	54,800	16,781	71,987
Derivative financial assets	1,856	309,284	5,112	316,252
Available for sale investments	39,463	43,576	569	83,608
Investment property	-	-	13	13
Assets included in disposal groups classified as held for sale	24	7	5,149	5,180
Total assets	52,574	424,957	32,566	510,097
Trading portfolio liabilities	(16,455)	(7,112)	-	(23,567)
Financial liabilities designated at fair value	(126)	(89,364)	(708)	(90,198)
Derivative financial liabilities	(1,910)	(303,238)	(4,877)	(310,025)
Liabilities included in disposal groups classified as held for sale	(1,024)	(802)	(2,277)	(4,103)
Total liabilities	(19,515)	(400,516)	(7,862)	(427,893)

17 Fair value of financial instruments continued

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.

The equivalent table below for The Bank has not been included because The Bank's product disaggregation by the fair value hierarchy is substantively explained by The Group's analysis. The main differences arise across Levels 1 and 2 due to Equity cash products, Government and government sponsored debt, Interest rate derivatives and Reverse repurchase and repurchase agreements which sit outside The Bank. In connection with Level 3 the major difference is the disposal group, BAGL, which sits outside The Bank.

Assets and liabilities held at fair value by product type

	Assets			Liabilities		
	Valuation technique using			Valuation technique using		
	Quoted	Observable	Significant	Quoted	Observable	Significant
The Group	£m	£m	£m	£m	£m	£m
As at 31 December 2016						
Interest rate derivatives	-	222,892	5,759	-	(215,213)	(4,860)
Foreign exchange derivatives	-	79,612	132	-	(78,263)	(51)
Credit derivatives	-	14,856	1,611	-	(14,844)	(241)
Equity derivatives	4,210	11,842	1,037	(4,058)	(15,808)	(2,007)
Commodity derivatives	1,052	3,809	8	(991)	(4,138)	(13)
Government and government sponsored debt	31,203	49,913	3	(12,761)	(11,455)	-
Corporate debt	46	11,921	969	(27)	(1,907)	(5)
Certificates of deposit, commercial paper and	-	978	-	-	(6,936)	(319)
Reverse repurchase and repurchase agreements	-	63,162	-	-	(55,710)	-
Non asset backed loans	-	2,888	8,767	-	-	-
Asset backed securities	-	1,956	515	-	(256)	-
Commercial real estate loans	-	-	442	-	-	-
Issued debt	-	-	-	-	(31,973)	(298)
Equity cash products	35,399	6,478	150	(7,416)	(934)	(2)
Funds and fund linked products	53	137	273	-	(170)	(37)
Private equity investments	23	110	856	-	(18)	(12)
Assets and liabilities held for sale	6,754	8,511	6,009	(397)	(5,224)	(6,201)
Other[a]	74	328	489	(73)	(237)	(173)
Total	**78,814**	**479,393**	**27,020**	**(25,723)**	**(443,086)**	**(14,219)**
As at 31 December 2015						
Interest rate derivatives	-	228,751	2,675	-	(218,864)	(2,247)
Foreign exchange derivatives	2	54,839	95	(4)	(58,594)	(196)
Credit derivatives	-	16,441	1,902	-	(16,405)	(219)
Equity derivatives	3,830	9,279	690	(2,870)	(14,037)	(1,545)
Commodity derivatives	2,510	6,801	56	(2,576)	(6,133)	(562)
Government and government sponsored debt	55,150	53,053	419	(15,036)	(5,474)	(1)
Corporate debt	352	11,598	2,895	(234)	(4,558)	(15)
Certificates of deposit, commercial paper and	82	503	-	(5)	(6,955)	(382)
Reverse repurchase and repurchase agreements	-	49,513	-	-	(50,838)	-
Non asset backed loans	-	1,931	16,828	-	-	-
Asset backed securities	-	12,009	770	-	(384)	(37)
Commercial real estate loans	-	-	551	-	-	-
Issued debt	-	-	-	-	(29,695)	(546)
Equity cash products	29,704	4,038	171	(8,943)	(221)	-
Funds and fund linked products	-	1,649	378	-	(1,601)	(148)
Private equity investments	7	283	1,388	-	-	-
Assets and liabilities held for sale	26	8	7,330	(1,024)	(802)	(4,171)
Other[a]	96	836	467	-	(466)	(173)
Total	91,759	451,532	36,615	(30,692)	(415,027)	(10,242)

Note
a Other includes asset backed loans, physical commodities and investment property.

17 Fair value of financial instruments continued

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 the 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 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 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. Inflation forward curves and interest rate yield curves may be 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.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlier. Certain correlation, convexity, long dated forwards and volatility exposures are unobservable beyond liquid maturities. Unobservable market data and model inputs are set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

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 over the counter (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 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.

17 Fair value of financial instruments continued

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 correlations, in the case of multi-asset products,. 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.

Commodity derivatives

Description: These products are exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil,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 by using proxy bid-offer spread levels.

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 considered, like any other third-party valuation, when determining Barclays' fair value estimates.

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 yields on other bonds from the same issuer.

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 of 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.

Certificates of Deposit, Commercial Paper and other money market instruments

Description: These are certificates of deposit, commercial paper and other money market instruments.

Valuation: Certificates of deposit and commercial paper 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

17 Fair value of financial instruments continued
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 instrument is considered Level 3.

Level 3 sensitivity: Sensitivity is calculated by using the range of observable proxy prices.

Reverse repurchase and repurchase agreements
Description: These include securities purchased under resale agreements, securities sold under repurchase agreements, and other similar secured lending agreements.

Valuation: Reverse repurchase and repurchase agreements are valued by discounting the expected future cash flows. The inputs to the valuation include interest rates and repo rates, which are determined based on the specific parameters of the transaction.

Observability: In general, input parameters are deemed observable up to liquid maturities, as determined based on the specific parameters of the transaction. Unobservable market data and model inputs are set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

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. In general, the sensitivity of unobservable inputs is insignificant to the overall balance sheet valuation given the predominantly short term nature of the agreements.

Non-asset backed loans
Description: This category is largely made up of fixed rate loans, primarily 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 incorporate funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

Observability: Within this population, the unobservable input is the loan spread.

Level 3 sensitivity: The sensitivity of 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, collateral loan obligations (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, the instrument is considered unobservable.

Level 3 sensitivity: The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion or by stressing the inputs of discount cash flow analysis.

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.

17 Fair value of financial instruments continued

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 input parameters observed for each parameter or 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.

Equity cash products

Description: This category includes listed equities, Exchange Traded Funds (ETF) and preference shares.

Valuation: Valuation of equity cash products is primarily determined through market observable prices.

Observability: Prices are generally observed in the market. Where a price for an equity security is not available, the instrument is considered unobservable.

Level 3 sensitivity: Sensitivity is calculated based on a stressed valuation on the underlying asset.

Funds and fund linked products

Description: This category includes holdings in hedge funds and funds of funds.

Valuation: In general, fund holdings are valued based on the latest available valuation received from the fund administrator. In the case of illiquid fund holdings the valuation will take account of all available information in relation to the underlying fund or collection of funds and may be adjusted relative to the performance of relevant index benchmarks.

Observability: Funds are deemed unobservable where the fund is either suspended, in wind-down, has a redemption restriction that severely affects liquidity or where the latest net asset value from the fund administrators is older than the frequency dictated by the fund offering documents.

Level 3 sensitivity: Sensitivity is calculated on an individual fund basis using a loss-based scenario approach which factors in the underlying assets of the specific fund and assumed recovery rates.

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'. These require 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.

Assets and liabilities held for sale

Description: Assets and liabilities held for sale materially consist of the intention to dispose of Barclays Africa Group Limited, France, Egypt, BVP and Zimbabwe.

Valuation: Assets and liabilities held for sale are valued at the lower of carrying value and fair value less cost to sell.

Level 3 sensitivity: The disposal groups that are measured at fair value less cost to sell are valued at the agreed price less costs to sell and are not expected to display significant sensitivity. The sensitivity of the assets and liabilities measured at carrying value is explained within the relevant product descriptions.

17 Fair value of financial instruments continued

Other

Description: Other includes asset-backed loans, physical commodities and investment property.

Assets and liabilities reclassified between Level 1 and Level 2

There were transfers of £2,340m of government bond assets during the period from Level 2 to Level 1 to reflect market observability of these product types (2015: £537m assets and £801m liabilities of equity and foreign exchange derivatives from Level 1 to Level 2)

Level 3 movement analysis

The following table summarises the movements in the Level 3 balance during the period. The table shows gains and losses and includes amounts for all financial assets and liabilities that are held at fair value transferred to and from Level 3 during the period. Transfers have been reflected as if they had taken place at the beginning of the year.

Assets and liabilities included in disposal groups classified as held for sale and measured at fair value less cost to sell are not included as these are measured at fair value on a non-recurring basis.

Asset and liability transfers between Level 2 and Level 3 are 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 the year:

- £2.1bn corporate bonds were transferred from Level 3 to Level 2 to reflect the market observability of the products;
- £8.6bn of non-asset backed loans were derecognised due to a substantial modification of terms on the ESHLA loans. The new restructured loans are measured on an amortised cost basis; and
- Market moves in the interest rate and inflation markets have resulted in an increase in the value of the Level 3 assets being reported. The gains have largely been offset through Level 2 hedges.

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2016[a]	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI	Transfers		As at 31 December 2016
						Trading income	Other income		In	Out	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government and government sponsored debt	320	-	(317)	-	-	-	-	-	-	-	3
Corporate debt	2,843	38	(48)	-	(5)	206	-	-	32	(2,097)	969
Non-asset backed loans	507	173	(498)	-	(4)	(38)	-	-	18	(7)	151
Asset backed securities	743	129	(295)	-	(171)	111	-	-	1	(3)	515
Funds and fund linked products	340	-	(77)	-	-	23	-	-	1	(14)	273
Other	155	59	(16)	-	(1)	(8)	-	-	-	(35)	154
Trading portfolio assets	4,908	399	(1,251)	-	(181)	294	-	-	52	(2,156)	2,065
Non-asset backed loans	15,963	-	-	-	(8,602)	1,155	100	-	-	-	8,616
Asset backed loans	256	48	(225)	-	(20)	30	-	-	112	-	201
Commercial real estate loans	543	2,658	(2,755)	-	(12)	56	-	-	-	(48)	442
Private equity investments	457	38	(51)	-	(3)	16	120	-	6	(21)	562
Other	78	-	-	-	(21)	(19)	85	-	41	(38)	126
Financial assets designated at fair value	17,297	2,744	(3,031)	-	(8,658)	1,238	305	-	159	(107)	9,947
Private equity investments	877	15	(254)	-	(407)	-	-	63	-	-	294
Other	44	53	(14)	-	(16)	-	4	7	1	(1)	78
Available for sale investments	921	68	(268)	-	(423)	-	4	70	1	(1)	372
Investment property	82	-	(3)	-	-	-	2	-	-	-	81
Trading portfolio liabilities	-	-	(9)	-	-	(1)	-	-	-	3	(7)
Certificates of deposit, commercial paper and other money market instruments	(272)	-	-	(19)	48	2	(7)	-	(301)	230	(319)
Issued debt	(538)	-	-	-	231	-	9	-	-	-	(298)
Other	(244)	-	-	-	83	(48)	(2)	-	(50)	38	(223)
Financial liabilities designated at fair value	(1,054)	-	-	(19)	362	(46)	-	-	(351)	268	(840)
Interest rate derivatives	418	45	3	-	(6)	228	-	-	294	(83)	899
Foreign exchange derivatives	(104)	-	30	2	40	6	-	-	55	52	81
Credit derivatives	1,685	2	(306)	-	(119)	111	-	-	3	(6)	1,370
Equity derivatives	(857)	196	7	(83)	(34)	(98)	-	-	(15)	(86)	(970)
Commodity derivatives	(506)	-	-	-	91	(3)	-	-	-	413	(5)
Net derivative financial instruments[b]	636	243	(266)	(81)	(28)	244	-	-	337	290	1,375
Assets and liabilities held for sale	424	126	(166)	(116)	85	-	172	-	-	49	574
Total	23,214	3,580	(4,994)	(216)	(8,843)	1,729	483	70	198	(1,654)	13,567
Net liabilities held for sale measured at fair value on non-recurring basis											(766)
Total											12,801

Notes
a The Level 3 opening balances have been amended to exclude the asset and liabilities held for sale.
b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £8,546m (2015: £5,418m) and derivative financial liabilities are £7,171m (2015: £4,769m).

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2015	Purchases	Sales	Issues	Settlements	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI	Transfers		As at 31 December 2015
						Trading	Other		In	Out	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government and government sponsored debt	685	27	(119)	-	(109)	(6)	-	-	2	(160)	320
Corporate debt	3,026	62	(64)	-	(20)	(47)	-	-	5	(80)	2,882
Non-asset backed loans	273	520	(251)	-	(3)	(42)	-	-	11	(1)	507
Asset backed securities	1,610	1,365	(1,565)	-	(711)	58	-	-	5	(19)	743
Funds and fund linked products	589	-	(174)	-	(56)	(27)	-	-	12	(4)	340
Other	144	23	(19)	-	(9)	(14)	-	-	53	(23)	155
Trading portfolio assets	6,327	1,997	(2,192)	-	(908)	(78)	-	-	88	(287)	4,947
Non-asset backed loans	17,471	192	(114)	-	(756)	(531)	(6)	-	-	-	16,256
Asset backed loans	393	1,098	(1,260)	-	2	8	-	-	15	-	256
Commercial real estate loans	1,179	3,540	(3,878)	-	(342)	49	1	-	-	-	549
Private equity investments	701	94	(200)	-	(3)	8	38	-	4	(132)	510
Other	161	66	(31)	-	(3)	(11)	5	-	26	(26)	187
Financial assets designated at fair value	19,905	4,990	(5,483)	-	(1,102)	(477)	38	-	45	(158)	17,758
Government and government sponsored debt	327	14	(36)	-	-	-	-	1	-	(212)	94
Private equity investments	425	29	(89)	-	-	-	471	22	-	20	878
Other	561	36	(2)	-	(1,026)	-	78	397	27	(21)	50
Available for sale investments	1,313	79	(127)	-	(1,026)	-	549	420	27	(213)	1,022
Investment property	207	27	(89)	-	-	-	(5)	-	-	-	140
Trading portfolio liabilities	(349)	-	-	-	-	-	-	-	-	349	-
Certificates of deposit, commercial paper and other	(666)	-	-	(216)	261	-	17	-	-	221	(383)
Issued debt	(748)	-	-	(16)	245	(4)	(8)	-	(38)	4	(565)
Other	(402)	-	-	-	(19)	(18)	75	-	-	10	(354)
Financial liabilities designated at fair value	(1,816)	-	-	(232)	487	(22)	84	-	(38)	235	(1,302)
Interest rate derivatives	(105)	1	218	-	(247)	203	-	-	243	117	430
Foreign exchange derivatives	(30)	14	(1)	(7)	9	(14)	-	-	(73)	-	(102)
Credit derivatives	1,557	273	(12)	-	(6)	(123)	-	-	(11)	7	1,685
Equity derivatives	(845)	111	(2)	(290)	103	34	-	-	(21)	52	(858)
Commodity derivatives	(152)	-	-	-	(66)	(6)	-	-	(388)	106	(506)
Net derivative financial instruments[a]	425	399	203	(297)	(207)	94	-	-	(250)	282	649
Total	26,012	7,492	(7,688)	(529)	(2,756)	(483)	666	420	(128)	208	23,214
Net assets held for sale measured at fair value on non-recurring basis											3,159
Total											26,373

Note
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £8,546m (2015: £5,418m) and derivative financial liabilities are £7,171m (2015: £4,769m).

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2016 £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 2016 £m
Trading portfolio assets	4,942	308	(1,019)	-	(342)	229	-	-	36	(2,151)	2,003
Financial assets designated at fair value	16,781	2,575	(3,003)	-	(8,636)	1,159	195	-	152	(88)	9,135
Available for sale investments	569	14	(14)	-	(350)	-	5	27	-	(1)	250
Investment property	13	-	-	-	-	-	3	-	-	-	16
Trading portfolio liabilities	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	(708)	-	-	-	209	(32)	(2)	-	(1)	67	(467)
Net derivative financial instruments[a]	235	243	25	(79)	(15)	188	-	-	338	291	1,226
Total	21,832	3,140	(4,011)	(79)	(9,134)	1,544	201	27	525	(1,882)	12,163
Net assets held for sale measured at fair value on non-recurring basis											1,318
Total	21,832	3,140	(4,011)	(79)	(9,134)	1,544	201	27	525	(1,882)	13,481

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2015 £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 2015 £m
Trading portfolio assets	5,832	1,467	(1,800)	-	(829)	(30)	-	-	302	-	4,942
Financial assets designated at fair value	18,782	4,633	(5,042)	-	(1,095)	(497)	-	-	-	-	16,781
Available for sale investments	853	26	(3)	-	(1,013)	-	492	408	1	(195)	569
Investment property	16	-	-	-	-	-	(3)	-	-	-	13
Trading portfolio liabilities	(346)	-	-	-	-	-	-	-	-	346	-
Financial liabilities designated at fair value	(920)	-	-	(1)	247	(8)	8	-	(38)	4	(708)
Net derivative financial instruments[a]	422	119	214	(433)	(189)	67	-	-	(151)	186	235
Total	24,639	6,245	(6,631)	(434)	(2,879)	(468)	497	408	114	341	21,832

Note
a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £8,541m (2015: £5,112m) and derivative financial liabilities are £7,315m (2015: £4,877m).

17 Fair value of financial instruments continued

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	2016				2015			
	Income statement				Income statement			
The Group	Trading income £m	Other income £m	Other compre-hensive income £m	Total[a] £m	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m
Trading portfolio assets	243	-	-	243	(125)	-	-	(125)
Financial assets designated at fair value	227	271	-	498	(562)	(17)	-	(579)
Available for sale investments	-	6	70	76	-	(20)	488	468
Investment property	-	2	-	2	-	(22)	-	(22)
Trading portfolio liabilities	(1)	-	-	(1)	(1)	-	-	(1)
Financial liabilities designated at fair value	96	(6)	-	90	(24)	76	-	52
Net derivative financial instruments	175	-	-	175	123	-	-	123
Assets and liabilities held for sale	-	128	-	128	-	-	-	-
Total	740	401	70	1,211	(589)	17	488	(84)

Note
a The £1.2bn unrealised gain on Level 3 assets (2015: £84m loss) is largely offset by losses on related Level 2 and Level 1 portfolio hedges.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

As at 31 December	2016				2015			
	Income statement				Income statement			
The Bank	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m	Trading income £m	Other income £m	Other comprehensive income £m	Total £m
Trading portfolio assets	238	-	-	238	(94)	-	-	(94)
Financial assets designated at fair value	155	194	-	349	(555)	-	-	(555)
Available for sale assets	-	5	27	32	-	(7)	408	401
Investment property	-	2	-	2	-	(3)	-	(3)
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	97	-	-	97	(11)	8	-	(3)
Net derivative financial instruments	167	-	-	167	112	-	-	112
Total	657	201	27	885	(548)	(2)	408	(142)

Note
a The £885m unrealised gain on Level 3 assets (2015: £142m loss) is largely offset by losses on related Level 2 and Level 1 portfolio hedges.

Notes to the financial statements
Assets and liabilities held at fair value

17 Fair value of financial instruments continued

The following tables for The Bank have not been included because the movements and sensitivities are substantively explained by The Group's analysis. The major difference is the disposal group, BAGL, which sits outside The Bank.

The following tables show The Group's assets and liabilities recognised at fair value and classified as Level 3:

Sensitivity analysis of valuations using unobservable inputs

The Group	Fair value		Favourable changes		Unfavourable changes	
	Total assets £m	Total liabilities £m	Income statement £m	Equity £m	Income statement £m	Equity £m
As at 31 December 2016						
Interest rate derivatives	5,759	(4,860)	209	-	(249)	-
Foreign exchange derivatives	132	(51)	15	-	(15)	-
Credit derivatives	1,611	(241)	127	-	(133)	-
Equity derivatives	1,037	(2,007)	163	-	(164)	-
Commodity derivatives	8	(13)	5	-	(5)	-
Government and government sponsored debt	3	-	-	-	-	-
Corporate debt	969	(5)	7	-	(2)	-
Certificates of deposit, commercial paper and other money market instruments	-	(319)	-	-	(1)	-
Reverse repurchase and repurchase agreements	-	-	-	-	-	-
Non asset backed loans	8,767	-	462	-	(597)	-
Asset backed securities	515	-	1	-	(1)	-
Commercial real estate loans	442	-	2	-	(2)	-
Issued debt	-	(298)	-	-	-	-
Equity cash products	150	(2)	12	26	(11)	(26)
Funds and fund linked products	273	(37)	6	-	(6)	-
Private equity investments	856	(12)	104	18	(104)	(21)
Assets and liabilities held for sale	699	(125)	3	-	(3)	-
Other[a]	489	(173)	147	-	(105)	-
Total	21,710	(8,143)	1,263	44	(1,398)	(47)
As at 31 December 2015						
Interest rate derivatives	2,675	(2,247)	93	-	(103)	-
Foreign exchange derivatives	95	(196)	17	-	(17)	-
Credit derivatives	1,902	(219)	66	-	(96)	-
Equity derivatives	690	(1,545)	167	-	(185)	-
Commodity derivatives	56	(562)	13	-	(13)	-
Government and government sponsored debt	419	(1)	4	-	(4)	-
Corporate debt	2,895	(15)	10	1	(5)	(1)
Certificates of deposit, commercial paper and other money market instruments	-	(382)	-	-	-	-
Reverse repurchase and repurchase agreements	-	-	-	-	-	-
Non asset backed loans	16,828	-	1,581	-	(1,564)	-
Asset backed securities	770	(37)	1	-	(1)	-
Commercial real estate loans	551	-	24	-	(1)	-
Issued debt	-	(546)	-	-	-	-
Equity cash products	171	-	-	17	-	(17)
Funds and fund linked products	378	(148)	1	-	(1)	-
Private equity investments	1,388	-	149	318	(149)	(53)
Other[a]	467	(173)	5	-	(23)	-
Total	29,285	(6,071)	2,131	336	(2,162)	(71)

Note
a Other includes asset backed loans, physical commodities and investment property.

17 Fair value of financial instruments continued

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 £1.3bn (2015: £2.1bn) or to decrease fair values by up to £1.4bn (2015: £2.2bn) with substantially all the potential effect impacting profit and loss rather than reserves.

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:

The Group	Total £m	Total £m	Valuation technique(s)	Significant unobservable inputs	2016 Min	2016 Max	2015 Min	2015 Max	Units[a]
Derivative financial									
Interest rate derivatives	5,759	(4,860)	Discounted cash flows	Inflation forwards	(1)	8	-	8	%
				Credit spread	25	1,669	25	1,563	bps
			Option model	Inflation volatility	35	207	36	197	bp vol
				IR - IR correlation	(26)	98	(55)	100	%
				FX - IR correlation	(15)	81	(20)	30	%
				Interest rate volatility	9	295	5	249	bp vol
Credit derivatives	1,611	(241)	Discounted cash flows	Credit spread	133	274	140	413	bps
			Correlation model	Credit correlation	25	43	26	41	%
				Credit spread	13	2,317	10	9,923	bps
			Comparable pricing	Price	84	100	80	102	points
Equity derivatives	1,037	(2,007)	Option model	Equity volatility	1	150	-	318	%
				Equity - equity	(90)	100	(54)	100	%
				Equity - FX correlation	(80)	25	(100)	40	%
Non-derivative									
Corporate debt	969	(5)	Discounted cash flows	Credit spread	145	190	120	529	bps
			Comparable pricing	Price	-	121	1	114	points
Non-asset backed	8,767	-	Discounted cash flows	Loan spread	30	1,495	3	994	bps
				Price	-	99	-	100	points
			Comparable pricing	Price	-	100	-	101	points
Asset backed securities	515	-	Discounted cash flows	Conditional	-	-	-	25	%
				Constant default rate	-	-	-	2	%
				Loss given default	-	-	30	100	%
				Yield	-	-	5	58	%
				Credit spread	70	150	157	1,416	bps
Commercial real estate	442	-	Discounted cash flows	Loss given default	-	100	-	100	%
				Credit spread	179	408	230	801	bps
Private equity	856	(12)	Discounted cash flows	Loss given default	-	-	-	94	%
			EBITDA multiple	EBITDA multiple	5	17	-	12	multiple
Other[c]	1,754	(1,018)							
Total	21,710	(8,143)							

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 for the instruments. The range of significant unobservable credit spreads is between 65-874bps (2015: 69-1,175bps).
c Other includes the remaining Level 3 assets and liabilities.

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 inter-relationships can be identified between significant unobservable inputs used in fair value measurement. A description of those interrelationships is included below.

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.

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.

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.

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.

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.

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.

17 Fair value of financial instruments continued
The ESHLA portfolio primarily consists of long dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy 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. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered extremely low credit risk, and have a history of zero defaults since inception. While the overall loan spread range is from 30bps to 1,495bps (2015: 3bps to 994bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

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.

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 will typically mean higher credit quality and therefore more prepayments.

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.

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.

EBITDA Multiple
EBITDA multiple is the ratio of the valuation of the investment to the Earnings before interest, taxes, depreciation and amortisation.

In general an increase in the multiple is favourable to the holder of the investment

Fair value adjustments
Key balance sheet valuation adjustments are quantified below:

The Group	2016 £m	2015 £m
Exit price adjustments derived from market bid-offer spreads	(475)	(509)
Uncollateralised derivative funding	(82)	(72)
Derivative credit valuation adjustments:		
- Monolines[a]	-	(9)
- Other derivative credit valuation adjustments	(237)	(318)
Derivative debit valuation adjustments	242	189

Exit price adjustments derived from market bid-offer spreads
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 exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating

17 Fair value of financial instruments continued

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 generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments have reduced by £34m to £475m as a result of risk reduction and spread tightening.

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). This 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.

For counterparties where there is a dispute regarding the settlement of collateral interest, where the relevant rate is currently negative, an additional fair value adjustment of £24m is held to account for the potential impact of resolving the dispute.

Uncollateralised

A fair value adjustment of £82m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralised 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 £10m to £82m mainly as a result of material trade unwinds.

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 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.

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 2016 was to reduce FFVA by £246m (2015: £216m).

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 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

Derivative credit adjustments (CVAs) and Derivative 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 calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) corporates, sovereigns and sovereign agencies, supranationals and special purpose vehicles.

Exposure at default 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 approximating with a more vanilla structure, or using current or scenario-based mark to market as an estimate of future exposure. Where a strong CSA exists to mitigate counterparty credit risk, the exposure at default 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 £95m (2015: £56m) 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 systematically incorporated into the CVA calculation but is adjusted where the underlying exposure is directly related to the counterparty.

CVA decreased by £90m to £237m, primarily due to reductions in the average maturity of the portfolio driven by trade unwinds, including a reduction in monoline CVA of £9m. DVA increased by £53m to £242m, primarily as a result of Barclays' credit spreads widening.

17 Fair value of financial instruments continued

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 £179m (2015: £187m). There are additions of £29m (2015: £42m) and £37m (2015: £51m) of amortisation and releases.

Third party credit enhancements

Structured and brokered certificates of deposit issued by Barclays 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 £3,905m (2015: £3,729m).

17 Fair value of financial instruments continued

Comparison of carrying amounts and fair values

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 2016	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					
Held to maturity[a]	**5,176**	**5,347**	**5,347**	**-**	**-**
Loans and advances to banks	**43,634**	**43,611**	**7,257**	**35,369**	**985**
Loans and advances to customers:					
– Home loans	**144,765**	**141,150**	**-**	**-**	**141,150**
– Credit cards, unsecured and other retail lending	**57,808**	**57,698**	**737**	**42**	**56,919**
– Finance lease receivables[b]	**1,602**	**1,598**			
– Corporate loans	**188,608**	**186,720**	**-**	**126,978**	**59,742**
Reverse repurchase agreements and other similar secured lending	**13,454**	**13,454**	**-**	**13,454**	**-**
Assets included in disposal groups classified as held for sale[c]	**43,593**	**44,838**	**1,070**	**4,614**	**39,154**
Financial liabilities					
Deposits from banks	**(48,214)**	**(48,212)**	**(5,256)**	**(42,895)**	**(61)**
Customer accounts:					
– Current and demand accounts	**(138,195)**	**(138,188)**	**(127,258)**	**(10,912)**	**(18)**
– Savings accounts	**(133,344)**	**(133,370)**	**(120,471)**	**(12,891)**	**(8)**
– Other time deposits	**(153,164)**	**(153,165)**	**(48,853)**	**(97,773)**	**(6,539)**
Debt securities in issue	**(75,369)**	**(76,408)**	**(196)**	**(74,149)**	**(2,063)**
Repurchase agreements and other similar secured lending	**(19,760)**	**(19,760)**	**-**	**(19,760)**	**-**
Subordinated liabilities	**(23,871)**	**(25,035)**	**-**	**(25,035)**	**-**
Liabilities included in disposal groups classified as held for sale[c]	**(51,775)**	**(51,788)**	**(22,264)**	**(28,998)**	**(526)**
As at 31 December 2015					
Financial assets					
Loans and advances to banks	41,829	41,781	5,933	34,605	1,243
Loans and advances to customers:					
– Home loans	155,863	151,636	-	-	151,636
– Credit cards, unsecured and other retail lending	67,840	67,600	1,148	284	66,168
– Finance lease receivables[b]	4,777	4,730			
– Corporate loans	170,737	169,697	585	129,847	39,265
Reverse repurchase agreements and other similar secured lending	28,187	28,187	-	28,187	-
Financial liabilities					
Deposits from banks	(47,080)	(47,080)	(4,428)	(42,652)	-
Customer accounts:					
– Current and demand accounts	(147,123)	(147,121)	(130,439)	(16,537)	(145)
– Savings accounts	(135,567)	(135,600)	(122,029)	(13,537)	(34)
– Other time deposits	(135,617)	(135,861)	(43,025)	(84,933)	(7,903)
Debt securities in issue	(69,150)	(69,938)	(190)	(69,197)	(551)
Repurchase agreements and other similar secured lending	(25,035)	(25,035)	-	(25,035)	-
Subordinated liabilities	(21,955)	(23,544)	-	(23,544)	-

Notes
a In June 2016 UK Gilts previously classified as available for sale were reclassified to held to maturity in order to reflect the intention with these assets.
b The fair value hierarchy for finance lease receivables is not required as part of the standard.
c Disposal groups held for sale and measured at fair value less cost to sell are included in the fair value table. For disposal groups measured at carrying amount, the underlying financial assets and liabilities measured at fair value are included in the fair value disclosures on pages 224 to241 and items measured at amortised cost items are included on page 242. Non financial assets (£6.6bn) and liabilities (£1.7bn) within disposal groups measured at carrying amount are excluded from these disclosures.

17 Fair value of financial instruments continued

The Bank

As at 31 December 2016	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					
Held to maturity[a]	5,176	5,347	5,347	-	-
Loans and advances to banks	43,964	44,101	1,424	41,763	914
Loans and advances to customers:					
– Home loans	143,762	140,152	-	-	140,152
– Credit cards, unsecured and other retail lending	31,204	31,003	737		30,266
– Finance lease receivables[b]	-	-	-	-	-
– Corporate loans	256,158	254,301	-	184,104	70,197
Reverse repurchase agreements and other similar secured lending	22,941	22,941	-	22,941	-
Financial liabilities					
Deposits from banks	(58,037)	(58,036)	(4,946)	(52,997)	(92)
Customer accounts:					
– Current and demand accounts	(218,596)	(218,589)	(126,421)	(84,089)	(8,079)
– Savings accounts	(125,940)	(125,966)	(113,069)	(12,891)	(6)
– Other time deposits	(102,858)	(102,888)	(42,982)	(45,997)	(13,909)
Debt securities in issue	(45,206)	(45,887)	(160)	(45,726)	-
Repurchase agreements and other similar secured lending	(29,226)	(29,167)	-	(29,167)	-
Subordinated liabilities	(23,878)	(25,021)	-	(25,021)	-

As at 31 December 2015	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	62,201	62,129	8,925	51,333	1,871
Loans and advances to customers:					
– Home loans	142,623	137,614	-	-	137,614
– Credit cards, unsecured and other retail lending	39,610	39,582	915	227	38,440
– Finance lease receivables[b]	1,060	1,050	-	-	-
– Corporate loans	211,914	210,915	561	172,687	37,667
Reverse repurchase agreements and other similar secured lending	28,803	28,803	-	28,803	-
Financial liabilities					
Deposits from banks	(63,682)	(63,682)	(5,989)	(57,693)	-
Customer accounts:					
– Current and demand accounts	(204,715)	(204,713)	(181,500)	(23,011)	(202)
– Savings accounts	(119,764)	(119,793)	(107,804)	(11,959)	(30)
– Other time deposits	(87,312)	(87,469)	(27,714)	(54,665)	(5,090)
Debt securities in issue	(45,720)	(46,192)	(125)	(45,702)	(365)
Repurchase agreements and other similar secured lending	(26,164)	(26,164)	-	(26,164)	-
Subordinated liabilities	(21,411)	(22,847)	-	(22,847)	-

Notes
a In June 2016 UK Gilts previously classified as available for sale were reclassified to held to maturity in order to reflect the intention with these assets.
b The fair value hierarchy for finance lease receivables is not required as part of the standard.

Notes to the financial statements
Assets and liabilities held at fair value

17 Fair value of financial instruments continued

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 sources 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 in Note 19.

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 2.5% (2015: 2.7%) and The Bank has decreased to 2.5% (2015: 3.5%), both are due to changes in the product mix across the loan portfolio and movements in product margins.

The fair value of corporate loans is 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 increased to 1.0% (2015: 0.6%) and The Bank has increased to 0.7% (2015: 0.5%).

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, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy in Note 22.

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 reprice 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 1.4% (2015: 1.1%) and The Bank has increased to 1.5% (2015: 1.0%).

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 issuer concerned or issuers 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
- 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[a]			Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount		
As at 31 December 2016	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**353,078**	**(11,934)**	**341,144**	**(273,602)**	**(49,923)**	**17,619**	**5,676**	**346,820**
Reverse repurchase agreements and other similar secured lending[e]	**257,430**	**(187,262)**	**70,168**	**-**	**(69,932)**	**236**	**6,448**	**76,616**
Total assets	**610,508**	**(199,196)**	**411,312**	**(273,602)**	**(119,855)**	**17,855**	**12,124**	**423,436**
Derivative financial liabilities	**(345,752)**	**10,962**	**(334,790)**	**273,602**	**47,383**	**(13,805)**	**(5,697)**	**(340,487)**
Repurchase agreements and other similar secured borrowing[e]	**(257,854)**	**187,262**	**(70,592)**	**-**	**68,897**	**(1,695)**	**(4,878)**	**(75,470)**
Total liabilities	**(603,606)**	**198,224**	**(405,382)**	**273,602**	**116,280**	**(15,500)**	**(10,575)**	**(415,957)**
As at 31 December 2015								
Derivative financial assets	328,692	(7,685)	321,007	(259,582)	(42,402)	19,023	6,863	327,870
Reverse repurchase agreements and other similar secured lending	169,597	(102,888)	66,709	-	(66,400)	309	10,991	77,700
Total assets	498,289	(110,573)	387,716	(259,582)	(108,802)	19,332	17,854	405,570
Derivative financial liabilities	(325,984)	7,645	(318,339)	259,582	40,124	(18,633)	(5,913)	(324,252)
Repurchase agreements and other similar secured borrowing	(171,651)	102,888	(68,763)	-	68,202	(561)	(7,110)	(75,873)
Total liabilities	(497,635)	110,533	(387,102)	259,582	108,326	(19,194)	(13,023)	(400,125)

Notes
a Financial collateral of £49,923m (2015: £42,202m) was received in respect of derivative assets, including £41,641m (2015: £34,918m) of cash collateral and £8,282m (2015: £7,484m) of non-cash collateral. Financial collateral of £47,383m (2015: £40,124m) was placed in respect of derivative liabilities, including £43,763m (2015: £35,464m) of cash collateral and £3,620m (2015: £4,660m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation. Of the £41,641m (2015: £34,918m) cash collateral held, £26,834m (2015: £27,732m) was included in deposits from banks and £14,807m (2015: £7,186m), was included in customer accounts. Of the £43,763m (2015: £35,464m) cash collateral placed, £17,587m (2015: £13,238m) was included in loans and advances to banks and £26,176m (2015: £22,226m) was included in loans and advances to customers.
b Amounts offset for Derivative financial assets include cash collateral netted of £972m (2015: £572m). Amounts offset for Derivative liabilities did not include any cash collateral netted for December 2016 (2015: £532m). Settlements assets and liabilities have been offset amounting to £10,486m (2015: £8,886m). 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.
c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
d 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'.
e Repurchase and Reverse Repurchase agreements include instruments at amortised cost and instruments designated at fair value through profit and loss. Reverse Repurchase agreements and other similar secured lending of £76,616m (2015: £77,700m) is split by fair value £63,162m (2015: £49,513m) and amortised cost £13,454m (2015: £28,187m). Repurchase agreements and other similar secured borrowing of £75,470m (2015: £75,873m) is split by fair value £55,710m (2015: £50,838m) and amortised cost £19,760m (2015: £25,035m).

18 Offsetting financial assets and financial liabilities continued

The Bank

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on-balance sheet			Related amounts not offset[a]				
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2016	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**321,045**	**(11,934)**	**309,111**	**(240,535)**	**(47,725)**	**20,851**	**18,091**	**327,202**
Reverse repurchase agreements and other similar secured lending[e]	**284,522**	**(203,400)**	**81,122**	**-**	**(80,959)**	**163**	**5,563**	**86,685**
Total assets	**605,567**	**(215,334)**	**390,233**	**(240,535)**	**(128,684)**	**21,014**	**23,654**	**413,887**
Derivative financial liabilities	**(309,376)**	**10,962**	**(298,414)**	**240,535**	**44,966**	**(12,913)**	**(19,460)**	**(317,874)**
Repurchase agreements and other similar secured borrowing[e]	**(287,287)**	**203,401**	**(83,886)**	**-**	**83,773**	**(113)**	**(5,094)**	**(88,980)**
Total liabilities	**(596,663)**	**214,363**	**(382,300)**	**240,535**	**128,739**	**(13,026)**	**(24,554)**	**(406,854)**
As at 31 December 2015								
Derivative financial assets	308,921	(7,685)	301,236	(241,295)	(42,293)	17,648	15,016	316,252
Reverse repurchase agreements and other similar secured lending	181,725	(120,846)	60,879	-	(59,503)	1,376	10,506	71,385
Total assets	490,646	(128,531)	362,115	(241,295)	(101,796)	19,024	25,522	387,637
Derivative financial liabilities	(302,806)	7,645	(295,161)	241,295	40,074	(13,792)	(14,864)	(310,025)
Repurchase agreements and other similar secured borrowing	(186,141)	120,846	(65,295)	-	64,579	(716)	(6,327)	(71,622)
Total liabilities	(488,947)	128,491	(360,456)	241,295	104,653	(14,508)	(21,191)	(381,647)

Notes

a Financial collateral of £47,725m (2015: £42,293m) was received in respect of derivative assets, including £39,443m (2015: £34,818m) of cash collateral and £8,282m (2015: £7,475m) of non-cash collateral. Financial collateral of £44,966m (2015: £40,074m) was placed in respect of derivative liabilities, including £41,346m (2015: £35,428m) of cash collateral and £3,620m (2015: £4,646m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.

b Amounts offset for Derivative financial assets include cash collateral netted of £972m (2015: £572m). Amounts offset for Derivative liabilities did not include any cash collateral netted for December 2016 (2015: £532m). 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.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d 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'.

e Repurchase and Reverse Repurchase agreements include instruments at amortised cost and instruments designated at fair value through profit and loss. Reverse Repurchase agreements and other similar secured lending of £86,685m (2015: £71,385m) is split by fair value £63,744m (2015: £42,582m) and amortised cost £22,941m (2015: £28,803m). Repurchase agreements and other similar secured borrowing of £88,980m (2015: £71,622m) is split by fair value £59,754m (2015: £45,458m) and amortised cost £22,226m (2015: £26,164m).

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 transactions 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.

18 Offsetting financial assets and financial liabilities continued

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

The 'Amounts offset' 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 transactions 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 67.

Notes to the financial statements
Financial instruments held at amortised cost

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 115 to 140.

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	
	2016	2015	2016	2015
As at 31 December	£m	£m	£m	£m
Gross loans and advances to banks	**43,634**	41,829	**43,964**	62,201
Loans and advances to banks	**43,634**	41,829	**43,964**	62,201
Gross loans and advances to customers	**397,403**	404,138	**434,377**	398,488
Less: allowance for impairment	**(4,620)**	(4,921)	**(3,253)**	(3,281)
Loans and advances to customers	**392,783**	399,217	**431,124**	395,207

Included within the carrying value of gross loans and advances to customers are effective interest rate adjustments of £1,028m (2015: £917m). Of the total balance deferred, £649m (2015: £424m) relate to costs, such as co-brand partner fees, incurred to originate credit card balances.

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.

20 Finance leases continued

	2016				2015			
	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	**646**	**(37)**	**609**	**60**	1,826	(230)	1,596	117
Over one year but not more than five years	**986**	**(57)**	**929**	**132**	3,569	(555)	3,014	275
Over five years	**73**	**(4)**	**69**	**19**	224	(32)	192	21
Total	**1,705**	**(98)**	**1,607**	**211**	5,619	(817)	4,802	413
The Bank								
Over one year but not more than five years	**-**	**-**	**-**	**-**	1	-	1	-
Over five years	**-**	**-**	**-**	**-**	1	-	1	-
Total	**-**	**-**	**-**	**-**	**2**	-	**2**	-

The decrease in finance lease receivables is primarily driven by BAGL balances now being classified as held for sale. The impairment allowance for uncollectable finance lease receivables amounted to £6m (2015: £56m).

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 accruals, deferred income and other liabilities (see Note 25 Accruals, deferred income and other liabilities).

As at 31 December 2016, the total future minimum payments under finance leases were £15m (2015: £nil) and the total future minimum payments under finance leases for The Bank were £nil (2015: £nil). The carrying amount of assets held under finance leases was £15m (2015: £nil).

21 Reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transaction) 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, unless it is designated at fair value through profit and loss.

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, unless it is designated at fair value through profit and loss.

	The Group		The Bank	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Assets				
Banks	**2,769**	8,954	**345**	4,762
Customers	**10,685**	19,233	**22,596**	24,041
Reverse repurchase agreements and other similar secured lending at amortised cost[a]	**13,454**	28,187	**22,941**	28,803
Liabilities				
Banks	**12,820**	13,952	**10,024**	7,052
Customers	**6,940**	11,083	**19,202**	19,112
Repurchase agreements and other similar secured borrowing at amortised cost[a]	**19,760**	25,035	**29,226**	26,164

Note
a New reverse repurchase and repurchase agreements including other similar lending and borrowing in certain businesses have been designated at fair value following a change in accounting treatment implemented in 2015 to better align to the way the business manages the portfolio's risk and performance (see Notes 13 and 16 for further detail).

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 at each balance sheet date reflecting market conditions at the reporting date. Gains and losses on re-measurement are included in the income statement.

22 Property, plant and equipment continued

	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 2016	**140**	**3,919**	**4,259**	**62**	**8,380**	**13**	**2,151**	**2,080**	**4,244**
Additions	**-**	**151**	**337**	**-**	**488**	**-**	**116**	**200**	**316**
Disposals[a]	**(6)**	**(1,061)**	**(1,556)**	**-**	**(2,623)**	**-**	**(666)**	**(136)**	**(802)**
Change in fair value of investment properties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exchange and other movements[b]	**(53)**	**92**	**(178)**	**(52)**	**(191)**	**2**	**(19)**	**65**	**48**
As at 31 December 2016	**81**	**3,101**	**2,862**	**10**	**6,054**	**15**	**1,582**	**2,209**	**3,806**
Accumulated depreciation and impairment									
As at 1 January 2016	**-**	**(1,697)**	**(3,177)**	**(38)**	**(4,912)**	**-**	**(1,119)**	**(1,623)**	**(2,742)**
Depreciation charge	**-**	**(180)**	**(313)**	**-**	**(493)**	**-**	**(107)**	**(182)**	**(289)**
Disposals	**-**	**795**	**1,155**	**-**	**1,950**	**-**	**631**	**82**	**713**
Exchange and other movements	**-**	**(230)**	**68**	**29**	**(133)**	**-**	**26**	**(60)**	**(34)**
As at 31 December 2016	**-**	**(1,312)**	**(2,267)**	**(9)**	**(3,588)**	**-**	**(569)**	**(1,783)**	**(2,352)**
Net book value	**81**	**1,789**	**595**	**1**	**2,466**	**15**	**1,013**	**426**	**1,454**
Cost									
As at 1 January 2015	207	4,054	4,350	10	8,621	16	2,131	2,079	4,226
Additions	13	385	405	49	852	-	116	140	256
Disposals	(84)	(363)	(232)	-	(679)	-	(45)	(100)	(145)
Change in fair value of investment properties	10	-	-	-	10	(2)	-	-	(2)
Exchange and other movements	(6)	(157)	(264)	3	(424)	(1)	(51)	(39)	(91)
As at 31 December 2015	140	3,919	4,259	62	8,380	13	2,151	2,080	4,244
Accumulated depreciation and impairment									
As at 1 January 2015	-	(1,669)	(3,157)	(9)	(4,835)	-	(1,076)	(1,549)	(2,625)
Depreciation charge	-	(181)	(373)	-	(554)	-	(96)	(178)	(274)
Disposals	-	144	159	-	303	-	38	71	109
Exchange and other movements	-	9	194	(29)	174	-	15	33	48
As at 31 December 2015	-	(1,697)	(3,177)	(38)	(4,912)	-	(1,119)	(1,623)	(2,742)
Net book value	140	2,222	1,082	24	3,468	13	1,032	457	1,502

Property rentals of £7m (2015: £9m; 2014: £5m) and £6m (2015: £9m; 2014: £14m) have been included in net investment income and other income respectively. Impairment of £19m (2015: £38m; 2014: £61m) was charged in the period.

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.

Note
a Cost and depreciation disposals include £0.9bn relating to fully depreciated assets that are no longer in use. There is no impact on the net book value.
b Includes property, plant and equipment relating to BAGL of £627m (Cost of £1,066m and Accumulated depreciation of £439m) which was reclassified to held for sale following Barclays announcement to reduce its share in BAGL.

Notes to the financial statements
Non-current assets and other investments

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 accumulated 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 using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Goodwill	Not amortised
Internally generated software[a]	12 months to 6 years
Other software	12 months to 6 years
Core deposits intangibles	12 months to 25 years
Brands	12 months to 25 years
Customer lists	12 months to 25 years
Licences and other	12 months to 25 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Note

a Exceptions to the above rate relates to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.

23 Goodwill and intangible assets continued

	Goodwill £m	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licenses and other £m	Total £m
The Group								
Cost								
As at 1 January 2016	5,603	4,112	542	146	86	1,665	471	12,625
Additions and disposals	(125)	446	(51)	-	-	59	78	407
Exchange and other movements[a]	(681)	(136)	(341)	(140)	(86)	(16)	(4)	(1,404)
As at 31 December 2016	4,797	4,422	150	6	-	1,708	545	11,628
Accumulated amortisation and impairment								
As at 1 January 2016	(998)	(1,634)	(212)	(75)	(86)	(1,081)	(317)	(4,403)
Disposals	77	235	38	-	-	14	12	376
Amortisation charge	-	(463)	(39)	-	-	(129)	(29)	(660)
Impairment charge	-	(74)	(1)	-	-	-	(1)	(76)
Exchange and other movements[a]	(9)	270	105	69	86	(36)	(2)	483
As at 31 December 2016	(930)	(1,666)	(109)	(6)	-	(1,232)	(337)	(4,280)
Net book value	3,867	2,756	41	-	-	476	208	7,348
The Bank								
Cost								
As at 1 January 2016	4,214	2,568	333	5	-	114	129	7,363
Additions and disposals	-	708	(6)	-	-	-	(7)	695
Exchange and other movements	26	75	(268)	1	-	2	(67)	(231)
As at 31 December 2016	4,240	3,351	59	6	-	116	55	7,827
Accumulated amortisation and impairment								
As at 1 January 2016	(817)	(959)	(95)	(5)	-	(87)	(60)	(2,023)
Disposals	-	45	-	-	-	-	-	45
Amortisation charge	-	(275)	(2)	-	-	(7)	(5)	(289)
Impairment charge	-	(11)	(1)	-	-	-	(1)	(13)
Exchange and other movements	(10)	31	54	(1)	-	(2)	32	104
As at 31 December 2016	(827)	(1,169)	(44)	(6)	-	(96)	(34)	(2,176)
Net book value	3,413	2,182	15	-	-	20	21	5,651

Note
a Includes goodwill and intangibles relating to BAGL of £1.1bn which was reclassified to held for sale following Barclays announcement to reduce its share in BAGL.

23 Goodwill and intangible assets continued

	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 2015	6,329	3,240	482	186	112	1,721	447	12,517
Additions and disposals	(515)	998	75	-	-	-	18	576
Exchange and other movements	(211)	(126)	(15)	(40)	(26)	(56)	6	(468)
As at 31 December 2015	5,603	4,112	542	146	86	1,665	471	12,625
Accumulated amortisation and impairment								
As at 1 January 2015	(1,442)	(1,257)	(194)	(88)	(111)	(962)	(283)	(4,337)
Disposals	518	128	2	-	-	-	3	651
Amortisation charge	-	(421)	(17)	(6)	-	(143)	(30)	(617)
Impairment charge	(102)	(101)	(1)	(1)	-	(12)	-	(217)
Exchange and other movements	28	17	(2)	20	25	36	(7)	117
As at 31 December 2015	(998)	(1,634)	(212)	(75)	(86)	(1,081)	(317)	(4,403)
Net book value	4,605	2,478	330	71	-	584	154	8,222
The Bank								
Cost								
As at 1 January 2015	4,274	2,029	281	5	-	115	116	6,820
Additions and disposals	(50)	588	56	-	-	-	16	610
Exchange and other movements	(10)	(49)	(4)	-	-	(1)	(3)	(67)
As at 31 December 2015	4,214	2,568	333	5	-	114	129	7,363
Accumulated amortisation and impairment								
As at 1 January 2015	(817)	(822)	(99)	(4)	-	(77)	(56)	(1,875)
Disposals	50	127	2	-	-	-	3	182
Amortisation charge	-	(226)	(1)	-	-	(9)	(9)	(245)
Impairment charge	(56)	(42)	(1)	(1)	-	(2)	-	(102)
Exchange and other movements	6	4	4	-	-	1	2	17
As at 31 December 2015	(817)	(959)	(95)	(5)	-	(87)	(60)	(2,023)
Net book value	3,397	1,609	238	-	-	27	69	5,340

Goodwill

Goodwill is allocated to business operations according to business segments as follows:

	The Group		The Bank	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Barclays UK	**3,526**	3,621	**3,318**	3,397
Barclays International	**341**	258	**95**	-
Africa Banking	**-**	703	**-**	-
Barclays Non Core	**-**	23	**-**	-
Total net book value of goodwill	**3,867**	4,605	**3,413**	3,397

23 Goodwill and intangible assets continued

Critical accounting estimates and judgements

Goodwill

Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs 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 reorganisations. 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. 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 2016, the Group recognised an impairment charge of £nil (2015: £102m). The impairment charge of £102m recognised in 2015 related to Non-Core and the withdrawal of the Bespoke product in Barclaycard UK which was as a result of the recoverable amount of the goodwill relating to these businesses not being supported based on the value in use calculations.

Key assumptions

The key assumptions used for impairment testing are set out below for each significant goodwill balance. Other goodwill of £737m (2015: £881m) was allocated to multiple CGUs which are not considered individually significant.

Barclays UK

Goodwill relating to Woolwich in Personal Banking and Business Banking was £3,130m (2015: £3,130m) of the total Barclays UK balance. The carrying value of the CGU has been determined by using net asset value. 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 2.0% (2015: 2.4%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 14.6% (2015: 11.4%). Based on these assumptions, the recoverable amount exceeded the carrying amount including goodwill by £4,130m (2015: £14,097m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £988m (2015: £2,775m) and £615m (2015: £2,109m) respectively. A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £1,293m (2015: £2,789m).

The headroom reflects changes made to the CGU in Barclays UK as part of the business reorganisation in 2016. The reduction in headroom in 2016 reflects changes in discount rate and future cash flows projections.

Notes to the financial statements
Non-current assets and other investments

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 £nil (2015: £1m).

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 £560m (2015: £411m) 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			
	2016		2015		2016		2015	
	Property	Equipment	Property	Equipment	Property	Equipment	Property	Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Not more than one year	364	-	376	1	205	-	194	-
Over one year but not more than five years	974	23	1,127	11	619	23	622	11
Over five years	1,520	-	1,874	-	787	-	908	-
Total	2,858	23	3,377	12	1,611	23	1,724	11

Total future minimum sublease payments to be received under non-cancellable subleases was £2m (2015: £1m) for The Group and £nil (2015: £nil) for The Bank.

Notes to the financial statements
Accruals, provisions, contingent liabilities and legal proceedings

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	
	2016	2015	2016	2015
	£m	£m	£m	£m
Accruals and deferred income	3,690	4,271	2,006	1,903
Other Creditors	5,203	3,772	13,111	15,876
Obligations under finance leases (see Note 20)	6	-	1	-
Insurance contract liabilities including unit-linked liabilities	52	2,569	-	-
Accruals, deferred income and other liabilities	**8,951**	**10,612**	**15,118**	**17,779**

Accruals and deferred income decreased by 14% to £3.7bn mainly due to the sale of Group Service Company from BBPLC to BPLC for £0.7bn which partially offsets with £0.2bn increase in accruals towards staff costs and administrative and general costs accrued as at 31 December 2016.

Insurance Liabilities relating to the Group's long term business have decreased by £2.5bn primarily driven by Non –Core entities being classified as Held for Sale. Insurance contract liabilities associated with the Group's short term business are £52m (2015: £115m). 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 £0.4bn (2015: £65bn) or £0.2bn (2015: £49bn) after reinsurance. The decrease in the maximum amounts payable is primarily due to BAGL which has been classified as held for sale in 2016.

The impact to the income statement and equity under a reasonably possible change in the assumptions used to calculate the insurance liabilities would be £2m (2015: £1m).

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.

				Conduct redress				
	Onerous contracts	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided	Payment protection insurance	Other customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
As at 1 January 2016	141	186	60	2,106	896	489	264	4,142
Additions	311	330	64	1,000	297	212	205	2,419
Amounts utilised	(39)	(263)	(1)	(1,127)	(396)	(254)	(84)	(2,164)
Unused amounts reversed	(49)	(59)	(56)	-	(93)	(27)	(36)	(320)
Exchange and other movements	(153)	(24)	-	-	8	35	(34)	(168)
As at 31 December 2016	211	170	67	1,979	712	455	315	3,909
The Bank								
As at 1 January 2016	98	148	58	1,995	810	370	202	3,681
Additions	119	147	63	1,000	228	108	128	1,793
Amounts utilised	(37)	(114)	(1)	(1,094)	(347)	(133)	(75)	(1,801)
Unused amounts reversed	(13)	(49)	(55)	-	(70)	(12)	(20)	(219)
Exchange and other movements	-	12	3	23	(13)	31	5	61
As at 31 December 2016	167	144	68	1,924	608	364	240	3,515

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2016 were £2,001m (2015: £2,113m) and for The Bank were £1,760m (2015: £1,831m).

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.

Redundancy and restructuring

These provisions comprise 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.

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. Provisions for other customer redress include £264m (2015: £290m) in respect of historic pricing practices associated with certain Foreign Exchange transactions for certain customers

26 Provisions continued

between 2005 and 2012, and smaller provisions across the retail and corporates businesses which are likely to be utilised within the next 12 months.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Legal, competition and regulatory matters

The Group is engaged in various legal competition and regulatory matters in the UK, US and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, see Note 28 Legal, competition and regulatory matters.

Critical accounting estimates and judgements

Payment Protection Insurance Redress

As at 31 December 2016, Barclays had recognised cumulative provisions totalling £8.44bn (31 December 2015: £7.44bn) against the cost of Payment Protection Insurance (PPI) redress and associated processing costs with utilisation of £6.46bn (31 December 2015: £5.33bn), leaving a residual provision of £1.98bn (31 December 2015: £2.11bn).

Through to 31 December 2016, 1.8m (31 December 2015: 1.6m) customer initiated claims[a] had been received and processed. The volume of claims received during 2016 decreased 8%b from 2015. This rate of decline was slower than previously recorded but in line with expectations.

The current provision reflects the estimated costs of PPI redress primarily relating to customer initiated complaints and ongoing remediation programmes. This also includes liabilities managed by third parties arising from portfolios previously sold where Barclays remains liable.

As at 31 December 2016, the provision of £1.98bn represents Barclays' best estimate of expected PPI redress reflecting the revised complaints deadline proposed in Financial Conduct Authority (FCA) consultation paper 16/20 issued on 2 August 2016. However, it is possible the eventual outcome may differ from the current estimate. We will continue to review the adequacy of provision level in respect of the ongoing level of complaints.

The PPI 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 plus an estimate of future claims initiated by customers where the volume is anticipated to cease after half- year 2019
- average claim redress – the expected average payment to customers for upheld claims based on the type and age of the policy/policies
- processing cost per claim – the cost to Barclays of assessing and processing each valid claim.

These assumptions remain subjective, in particular due to the uncertainty associated with future claims levels, which include complaints driven by Claims Management Company (CMC) activity.
The current provision represents Barclays' revised best estimate of all future expected costs of PPI redress based on the information available at year end.

The following table details actual data through to 31 December 2016, key 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 31.12.16	Future Expected	Sensitivity Analysis increase/decrease in provision
Customer initiated claims received and processed[a]	1,840k	650k	50k = £100m
Average uphold rate per claim[c]	87%	83%	1% = £15m
Average redress per valid claim[d]	£2,137	£1,950	£100 = £74m
Processing cost per claim[e]	£410	£350	50k = £17m

Notes

a Total claims received directly by Barclays to date, including those received via CMCs but excluding those for which no PPI policy exists and excluding responses to proactive mailing.

b Gross volumes received including no PPI.

c Average uphold rate per customer initiated claims received directly by Barclays and proactive mailings, excluding those for which no PPI policy exists.

d Average redress stated on a per policy basis for future customer initiated complaints received directly by Barclays and proactive mailings.

e Processing cost per claim on an upheld complaints basis, includes direct staff costs and associated overheads.

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:

Contingent liabiltiies and commitments excluding BAGL	The Group 2016 £m	The Group 2015 £m	The Bank 2016 £m	The Bank 2015 £m
Guarantees and letters of credit pledged as collateral security	**15,303**	16,065	**22,138**	20,327
Performance guarantees, acceptances and endorsements	**4,636**	4,556	**4,624**	4,312
Contingent liabilities	**19,939**	20,621	**26,762**	24,639
Documentary credits and other short-term trade related transactions	**1,005**	845	**979**	693
Forward starting reverse repurchase agreements[a]	**24**	93	**1**	14
Standby facilities, credit lines and other commitments	**302,657**	281,369	**240,111**	222,141

Contingent liabilities and commitments exclude BAGL balances of £17.5bn for 2016 now disclosed as held for sale.

The Financial Services Compensation Scheme

The Financial Services 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 specified years 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 higher of HM Treasury's own cost of borrowing (typically 2024 UK Gilt yield), and GBP LIBOR with 12-month maturity plus 100 basis points. The FSCS recovered £1bn capital shortfall in respect of the legacy facility from industry in three instalments across 2013, 2014 and 2015. A separate shortfall in respect of Dunfermline Building Society was levied on the industry in both 2014, 2015 and fully recovered in 2016.The FSCS liability for the interest and capital levy for 2016/17 has been recognised in 2016. Barclays has included an accrual of £55m in other liabilities as at 31 December 2016 (2015: £56m) in respect of the Barclays portion of the Interest Levy.

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 28.

Notes to the financial statements
Accruals, provisions, contingent liabilities and legal proceedings

28 Legal, competition and regulatory matters

Legal, competition and regulatory matters
Barclays PLC, Barclays Bank PLC and the Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact on Barclays PLC, Barclays Bank PLC 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 advisory services agreements and civil action
The United Kingdom (UK) Serious Fraud Office (SFO), the Financial Conduct Authority (FCA), the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) have been conducting investigations into certain advisory services agreements entered into by Barclays Bank PLC.

Background Information
Barclays Bank PLC entered into two advisory services agreements with Qatar Holding LLC (Qatar Holding) in June and October 2008. The FCA subsequently commenced an investigation into whether these agreements may have related to Barclays PLC's capital raisings in June and November 2008 (the Capital Raisings). The existence of the June 2008 advisory services agreement was disclosed, but the entry into the advisory services agreement in October 2008 and the fees payable under both agreements, which amounted 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 September 2013, the FCA issued warning notices (the Notices) finding that while, Barclays PLC and Barclays Bank PLC believed at the time of the execution of the agreements that there should be at least some unspecified and undetermined value to be derived from them, 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 Notices concluded that Barclays PLC and Barclays Bank PLC were in breach of certain disclosure-related listing rules and Barclays PLC 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 Barclays PLC and Barclays Bank PLC acted recklessly. The financial penalty provided in the Notices against the Group is £50m. Barclays PLC and Barclays Bank PLC continue to contest the findings.

The SFO has also been conducting an investigation into the agreements, and the Group continues to respond to requests for further information in that investigation, which is at an advanced stage. The FCA action has been stayed pending the resolution of the SFO investigation.
In addition, the DOJ and the SEC have been conducting investigations relating to the agreements.

In January 2016, PCP Capital Partners LLP and PCP International Finance Limited (PCP) served a claim on Barclays Bank PLC seeking damages of £721.4m plus interest and costs for fraudulent misrepresentation and deceit, arising from alleged statements made by Barclays Bank PLC to PCP in relation to the terms on which securities were to be issued to investors, including PCP, in the November 2008 capital raising. Barclays Bank PLC is defending the claim.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period. PCP has made a claim against Barclays Bank PLC totalling £721.4m plus interest and costs. This amount does not necessarily reflect Barclays Bank PLC's potential financial exposure if a ruling were to be made against it.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period. PCP has made a claim against Barclays Bank PLC totalling £721.4m plus interest and costs. This amount does not necessarily reflect Barclays Bank PLC's potential financial exposure if a ruling were to be made against it.

Investigations into certain business relationships
The DOJ and SEC are undertaking an investigation into whether the Group's relationships with third parties who assist Barclays PLC to win or retain business are compliant with the US Foreign Corrupt Practices Act. Certain regulators in other jurisdictions have also been briefed on the investigations. Separately, the Group is cooperating with the DOJ and SEC in relation to an investigation into certain of its hiring practices in Asia and elsewhere and is keeping certain regulators in other jurisdictions informed.

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 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.

Background Information
In June 2014, the NYAG filed a complaint (NYAG Complaint) against Barclays PLC and Barclays Capital Inc. (BCI) in the Supreme Court of the State of New York alleging, amongst other things, that Barclays PLC and BCI engaged in fraud and deceptive practices in connection with LX, the Group's

28 Legal, competition and regulatory matters continued

SEC-registered ATS. In February 2016, Barclays reached separate settlement agreements with each of the SEC and the NYAG to resolve those agencies' claims against Barclays PLC and BCI relating to the operation of LX for $35m each.
Barclays PLC and BCI have been named in a purported class action by an institutional investor client under California law based on allegations similar to those in the NYAG Complaint. In October 2016, the federal court in California granted the motion of Barclays PLC and BCI to dismiss the entire complaint and plaintiffs have appealed the court's decision.

Following the filing of the NYAG Complaint, Barclays PLC and BCI were also named in a shareholder securities class action along with certain of its former CEOs, and its current and a former CFO, as well as an employee in Equities Electronic Trading (Shareholder Class Action). The plaintiffs claim that investors suffered damages when their investments in Barclays American Depository Receipts declined in value as a result of the allegations in the NYAG Complaint. Barclays PLC and BCI filed a motion to dismiss the complaint, which the court granted in part and denied in part. In February 2016, the court certified the action as a class action, and Barclays has appealed that certification.

Claimed Amounts/Financial Impact

The class actions seek unspecified monetary damages and injunctive relief. It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect they might have upon the Group's operating results, cash flows or financial position in any particular period.

FERC

The US Federal Energy Regulatory Commission (FERC) has filed a civil action against Barclays Bank PLC and certain of its former traders in the US District Court in California seeking to collect a $435m civil penalty and the disgorgement of $34.9m of profits, plus interest, in connection with allegations that Barclays Bank PLC manipulated the electricity markets in and around California. A civil class action complaint was also filed in the US District Court for the Southern District of New York (SDNY) against Barclays Bank PLC asserting antitrust claims based on allegations that mirror those raised in the civil suit filed by FERC.

Background Information

In October 2012, FERC issued an Order to Show Cause and Notice of Proposed Penalties (Order and Notice) against Barclays Bank PLC and four of its former traders in relation to their power trading in the western US. In the Order and Notice, FERC asserted that Barclays Bank PLC 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 Barclays Bank PLC.

In October 2013, FERC filed a civil action against Barclays Bank PLC and its former traders in the US District Court in California seeking to collect the $435m civil penalty and disgorgement of $34.9m of profits, plus interest.

In June 2015, a civil class action complaint was filed in the US District Court for the SDNY against Barclays Bank PLC by Merced Irrigation District, a California utility company, asserting antitrust allegations in connection with Barclays Bank PLC's purported manipulation of the electricity markets in and around California. The factual allegations mirror those raised in the civil action filed by FERC against Barclays Bank PLC currently pending in the US District Court in California.

In October 2015, the US District Court in California ordered that it would bifurcate its assessment of liabilities and penalties from its assessment of disgorgement. FERC has filed and Barclays Bank PLC is opposing a brief seeking summary affirmance of the penalty assessment. The court has indicated that it will either affirm the penalty assessment or require further evidence to determine this issue. Oral argument on the motion to affirm the penalty assessment occurred in February 2017.

In December 2015, Barclays Bank PLC filed a motion to dismiss the civil class action for failure to state a claim, which the SDNY in February 2016 granted in part and denied in part.

Claimed Amounts/Financial Impact

FERC has made claims against Barclays Bank PLC totalling $469.9m, plus interest, for civil penalties and profit disgorgement. The civil class action complaint refers to damages of $139.3m. These amounts do not necessarily reflect Barclays Bank PLC's potential financial exposure if a ruling were to be made against it in either action.

Investigations into LIBOR and other Benchmarks

Regulators and law enforcement agencies, including certain competition authorities, from a number of governments have been conducting investigations relating to Barclays Bank PLC's involvement in manipulating certain financial benchmarks, such as LIBOR and EURIBOR. Barclays Bank PLC, Barclays PLC and BCI have reached settlements with the relevant law enforcement agency or regulator in certain of the investigations, but others, including the investigations by the SFO and the prosecutors' office in Trani, Italy remain pending.

Background Information

In June 2012, Barclays Bank PLC announced that it had reached settlements with the Financial Services Authority (FSA) (as predecessor to the FCA), the US Commodity Futures Trading Commission (CFTC) and the DOJ Fraud Section (DOJ-FS) in relation to their investigations concerning certain benchmark interest rate submissions, and Barclays Bank PLC agreed to pay total penalties of £290m. The settlement with the DOJ-FS was made by entry into a Non-Prosecution Agreement (NPA) which has now expired. In addition, Barclays Bank PLC was granted conditional leniency from the DOJ Antitrust Division (DOJ-AD) in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR. The DOJ granted final leniency to Barclays Bank PLC in May 2016.

Notes to the financial statements
Accruals, provisions, contingent liabilities and legal proceedings

28 Legal, competition and regulatory matters continued

Settlements with the US State Attorneys General and the Swiss Competition Commission

Following the settlements announced in June 2012, a group of US State Attorneys General (SAGs) commenced its own investigations into LIBOR, EURIBOR and the Tokyo Interbank Offered Rate. In August 2016, Barclays Bank PLC, BCI and 44 SAGs entered into a settlement agreement resolving the claims of those SAGs (and those of any other SAG who joined the settlement within 60 days) with respect to the matters subject to the investigations. Barclays agreed among other things to make payments totalling $100m to the SAGs in connection with the settlement.

In December 2016, a settlement in the sum of CHF29.8m was reached with the Swiss Competition Commission relating to its investigation into EURIBOR-related conduct.

Investigation by the SFO

In July 2012, the SFO announced that it had decided to investigate the LIBOR matter, in respect of which Barclays Bank PLC has received and continues to respond to requests for information. The SFO's investigation, including in respect of Barclays Bank PLC, continues.

For a discussion of civil litigation arising in connection with these investigations see 'LIBOR and other Benchmarks Civil Actions'.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

LIBOR and other Benchmark Civil Actions

Following the settlements of the investigations referred to above in 'Investigations into LIBOR and other Benchmarks', 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. While several of such cases have been dismissed and certain have settled subject to approval from the court (and in the case of class actions, the right of class members to opt-out of the settlement and to seek to file their own claims), other actions remain pending and their ultimate impact is unclear.

Background Information

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.

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 Barclays Bank PLC and the other banks individually and collectively violated provisions of the US Sherman Antitrust Act (Antitrust Act), the Commodity Exchange Act (CEA), the US Racketeer Influenced and Corrupt Organisations 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 Barclays Bank PLC, plus punitive damages. Some of the lawsuits also seek trebling of damages under the Antitrust Act and RICO.

The proposed class actions purported 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). In March 2013, August 2013 and June 2014, the MDL Court issued a series of decisions effectively dismissing the majority of claims against Barclays Bank PLC and other panel bank defendants in the three lead proposed class actions (Lead Class Actions) and three lead individual actions (Lead Individual Actions).

In July 2014, the MDL Court allowed the Stayed Actions to proceed and a number of plaintiffs filed amended complaints. The MDL Court subsequently dismissed a number of Lead Individual Action claims and all Homeowner Class and Lender Class claims. In May 2016, the appeal court reversed the MDL Court's holding that plaintiffs in the Lead Class Actions, including the Debt Securities Class, and Lead Individual Actions had not suffered an injury under the Antitrust Act, and remanded the antitrust claims for the MDL Court's further consideration of those claims and related issues. Following further consideration, the MDL Court dismissed the majority of antitrust claims against foreign defendants, including Barclays Bank PLC, for lack of personal jurisdiction. Certain plaintiffs have sought leave to move the MDL Court to reconsider its decision, and certain defendants, including Barclays Bank PLC, have sought leave to move to dismiss certain of the remaining antitrust claims.

In December 2014, the MDL Court granted preliminary approval for the settlement of the Exchange-Based Class claims for $20m. Final approval of the settlement is awaiting plaintiff's submission of a plan for allocation of the settlement proceeds acceptable to the MDL Court and will be subject to the right of class members to opt-out of the settlement and to seek to file their own claims.

In November 2015, the OTC Class claims were settled for $120m. The settlement was preliminarily approved by the MDL court in December 2016, but remains subject to final court approval and the right of class members to opt-out of the settlement and to seek to file their own claims.

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In November 2016, a settlement was agreed with respect to the Debt Securities Class claims. As the plaintiffs have not yet sought court approval of the settlement, the amount (which Barclays does not consider to be material to the Group) has not yet been publicly disclosed.

EURIBOR Case in the SDNY

In February 2013, a EURIBOR-related class action was filed against Barclays PLC, Barclays Bank PLC, BCI and other EURIBOR panel banks in the SDNY. The plaintiffs asserted antitrust, CEA, RICO, and unjust enrichment claims relating to EURIBOR manipulation. In October 2015, the class action was settled for $94m subject to court approval. The settlement has been preliminarily approved by the court but remains subject to final approval and the right of class members to opt-out of the settlement and to seek to file their own claims.

Additional USD LIBOR Case in the SDNY

An additional individual action was commenced in February 2013 in the SDNY against Barclays Bank PLC 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. In April 2015, the court dismissed the action. The plaintiff's motion to file a further amended complaint is pending.

Sterling LIBOR Case in SDNY

In May 2015, a putative class action was commenced in the SDNY against Barclays Bank PLC and other Sterling LIBOR panel banks by a plaintiff involved in exchange-traded and over-the-counter derivatives that were linked to Sterling LIBOR. The complaint alleges, among other things, that Barclays Bank PLC and other panel banks manipulated the Sterling LIBOR rate between 2005 and 2010 and, in so doing, committed CEA, Antitrust Act, and RICO violations. In early 2016, this class action was consolidated with an additional putative class action making similar allegations against Barclays Bank PLC and BCI and other Sterling LIBOR panel banks. Defendants have filed a motion to dismiss.

Complaint in the US District Court for the Central District of California

In July 2012, a putative class action complaint in the US District Court for the Central District of California was amended to include allegations related to USD LIBOR and names Barclays Bank PLC as a defendant. The amended complaint was filed on behalf of a putative class that includes holders of adjustable rate mortgages linked to USD LIBOR. In January 2015, the court granted Barclays Bank PLC's motion for summary judgement and dismissed all of the remaining claims against Barclays Bank PLC. The dismissal was affirmed on appeal in December 2016.

Japanese Yen LIBOR Cases in SDNY

A putative class action was commenced in April 2012 in the SDNY against Barclays Bank PLC 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 Barclays Bank PLC 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 Antitrust Act between 2006 and 2010. In March 2014, the court dismissed the plaintiff's antitrust claims in full, but sustained the plaintiff's CEA claims, which are pending. Plaintiff has amended the pleadings to extend the putative class period, and defendants have filed a partial motion to dismiss claims arising during the extended period.

In July 2015, a second putative class action concerning Yen LIBOR was filed in the SDNY against Barclays PLC, Barclays Bank PLC and BCI. The complaint alleges breaches of the Antitrust Act and RICO between 2006 and 2010 based on factual allegations that are substantially similar to those in the April 2012 class action. Defendants have filed a motion to dismiss.

SIBOR/SOR Case in the SDNY

A putative class action was commenced in July 2016 in the SDNY against Barclays PLC, Barclays Bank PLC, BCI, and other defendants, alleging manipulation of the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR). The complaint alleges, amongst other things, manipulation of the SIBOR and SOR rates and breaches of the Antitrust Act and RICO between 2007 and 2011. Defendants filed motions to dismiss.

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

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Foreign Exchange Investigations

Various regulatory and enforcement authorities have been investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading. Certain of these investigations involve multiple market participants in various countries. The Group has reached settlements with the CFTC, the DOJ, the New York State Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (Federal Reserve) and the FCA (together, the 2015 Resolving Authorities) and the Administrative Council for Economic Defence in Brazil with respect to certain of these investigations as further described below. The South African Competition Commission (SACC) has initiated proceedings before the South African Competition Tribunal (Tribunal). Investigations by the European Commission (Commission) and the DOJ, amongst others, remain pending.

28 Legal, competition and regulatory matters continued

Background Information

In 2015, the Group reached settlements with the 2015 Resolving Authorities in relation to investigations into certain sales and trading practices in the Foreign Exchange market. In connection with these settlements, the Group agreed to pay total penalties of approximately $2.38bn, and to undertake certain remedial actions.

Under the plea agreement with the DOJ, in addition to a criminal fine, Barclays PLC agreed to a term of probation of three years during which Barclays PLC must, amongst other things, (i) commit no crime whatsoever in violation of the federal laws of the US, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement and (iii) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. In January 2017, the US District Court for the District of Connecticut accepted the plea agreement and in accordance with the agreement sentenced Barclays PLC to pay $650m as a fine and $60m for violating the NPA (which amounts are part of the $2.38bn referred to above) and to serve three years of probation from the date of the sentencing order. The Group also continues to provide relevant information to certain of the 2015 Resolving Authorities.

The full text of the DOJ plea agreement, the orders of the CFTC, NYDFS and Federal Reserve, and the Final Notice issued by the FCA related to the settlements referred to above are publicly available on the 2015 Resolving Authorities' respective websites.

In December 2016 the Group reached a settlement with the Administrative Council for Economic Defence in Brazil regarding its investigation into certain Foreign Exchange trading conduct. The Group agreed to a penalty of approximately £4.9m as part of the settlement agreement.

An investigation by the FCA into historic pricing practices by Barclays Bank PLC associated with certain Foreign Exchange transactions was discontinued in December 2016. Barclays Bank PLC has initiated a customer remediation program and is keeping the FCA informed on its progress.

The DOJ is also conducting an investigation into conduct relating to certain trading activities in connection with certain transactions during 2011 and 2012. Barclays is providing information to the DOJ and other relevant authorities reviewing this conduct.

In February 2017 the SACC referred Barclays Bank PLC, BCI and Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, among other banks, to the Tribunal to be prosecuted for breaches of South African antitrust law related to Foreign Exchange trading of South African Rand. The SACC found from its investigation that, from at least 2007, the banks had engaged in various forms of collusive behaviour. Barclays was the first to bring the conduct to the attention of the SACC under its leniency programme and has cooperated with, and will continue to cooperate with, the SACC in relation to this matter. The SACC is therefore not seeking an order from the Tribunal to impose any fine on Barclays Bank PLC, BCI or Absa Bank Limited.

For a discussion of civil litigation arising in connection with these investigations see 'Civil Actions in respect of Foreign Exchange' below.

Claimed Amounts/Financial Impact

The provision for the customer remediation program relating to historic pricing practices by Barclays Bank PLC associated with certain Foreign Exchange transactions referred to above was £264m as of 31 December 2016 (see Provisions Note 26). Aside from the settlements discussed above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect they might have on the Group's operating results, cash flows or financial position in any particular period.

Civil Actions in respect of Foreign Exchange

Background Information

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 Foreign Exchange or may do so in future. Certain of these cases have been dismissed or have been settled subject to approval from the relevant court (and in the case of class actions, the right of class members to opt-out of the settlement and to seek to file their own claims).

Consolidated FX Action

Beginning in November 2013, a number of civil actions were filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the Antitrust Act and New York state law and naming several international banks as defendants, including Barclays Bank PLC. In February 2014, the SDNY combined all then-pending actions alleging a class of US persons in a single consolidated action (Consolidated FX Action). In September 2015, Barclays Bank PLC and BCI settled the Consolidated FX Action for $384m. The settlement itself is subject to final court approval and the right of class members to opt-out of the settlement and to seek to file their own claims.

ERISA FX Action

Since February 2015, several other civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs purporting to allege different legal theories of injury (other than those alleged in the Consolidated FX Action) related to alleged manipulation of Foreign Exchange rates and naming several international banks as defendants, including Barclays PLC, Barclays Bank PLC and BCI. One such consolidated action asserts claims under the US Employee Retirement Income Security Act (ERISA) statute (ERISA Claims) and includes allegations of conduct that are duplicative of allegations in the other cases, as well as additional allegations about ERISA plans. The Court has ruled that the ERISA allegations concerning collusive manipulation of FX rates are covered by the settlement agreement in the Consolidated FX Action, but has not ruled on whether allegations characterised by the ERISA plaintiffs as non-collusive manipulation of FX rates are likewise covered by the agreement. In September 2016, the Court dismissed all claims (based on both alleged collusive and non-collusive conduct) in the ERISA Claims against Barclays and all other defendants as a matter of law. The ERISA plaintiffs have appealed this decision.

Retail Basis Action

Another action was filed in the Northern District of California (and subsequently transferred to the SDNY) against several international banks, including Barclays PLC and BCI, on behalf of a putative class of individuals that exchanged currencies on a retail basis at bank branches (Retail Basis

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Claims). The Court has ruled that the Retail Basis Claims are not covered by the settlement agreement in the Consolidated FX Action. Barclays has moved to dismiss the Retail Basis Claims as a matter of law.

Last Look Actions

In addition, in November 2015 and December 2015, two additional civil actions were filed in the SDNY on behalf of proposed classes of plaintiffs alleging injuries based on Barclays' purported improper rejection of customer trades through Barclays Last Look system. In February 2016, Barclays Bank PLC and BCI settled one of the actions for $50m on a class-wide basis. (The other action was voluntarily dismissed.) Class members have the right to opt-out of the settlement and to seek to file their own claims.

ETF FX Action

In September 2016, another action was filed in the SDNY under federal, New York and California law on behalf of proposed classes of stockholders of Exchange Traded Funds and others who supposedly were indirect investors in FX Instruments. Barclays will move to dismiss this action as a matter of law or, alternatively, to enjoin the claims as covered by the settlement agreement in the Consolidated FX Action.

Canadian FX Action

Similar civil actions to the Consolidated FX Action have been filed in Canadian courts on behalf of proposed classes of plaintiffs containing similar factual allegations of manipulation of Foreign Exchange rates as in the US actions and of damages resulting from such manipulation in violation of Canadian law.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, the financial impact of the actions described on the Group or what effect 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 ISDAFIX

Beginning in September 2014, a number of ISDAFIX related civil actions were filed in the SDNY on behalf of a proposed class of plaintiffs, alleging that Barclays Bank PLC, a number of other banks and one broker, violated the Antitrust Act and several state laws by engaging in a conspiracy to manipulate the USD ISDAFIX. Those actions, which were consolidated in February 2015, arose in connection with certain regulatory and law enforcement agencies' investigations into historical practices with respect to ISDAFIX.

In April 2016, Barclays Bank PLC and BCI entered into a settlement agreement with plaintiffs to resolve the consolidated action for $30m, fully resolving all ISDAFIX-related claims that were or could have been brought by the class. In May 2016, the court preliminarily approved the settlement, which remains subject to final approval and to the right of class members to opt-out of the settlement and to seek to file their own claims.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Precious Metals Investigation

Barclays Bank PLC has been providing information to the DOJ, the CFTC and other authorities in connection with investigations into precious metals and precious metals-based financial instruments.

For a discussion of civil litigation arising in connection with these investigations see 'Civil Actions in respect of the Gold Fix' below.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

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 Bank PLC 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 Antitrust Act, and state antitrust and consumer protection laws. All of the complaints have been transferred to the SDNY and consolidated for pretrial purposes.

A similar civil action has been filed in Canadian courts on behalf of a proposed class of plaintiffs containing similar factual allegations of the manipulation of the prices of gold in violation of Canadian law.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

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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, on 31 December 2016, the Group had unresolved repurchase requests relating to loans with a principal balance of approximately $2.2bn 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 lawsuit filed by a purchaser 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 2016 was approximately $0.1bn.

Regulatory and governmental authorities, including amongst others, the DOJ, SEC, Special Inspector General for the US Troubled Asset Relief Program (SIGTARP), the US Attorney's Office for the District of Connecticut and the US Attorney's Office for the Eastern District of New York (EDNY) have been conducting wide-ranging investigations into market practices involving mortgage-backed securities, and the Group is cooperating with those investigations. In December 2016, the DOJ filed a civil complaint against Barclays in the US District Court for the EDNY containing a number of allegations, including mail and wire fraud, relating to mortgage-backed securities sold between 2005 and 2007. The complaint seeks, amongst other relief, unspecified monetary penalties. Barclays is defending the complaint.

RMBS Repurchase Requests

Background Information

The Group was the sole provider of various loan-level representations and warranties (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 2016 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 $2.2bn at the time of such sale.

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. Cumulative realised losses reported at 31 December 2016 on loans covered by R&Ws made by the Group or the Acquired Subsidiary are approximately $1.3bn. All of the litigation involving repurchase requests remain at early stages.

In addition, the Acquired Subsidiary is subject to a more advanced civil action seeking, among other things, indemnification for losses allegedly suffered by a loan purchaser as a result of alleged breaches of R&Ws provided by the Acquired Subsidiary in connection with loan sales to the purchaser during the period 1997 to 2007. This litigation 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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

RMBS Securities Claims

Background Information

As a result of some of the RMBS activities described above, the Group has been 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 alleged, among other things, that the

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RMBS offering materials allegedly relied on by such purchasers contained materially false and misleading statements and/or omissions and generally demanded rescission and recovery of the consideration paid for the RMBS and recovery of monetary losses arising out of their ownership. The Group has resolved a number of these claims, and only one action currently remains pending.

Claimed Amounts/Financial Impact

Approximately $0.1bn of the original face amount of RMBS related to the remaining pending action was outstanding as at 31 December 2016. There were virtually no cumulative realised losses reported on these RMBS as at 31 December 2016. The Group does not expect that, if it were to lose the remaining pending action, any such loss to be material.

Mortgage-related actions

Numerous governmental authorities have been investigating various aspects of the mortgage-related business. The Group has responded to requests from the DOJ relating to the RMBS Working Group of the Financial Fraud Enforcement Task Force (RMBS Working Group), which was formed to investigate pre-financial crisis mortgage-related misconduct. In connection with several of the investigations by members of the RMBS Working Group, a number of financial institutions have entered into settlements involving substantial monetary payments resolving claims related to the underwriting, securitisation and sale of residential mortgage-backed securities. In December 2016, the DOJ filed a civil complaint against Barclays in the US District Court in the EDNY containing a number of allegations, including mail and wire fraud, relating to mortgage-backed securities sold between 2005 and 2007. The complaint seeks, amongst other relief, unspecified monetary penalties. Barclays is defending the complaint.

The Group has also received requests for information and subpoenas from the SEC, the US Attorney's Office for the District of Connecticut and SIGTARP related to trading practices in the secondary market for both RMBS and CMBS. The investigation by the SEC is at an advanced stage.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period. The cost of resolving these actions could individually or in aggregate prove to be substantial.

American Depositary Shares

Barclays PLC, Barclays Bank PLC and various former members of Barclays PLC's Board of Directors have been named as defendants in a securities class action consolidated in the SDNY alleging misstatements and omissions in offering documents for certain American Depositary Shares issued by Barclays Bank PLC in April 2008 with an original face amount of approximately $2.5 billion (the April 2008 Offering).

Background Information

The plaintiffs have asserted claims under the Securities Act of 1933, alleging that the offering documents for the April 2008 Offering contained misstatements and omissions concerning (amongst other things) Barclays Bank PLC's portfolio of mortgage-related (including US subprime-related) securities, Barclays Bank PLC's exposure to mortgage and credit market risk, and Barclays Bank PLC's financial condition. The plaintiffs have not specifically alleged the amount of their damages. In June 2016, the SDNY certified the action as a class action. Barclays has moved for summary judgement.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that it 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 Barclays Bank PLC in the NY Supreme Court alleging breach of contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement). Parties related to BDC have also sued Barclays Bank PLC and BCI in Connecticut State Court in connection with Barclays Bank PLC's conduct relating to the Agreement.

Background Information

In October 2008, BDC filed a complaint in the NY Supreme Court alleging that Barclays Bank PLC 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 Barclays Bank PLC was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled Barclays Bank PLC to dispute the Demand before making the transfer, Barclays Bank PLC failed to dispute the Demand. BDC demands damages totalling $298m plus attorneys' fees, expenses, and pre-judgement interest. Proceedings are currently pending and a trial on liability issues is currently scheduled to occur in 2017.

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 Barclays Bank PLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from Barclays Bank PLC'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 agreed to stay this case.

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.

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Civil Actions in respect of the US Anti-Terrorism Act

In April 2015, an amended civil complaint was filed in the US Federal Court in the EDNY by a group of approximately 250 plaintiffs, alleging that Barclays Bank PLC 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 and other attacks that injured or killed 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 and attorneys' fees. Plaintiffs filed a second amended complaint in July 2016, which, among other things, added various plaintiffs, bringing the total number of plaintiffs to approximately 350. In November 2016, defendants' filed a motion to dismiss.

In November 2016, a separate civil complaint was filed in the US Federal Court in the Southern District of Illinois by a group of approximately 90 plaintiffs, alleging claims under the ATA against Barclays Bank PLC and a number of other banks. The allegations against Barclays Bank PLC are substantially similar to those in the second amended complaint in the US Federal Court in the EDNY action. Plaintiffs filed an amended complaint in January 2017, which, among other things, added various plaintiffs, bringing the total number of plaintiffs to approximately 200.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Interest Rate Swap US Civil Action

Barclays PLC, Barclays Bank PLC, and BCI, together with other financial institutions that act as market makers for interest rate swaps (IRS), Trade Web, and ICAP, are named as defendants in several antitrust class actions consolidated in the SDNY. The complaints allege defendants conspired to prevent the development of exchanges for IRS and demand unspecified money damages, treble damages and legal fees. Plaintiffs include certain swap execution facilities, as well as buy-side investors. The buy-side investors claim to represent a class that transacted in fixed-for-floating IRS with defendants in the US from 1 January 2008 to the present, including, for example, US retirement and pension funds, municipalities, university endowments, corporations, insurance companies and investment funds. Defendants filed motion to dismiss.

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 it have upon the Group's operating results, cash flows or financial position in any particular period.

Treasury Auction Securities Civil Actions

Numerous putative class action complaints have been filed in US Federal Courts against BCI and other financial institutions that have served as primary dealers in US Treasury securities. The complaints have been consolidated in the US Federal Court in New York. The complaints generally allege that defendants conspired to manipulate the US Treasury securities market in violation of US federal antitrust laws, the CEA and state common law. Some complaints also allege that defendants engaged in illegal "spoofing" of the US Treasury market.

Certain governmental authorities have been conducting investigations into activities relating to the trading of government securities in various markets and Barclays has been providing information to various authorities on an ongoing basis.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigation into Americas Wealth & Investment Management Advisory Business

The SEC is investigating certain practices in Barclays' former Wealth Americas investment advisory business relating to certain due diligence failures, fee and billing practices and mutual fund fee waivers and related disclosures. Barclays has been cooperating with the investigation, which is at an advanced stage.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

Retail Structured Products Investigation

The Group is cooperating with an enforcement investigation commenced by the FCA in connection with structured products provided to UK customers from November 2009 to the present.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigation into suspected money laundering related to foreign exchange transactions in South African operation

Absa Bank Limited, a subsidiary of Barclays Africa Group Limited, has identified potentially fraudulent activity by certain of its customers using advance payments for imports in 2014 and 2015 to effect foreign exchange transfers from South Africa to beneficiary accounts located in East Asia, UK, Europe and the US. As a result, the Group has been conducting a review of relevant activity, processes, systems and controls. The Group is

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keeping relevant authorities informed as to the status of this matter and is providing information to these authorities as part of its ongoing cooperation.

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 that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Portuguese Competition Authority Investigation

The Portuguese Competition Authority is investigating whether competition law was infringed by the exchange of information about retail credit products amongst 15 banks in Portugal, including the Group, over a period of 11 years with particular reference to mortgages, consumer lending and lending to small and medium enterprises. The Group is cooperating with the investigation.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described or what effect it might have upon operating results, cash flows or the Group's financial position in any particular period.

Credit Default Swap (CDS) Antitrust Investigations and Civil Actions

The Commission and the DOJ-AD commenced investigations into the CDS market in 2011 and 2009, respectively. In December 2015 the Commission announced its decision to close its investigations in respect of Barclays Bank PLC and 12 other banks. In July 2016 the Commission announced its decision to accept legally binding commitments relating to licensing of inputs for CDS exchange trading from each of the remaining entities subject to the investigation, ISDA and Markit Ltd., and close its investigation. The DOJ-AD has also closed its investigation.

A related civil class action in the SDNY involving similar claims against Barclays Bank PLC, other financial institutions, Markit Ltd., and ISDA was settled for a total of US$1.864bn (including a payment of US $170m from Barclays Bank PLC). The settlement received final approval in April 2016 subject to the right of class members to opt-out of the settlement and to seek to file their own claims.

Claimed Amounts/Financial Impact

Aside from the settlement discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

General

The Group is engaged in various other legal, competition and regulatory matters in the UK and US and a number of other 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, financial crime, 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. The Group is keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this Note on an ongoing basis.

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 70 to 72.

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	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
Undated subordinated liabilities	**4,495**	5,248	**4,570**	5,311
Dated subordinated liabilities	**19,376**	16,707	**19,308**	16,100
Total subordinated liabilities	**23,871**	21,955	**23,878**	21,411

None of the Group's loan capital is secured.

Undated subordinated liabilities		The Group		The Bank	
		Subordinated liabilities per the balance sheet			
		2016	2015	**2016**	2015
	Initial call date	**£m**	£m	**£m**	£m
Barclays Bank PLC externally issued					
Tier One Notes (TONs)					
6% Callable Perpetual Core Tier One Notes	2032	**17**	16	**17**	16
6.86% Callable Perpetual Core Tier One Notes (USD 179m)	2032	**232**	626	**232**	626
Reserve Capital Instruments (RCIs)					
5.926% Step-up Callable Perpetual Reserve Capital Instruments	2016	**-**	113	**-**	113
7.434% Step-up Callable Perpetual Reserve Capital Instruments (USD 117m)	2017	**100**	85	**100**	85
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	**37**	38	**37**	38
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	**3,124**	3,062	**3,124**	3,062
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	**54**	51	**54**	51
Undated Notes					
6.375% Undated Subordinated Notes	2017	**140**	143	**140**	143
7.7% Undated Subordinated Notes (USD 99m)	2018	**84**	69	**84**	69
8.25% Undated Subordinated Notes	2018	**148**	149	**148**	149
7.125% Undated Subordinated Notes	2020	**193**	195	**193**	195
6.125% Undated Subordinated Notes	2027	**45**	245	**45**	245
Junior Undated Floating Rate Notes (USD 38m)	Any interest payment date	**31**	74	**106**	137
Undated Floating Rate Primary Capital Notes Series 3	Any interest payment date	**21**	145	**21**	145
Bonds					
9.25% Perpetual Subordinated Bonds (ex-Woolwich Plc)	2021	**91**	91	**91**	91
9% Permanent Interest Bearing Capital Bonds	At any time	**47**	45	**47**	45
Loans					
5.03% Reverse Dual Currency Undated Subordinated Loan (JPY 8,000m)	2028	**54**	42	**54**	42
5% Reverse Dual Currency Undated Subordinated Loan (JPY 12,000m)	2028	**77**	59	**77**	59
Total undated subordinated liabilities		**4,495**	5,248	**4,570**	5,311

29 Subordinated liabilities continued

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 below:

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 6.375%, 7.125%, 6.125% Undated Notes, and the 9.25% Bonds 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 and 9.25% Bonds 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.

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 6.375%, 7.125%, 6.125% Undated Notes and the 9.25% Bonds 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 for certain tax reasons, 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.

29 Subordinated liabilities continued

Dated subordinated liabilities	Initial call date	Maturity date	The Group 2016 £m	The Group 2015 £m	The Bank 2016 £m	The Bank 2015 £m
Barclays Bank PLC externally issued						
6.05% Fixed Rate Subordinated Notes (USD 1,556m)		2017	**1,316**	1,124	**1,316**	1,124
Floating Rate Subordinated Notes (EUR 40m)		2018	**34**	29	**34**	29
6% Fixed Rate Subordinated Notes (EUR 1,750m)		2018	**1,590**	1,377	**1,590**	1,377
CMS-Linked Subordinated Notes (EUR 100m)		2018	**90**	77	**90**	77
CMS-Linked Subordinated Notes (EUR 135m)		2018	**120**	103	**120**	103
Fixed/Floating Rate Subordinated Callable Notes	2018	2023	**548**	555	**548**	555
7.75% Contingent Capital Notes (USD 1,000m)	2018	2023	**1,004**	850	**1,004**	850
Floating Rate Subordinated Notes (EUR 50m)		2019	**42**	36	**42**	36
5.14% Lower Tier 2 Notes (USD 1,094m)		2020	**956**	808	**956**	808
6% Fixed Rate Subordinated Notes (EUR 1,500m)		2021	**1,444**	1,252	**1,444**	1,252
9.5% Subordinated Bonds (ex-Woolwich Plc)		2021	**286**	293	**286**	293
Subordinated Floating Rate Notes (EUR 100m)		2021	**85**	73	**85**	73
10% Fixed Rate Subordinated Notes		2021	**2,345**	2,317	**2,345**	2,317
10.179% Fixed Rate Subordinated Notes (USD 1,521m)		2021	**1,285**	1,083	**1,285**	1,083
Subordinated Floating Rate Notes (EUR 50m)		2022	**43**	37	**43**	37
6.625% Fixed Rate Subordinated Notes (EUR 1,000m)		2022	**1,042**	891	**1,042**	891
7.625% Contingent Capital Notes (USD 3,000m)		2022	**2,736**	2,313	**2,736**	2,313
Subordinated Floating Rate Notes (EUR 50m)		2023	**43**	37	**43**	37
5.75% Fixed Rate Subordinated Notes		2026	**384**	802	**384**	802
5.4% Reverse Dual Currency Subordinated Loan (JPY 15,000m)		2027	**103**	80	**103**	80
6.33% Subordinated Notes		2032	**64**	60	**64**	60
Subordinated Floating Rate Notes (EUR 68m)		2040	**58**	74	**58**	74
Other loans from subsidiaries			**-**	-	**-**	40
Barclays Bank PLC issued intra-group to Barclays PLC[a]						
2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)	2020	2025	**1,085**	915	**1,085**	915
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**1,043**	874	**1,043**	874
5.20% Fixed Rate Subordinated Notes (USD 2,050m)		2026	**1,562**	-	**1,562**	-
Absa Bank Issued[b]						
10.28% Subordinated Callable Notes (ZAR 600m)	2017	2022	**-**	26	**-**	-
Subordinated Callable Notes (ZAR 400m)	2017	2022	**-**	18	**-**	-
Subordinated Callable Notes (ZAR 1,805m)	2017	2022	**-**	79	**-**	-
Subordinated Callable Notes (ZAR 2,007m)	2018	2023	**-**	88	**-**	-
8.295% Subordinated Callable Notes (ZAR 1,188m)	2018	2023	**-**	42	**-**	-
5.50% CPI-linked Subordinated Callable Notes (ZAR 1,500m)	2023	2028	**-**	86	**-**	-
Barclays Africa Group Limited Issued[b]						
Subordinated Callable Notes (ZAR 370m)	2019	2024	**-**	16	**-**	-
10.835% Subordinated Callable Notes (ZAR 130m)	2019	2024	**-**	6	**-**	-
Subordinated Callable Notes (ZAR 1,693m)	2020	2025	**-**	74	**-**	-
10.05% Subordinated Callable Notes (ZAR 807m)	2020	2025	**-**	36	**-**	-
11.4% Subordinated Callable Notes (ZAR 288m)	2020	2025	**-**	13	**-**	-
11.365% Subordinated Callable Notes (ZAR 508m)	2020	2025	**-**	23	**-**	-
Subordinated Callable Notes (ZAR 437m)	2020	2025	**-**	19	**-**	-
11.81% Subordinated Callable Notes (ZAR 737m)	2022	2027	**-**	33	**-**	-
Subordinated Callable Notes (ZAR 30m)	2022	2027	**-**	1	**-**	-
Other capital issued by Barclays Africa[b]		2019	**-**	3	**-**	-
Capital issued by other subsidiaries		2017-2019	**70**	84	**-**	-
Total subordinated liabilities			**19,376**	16,707	**19,308**	16,100

Note
a Please see Note 45 in the 2016 Barclays PLC Annual Report for further details on the internal loans issued intra-group from Barclays Bank PLC to Barclays PLC
b Instruments forming part of the BAGL group have been reclassified to Liabilities included in disposal groups classified as held for sale. For more information refer to Note 44 on page 303.

29 Subordinated liabilities continued

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:

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 2016 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.

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) falls 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 2016	2,342	38	12,092	14,472	5,350
AT1 securities issuance	-	-	-	-	1,136
Redemptions	-	(10)	-	(10)	-
As at 31 December 2016	2,342	28	12,092	14,462	6,486
As at 1 January 2015	2,342	38	12,092	14,472	4,350
AT1 securities issuance	-	-	-	-	1,000
As at 31 December 2015	2,342	38	12,092	14,472	5,350

Ordinary shares

The issued ordinary share capital of Barclays Bank PLC, as at 31 December 2016, comprised 2,342 million ordinary shares of £1 each (2015: 2,342 million).

Ordinary share capital constitutes 60% (2015: 60%) of total share capital issued.

30 Ordinary shares, share premium, and other equity continued

Preference shares

The issued preference share capital of Barclays Bank PLC, as at 31 December 2016, comprised 1,000 Sterling Preference Shares of £1 each (2015: 1,000); 31,856 Euro Preference Shares of €100 each (2015: 31,856); 20,930 Sterling Preference Shares of £100 each (2015: 20,930); 58,133 US Dollar Preference Shares of $100 each (2015: 58,133); and 161 million (2015: 237 million) US Dollar Preference Shares of $0.25 each. In the second quarter of 2016, 46 million US Dollar Preference Shares of $0.25 each were redeemed. In the third quarter of 2016, 30 million US Dollar Preference Shares of $0.25 were redeemed.

Preference share capital constitutes 40% (2015: 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.

30 Ordinary shares, share premium, and other equity continued

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.

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.

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 7.1% 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 UK 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 £13m 6% Callable Perpetual Core Tier One Notes and the $569m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the TONs) and the holders of the £35m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the $159m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the £33m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments, the $117m 7.434% Step-up Callable Perpetual Reserve Capital Instruments and the £3,000m 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.

30 Ordinary shares, share premium, and other equity continued

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 £6,486m (2015: £5,350m) include AT1 securities issued by Barclays Bank PLC. In 2016, there was one issuance of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with a principal amount of £1,136m.

The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

Other shareholders' equity

	The Group		The Bank	
	2016	2015	**2016**	2015
	£m	£m	**£m**	£m
As at 1 January	**485**	485	**549**	549
Redemption	**(214)**	-	**(214)**	-
As at 31 December	**271**	485	**335**	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.

Upper Tier 2 capital instruments were redeemed in full during 2016, resulting in a reduction in other shareholders' equity of £214m.

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 2016, there was a credit balance of £3,054m (2015: £623m debit) in the currency translation reserve. The increase in the credit balance of £3,677m (2015: £41m debit) principally reflected the strengthening of all major currencies against GBP. The currency translation reserve movement associated with non-controlling interests was a £801m credit (2015: £435m debit) reflecting the strengthening of ZAR against GBP.

During the year, a £94m net gain (2015: £65m net loss) 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 2016 there was a debit balance of £22m in the available for sale reserve (2015: £338m credit). The decrease of £360m (2015: £240m decrease) primarily due to £2,223m gain from changes in fair value on Government Bonds, predominantly held in the liquidity pool, which was more than offset by £1,677m of losses from related hedging, £912m of net gains transferred to net profit, mainly due to £615m gain on disposal of Barclays' share of Visa Europe Limited. A tax charge of £28m was recognised in the period relating to these items.

Notes to the financial statements
Capital instruments, equity and reserves

31 Reserves continued

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 2016 there was a credit balance of £954m (2015: £709m credit) in the cash flow hedging reserve. The increase of £245m (2015: £1,108m decrease) principally reflected a £829m increase in the fair value of interest rate swaps held for hedging purposes as interest rate forward curves decreased, partially offset by £516m gains recycled to the income statement in line with when the hedged item affects profit or loss and tax charge of £93m. The tax charge on cash flow hedge movements represented an effective rate of tax of 27.9% (2015: 10.6%).

32 Non-controlling interests

	Profit attributable to Non-Controlling interest		Equity attributable to Non-Controlling interest		Dividends paid to Non-Controlling interest	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Barclays Africa Group Limited	**402**	324	**3,507**	1,902	**235**	209
Other non-controlling interests	**3**	3	**15**	12	**-**	-
Total	**405**	327	**3,522**	1,914	**235**	209

Barclays Bank PLC owns 50.2% (2015: 62.5%) of Barclays Africa Group Limited.

Protective rights of non-controlling interests

Barclays Africa Group Limited

Barclays owns 50.2% (50.1% including treasury shares) of the share capital of Barclays Africa Group Limited. Barclays Bank PLC's rights to access the assets of Barclays Africa and its group companies are restricted by virtue of the South African Companies Act which requires 75% shareholder approval to dispose of all or the greater part of 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 and share bonus awards are made to employees to incentivise performance over the period employees provide services. 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. For past awards, 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. In relation to awards granted in 2017, the Group, taking into account the changing understanding and communications surrounding those awards, considered it appropriate for expense to be recognised over the financial year preceding the grant until the vesting date. The impact in 2016 of the 2017 grant is an expense of £150m.

The accounting policies for share based payments and pensions and other post retirement benefits are included in Note 34 and Note 35 respectively.

	2016 £m	2015 £m
Deferred bonus charge	**791**	856
Current year bonus charge	**941**	788
Commissions and other incentives	**77**	117
Performance costs	**1,809**	1,761
Salaries	**4,022**	4,183
Social security costs	**560**	587
Post-retirement benefits[a]	**481**	65
Allowances and trading incentives	**116**	131
Other compensation costs	**266**	145
Total compensation costs[b]	**7,254**	6,872
Other resourcing costs		
Outsourcing	**1,063**	1,014
Redundancy and restructuring	**339**	133
Temporary staff costs	**434**	678
Other	**121**	156
Total other resourcing costs	**1,957**	1,981
Total staff costs	**9,211**	8,853

Total staff costs increased 4% to £9,211m, mainly due to the non-recurrence of a one-off £429m credit in H1 2015 to the defined benefit plan.

Note

a Post retirement benefits charge includes £235m (2015: £241m) in respect of defined contribution schemes and £239m debit (2015: £182m credit) in respect of defined benefit schemes

b In addition, £212m (2015: £236m) of Group compensation was capitalised as internally generated software.

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 in which 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 share awards are granted as shares in Barclays PLC and Barclays Bank PLC acquires these shares to grant to its employees from Barclays plc at the current market price.

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.

	Charge for the year	
	2016	2015
	£m	£m
Share Value Plan	**398**	442
Others	**176**	86
Total equity settled	**574**	528
Cash settled	**-**	4
Total share based payments	**574**	532

The charge for the year arising from share based payment schemes was as follows:

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. See also Note 8 for additional detail on share awards granted under SVP.

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, the Share Incentive Award 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	
	2016	2015	2016	2015
	£	£	£	£
SVP[a]	**1.66**	2.54	**1.66**	2.53
Others[a]	**0.61-1.67**	0.49-2.54	**1.65-1.88**	2.37-2.67

Note
a Options/award granted over Barclays PLC shares.

34 Share based payments continued

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 (£)	
	2016	2015	2016	2015	2016	2015
Outstanding at beginning of year/acquisition date	**386,470**	480,042	**166,975**	185,599	**1.75**	1.61
Transfers in the year[d]	**(103,122)**	-	**(19,842)**	-	**-**	-
Granted in the year	**162,789**	186,397	**129,063**	55,982	**1.20**	2.27
Exercised/released in the year	**(141,973)**	(252,031)	**(48,365)**	(50,538)	**1.40**	1.41
Less: forfeited in the year	**(12,700)**	(27,938)	**(40,907)**	(20,811)	**1.95**	1.76
Less: expired in the year	**-**	-	**(6,659)**	(3,257)	**1.85**	2.39
Outstanding at end of year	**291,464**	386,470	**180,265**	166,975	**1.38**	1.75
Of which exercisable:	**-**	30	**22,035**	26,058	**1.77**	1.48

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:

	2016		2015	
	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**	**291,464**	1	386,470
Others[a]	**0-3**	**180,265**	0-2	166,975

There were no significant modifications to the share based payments arrangements in 2016 and 2015.

As at 31 December 2016, the total liability arising from cash-settled share based payments transactions was nil (2015: £13m).

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 2016 was 6.6 million (2015: 5.1 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 £2.23 (2015: £2.19) was £14.7 (2015: £11.2m).

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 9,660,923). The weighted average exercise price relates to Sharesave.
d Awards of employees transferred from Barclays Bank Group PLC to the Group Service Company

35 Pensions and post retirement benefits

Accounting for pensions and post retirement benefits

The Group operates a number of pension schemes 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 obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test. The clarifications contained in the proposed amendments to IFRIC 14 as to when an entity has an unconditional right to benefit from a scheme surplus are not expected to have a material impact on the Group. The Trustee board do not have a substantive right to augment benefits in the UKRF, nor do they have the right to wind up the plan except in the dissolution of the Bank or termination of contributions by the Bank.

Each scheme's obligations are calculated using the projected unit credit method. 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 scheme, 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 scheme 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 benefit schemes – 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 96% of the Group's total retirement benefit obligations. The UKRF was closed to new entrants on 1 October 2012, and comprises 10 sections, the two 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 the 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 limited although additional contributions are required if pre-retirement investment returns are not sufficient to provide for the benefits.
- 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 the 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 section are typical of final salary pension schemes, 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 at that date. As a defined contribution scheme, BPSP is not subject to the same investment return, inflation or life expectancy risks for Barclays that defined benefit schemes are. 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 health care plans globally, the largest of which are the US defined benefit schemes. Many of the schemes 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 schemes, reflect 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, depending on local legislation.

Notes to the financial statements
Employee benefits

35 Pensions and post retirement benefits continued

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-employment benefits.

Income statement charge[a]

	2016 £m	2015 £m
Current service cost	**243**	255
Net finance cost/(income)	**(32)**	41
Past service cost	**-**	(432)
Other movements	**2**	1
Total	**213**	(135)

Past Service costs includes a nil (2015: £429m) gain on valuation of a component of the defined retirement benefit liability.

Balance sheet reconciliation[a]

	2016			2015		
	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m
Benefit obligation at beginning of the year	**(28,279)**	**(26,490)**	**(26,027)**	(30,392)	(28,388)	(27,931)
Current service cost	**(243)**	**(225)**	**(220)**	(303)	(239)	(234)
Interest costs on scheme liabilities	**(1,016)**	**(995)**	**(980)**	(1,147)	(1,024)	(1,010)
Past service cost	**-**	**-**	**-**	434	429	429
Remeasurement (loss) / gain - financial	**(7,214)**	**(7,194)**	**(7,170)**	1,161	1,126	1,121
Remeasurement loss - demographic	**413**	**394**	**390**	(159)	(162)	(160)
Remeasurement gain - experience	**525**	**514**	**490**	609	612	611
Employee contributions	**(4)**	**(1)**	**(1)**	(36)	(2)	(2)
Benefits paid	**1,852**	**1,817**	**1,800**	1,172	1,036	1,021
Exchange and other movements	**946**	**(145)**	**(129)**	382	122	128
Benefit obligation at end of the year	**(33,020)**	**(32,325)**	**(31,847)**	(28,279)	(26,490)	(26,027)
Fair value of scheme assets at beginning of the year	**28,752**	**27,084**	**26,829**	28,874	27,079	26,827
Interest income on scheme assets	**1,048**	**1,033**	**1,023**	1,105	987	979
Employer contribution	**720**	**684**	**634**	689	593	586
Remeasurement - return on plan assets greater than discount rate	**5,009**	**4,993**	**5,002**	(476)	(454)	(446)
Employee contributions	**4**	**1**	**1**	36	2	2
Benefits paid	**(1,852)**	**(1,817)**	**(1,800)**	(1,172)	(1,036)	(1,021)
Exchange and other movements	**(1,024)**	**147**	**131**	(304)	(87)	(98)
Fair value of scheme assets at the end of the year	**32,657**	**32,125**	**31,820**	28,752	27,084	26,829
Net (deficit) / surplus	**(363)**	**(200)**	**(27)**	473	594	802
Irrecoverable Surplus (Effect of Asset Ceiling)	**-**	**-**	**-**	(60)	-	-
Net recognised assets/(liabilities)	**(363)**	**(200)**	**(27)**	413	594	802
Retirement benefit assets	**14**	**7**	**-**	836	807	802
Retirement benefit liabilities	**(377)**	**(207)**	**(27)**	(423)	(213)	-
Net retirement benefit assets/(liabilities)	**(363)**	**(200)**	**(27)**	413	594	802

Note

a Comparative information for the income statement charge has been restated to exclude discontinued operations, while balance sheet information has not been restated. Please see page 184 for more details.

35 Pensions and post retirement benefits continued

Included within the benefit obligation was £979m (2015: £2,050m) relating to overseas pensions and £194m (2015: £202m) relating to other post-employment benefits. Included within The Bank's benefit obligation was £369m (2015: £359m) relating to overseas pensions and £109m (2015: £104m) relating to other post retirement benefits.

As at 31 December 2016, the UKRF's scheme assets were in deficit versus IAS 19 obligations by £27m (2015: surplus of £802m).

The movement for the UKRF is mainly due to a decrease in discount rate to 2.62% (2015: 3.82%) and increase in inflation rate to 3.35% (2015: 3.05%) partially offset by deficit contributions, updated mortality assumptions based on scheme experience and higher than assumed returns on plan assets. The UKRF benefits paid of £1,800m (2015: £1,021m) included transfers out of the fund and contribution refunds of £1,029m (2015: £270m).

Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions (the "asset ceiling"). In the case of the UKRF the asset ceiling is not applied as, in certain specified circumstances such as wind-up, Barclays expects to be able to recover any surplus. The application of the asset ceiling to other plans is considered on an individual plan basis.

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 the UKRF.

Key UKRF financial assumptions	2016 % p.a.	2015 % p.a.
Discount rate	**2.62**	3.82
Inflation rate (RPI)	**3.35**	3.05

The UKRF discount rate assumption for 2016 was based on a variant of the standard Willis Towers Watson RATE Link model. This variant includes all bonds rated AA by at least one of the four major ratings agencies, and assumes that yields after year 30 are flat. The RPI inflation assumption for 2016 was set by reference to the Bank of England's implied inflation spot curve, assuming the spot curve remains flat after the published 25 years. The inflation assumption incorporates a deduction of 20 basis points as an allowance for an inflation risk premium. The methodology used to derive the discount rate and price inflation assumption is consistent with that used at the prior year end.

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 2015 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 past three years:

Assumed life expectancy	2016	2015	2014
Life expectancy at 60 for current pensioners (years)			
– Males	**27.9**	28.4	28.3
– Females	**29.7**	30.0	29.9
Life expectancy at 60 for future pensioners currently aged 40 (years)			
– Males	**29.7**	30.2	30.1
– Females	**31.7**	32.0	31.9

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 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.

35 Pensions and post retirement benefits continued

Change in key assumptions

	2016 (Decrease)/ Increase in UKRF defined benefit obligation £bn	2015 (Decrease)/ Increase in UKRF defined benefit obligation £bn
Discount rate		
0.50% p.a. increase	**(2.8)**	(2.1)
0.25% p.a. increase	**(1.4)**	(1.1)
0.25% p.a. decrease	**1.5**	1.2
0.50% p.a. decrease	**3.2**	2.4
Assumed RPI		
0.50% p.a. increase	**1.9**	1.4
0.25% p.a. increase	**0.9**	0.7
0.25% p.a. decrease	**(0.9)**	(0.7)
0.50% p.a. decrease	**(2.0)**	(1.3)
Life expectancy at 60		
One-year increase	**1.1**	0.9
One-year decrease	**(1.1)**	(0.9)

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 20 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, among 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 assets held by the scheme, with any derivative holdings reflected on a fair value basis.

35 Pensions and post retirement benefits continued

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	The Group Total % of total fair value of scheme assets	The Bank Total Value	The Bank Total % of total fair value of scheme assets	Of which relates to UKRF Value	Of which relates to UKRF % of total fair value of scheme assets
	£m	%	£m	%	£m	%
As at 31 December 2016						
Equities - quoted	**8,123**	**24.9**	**7,921**	**24.7**	**7,840**	**24.6**
Equities - non quoted	**2,043**	**6.3**	**2,042**	**6.4**	**2,042**	**6.4**
Bonds - fixed government[a]	**1,330**	**4.1**	**1,192**	**3.7**	**1,072**	**3.4**
Bonds - index-linked government[a]	**13,173**	**40.3**	**13,165**	**41.0**	**13,165**	**41.4**
Bonds - corporate and other[a]	**5,222**	**16.0**	**5,106**	**15.9**	**5,054**	**15.9**
Property - commercial[b]	**1,630**	**5.0**	**1,622**	**5.0**	**1,622**	**5.1**
Derivatives[b]	**870**	**2.7**	**870**	**2.7**	**870**	**2.7**
Other[b]	**266**	**0.7**	**207**	**0.6**	**155**	**0.5**
Fair value of scheme assets	**32,657**	**100.0**	**32,125**	**100.0**	**31,820**	**100.0**
As at 31 December 2015						
Equities - quoted	7,764	27.0	7,003	25.9	6,947	25.9
Equities - non quoted	1,757	6.1	1,750	6.5	1,750	6.5
Bonds - fixed government[a]	1,105	3.8	634	2.3	577	2.2
Bonds - index-linked government[a]	9,677	33.7	9,670	35.7	9,670	36
Bonds - corporate and other[a]	5,856	20.4	5,735	21.2	5,680	21.2
Property - commercial[b]	1,602	5.6	1,581	5.8	1,581	5.9
Derivatives[b]	183	0.6	183	0.7	183	0.7
Other[b]	808	2.8	520	1.9	441	1.6
Fair value of scheme assets	28,752	100.0	27,076	100.0	26,829	100.0

Notes
a Assets held are predominately quoted.
b Assets held are predominantly non-quoted.

Included within the fair value of scheme assets were: £0.2m (2015: £5m) relating to shares in Barclays PLC, £0.1m (2015: £23m) relating to bonds issued by the Barclays Group, nil (2015: £6m) relating to property occupied by Group companies, and nil (2015: £7m) relating to other investments. The UKRF also invests in pooled investment vehicles which may hold shares or debt issued by Barclays PLC.

The UKRF scheme assets also include £32m (2015: £36m) relating to UK private equity investments and £2,009m (2015: £1,714m) relating to overseas private equity investments. These are disclosed above within Equities – non-quoted.

Approximately 40% 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.

35 Pensions and post retirement benefits continued

Funding

The triennial funding valuation of the UKRF is currently underway with an effective date of 30 September 2016. Contribution requirements, including any deficit recovery plans, must be agreed by 31 December 2017 and are expected to be agreed between the Bank and the Trustee well in advance of this statutory deadline. In these discussions, the Bank and the Trustee are taking into account the impact of the Structural Reform Programme.

The previous triennial funding valuation at 30 September 2013 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 relative to the funding target. The main differences between the funding and IAS 19 assumptions are more prudent discount rate and longevity assumptions for funding.

The recovery plan agreed as part of the 2013 actuarial valuation will result in the Bank paying deficit contributions to the UKRF until 2021. Deficit contributions of £300m were paid in 2015 and in 2016. Further deficit contributions of £740m per annum are payable during 2017 to 2021. Up to £500m of the 2021 deficit contribution is 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 over 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 2015 and showed a deficit of £6.0bn and a funding level of 82.7%. The contributions paid to the UKRF are agreed between Barclays and the Trustee every three years.

Defined benefit contributions paid with respect to the UKRF were as follows:

Contributions paid	£m
2016	**634**
2015	586
2014	241

Included within the Group's contributions paid were £112m (2015: nil; 2014 nil) Section 75 contributions.

The Group's expected contribution to the UKRF in respect of defined benefits in 2017 is £1,585m (2016: £634m) including £167m Section 75 contributions. In addition, the expected contributions to UK defined contribution schemes in 2017 is £36m (2016: £49m) to the UKRF and £124m (2016: £126m) to the BPSP.

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.

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 2016 the historical cost of investments in subsidiaries was £17,559m (2015: £20,773m), and allowances recognised against these investments were £3,160m (2015: £2,991m) of impairment. The reduction in the cost of investment in subsidiaries since 2015 is mainly due to the reclassification of Barclays' cost of investment in BAGL amounting to £2,857m to non current assets held for disposal during the year.

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 Securities Japan Limited	Japan	Securities dealing	100	-	-
Barclays Africa Group Limited	South Africa	Banking	50.1	49.9	49.9
Barclays Capital Inc.	United States	Securities dealing	100	-	-
Barclays Bank Delaware	United States	Credit card issuer	100	-	-

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. See Note 45 for further information on the Group's undertakings.

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.

Barclays Private Clients International Limited was considered a principal subsidiary in 2015. Barclays Private Clients International Limited transferred all associated assets and liabilities to Barclays Bank PLC in October 2016.

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.

Notes to the financial statements
Scope of consolidation

36 Principal Subsidiaries continued
An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However, certain entities, as set out below, are excluded from consolidation because the Group does not have exposure to their variable returns.

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	2	1

These entities are managed by external counterparties and consequently are not controlled by the Group. Where appropriate, amounts of interests relating to these entities are included in Note 37, Structured Entities.

Significant restrictions
As is typical for a Group of its size and international scope, there are restrictions on the ability of Barclays Bank 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 Bank PLC principal subsidiary companies have assets and liabilities before intercompany eliminations of £417bn (2015: £391bn) and £403bn (2015: £378bn) 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 such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liability. See the Non-controlling interests 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 Africa Group Limited and Barclays Capital Inc. which must maintain daily compliance with the regulatory minimum. See pages 121 to 140 for further details of liquidity requirements, including those of significant subsidiaries.

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
£99m (2015: £80m) 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.

Other restrictions
The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,254m (2015: £4,369m).

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.

Notes to the financial statements
Scope of consolidation

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 2016, there were outstanding loan commitments to these entities totalling £152m (2015: £135m).

Commercial paper (CP) and medium-term note conduits

The Group provided £9bn (2015: £8.5bn) 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 2016, the notional value of the guarantee was £99m (2015: £257m). The decrease is primarily due to the closure of a number of European wealth funds during the year, as well as a reduction in fund assets.

Employee benefit and other trusts

The Group provides capital contributions to employee share trusts to enable them to meet their obligations to employees under share-based payment plans. During 2016, the Group provided undrawn liquidity facilities of £0.4bn (2015: £0.8bn) to certain trusts.

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 below.

The nature and extent of the Group's interests in structured entities is summarised on the next page.

37 Structured Entities continued

	Secured financing £m	Short-term traded interests £m	Traded derivatives £m	Other interests £m	Total £m
As at 31 December 2016					
Assets					
Trading portfolio assets	**-**	**8,436**	**-**	**516**	**8,952**
Financial assets designated at fair value	**22,706**	**-**	**-**	**367**	**23,073**
Derivative financial instruments	**-**	**-**	**4,731**	**2,130**	**6,861**
Available for sale investments	**-**	**-**	**-**	**894**	**894**
Loans and advances to banks	**-**	**-**	**-**	**4,915**	**4,915**
Loans and advances to customers	**-**	**-**	**-**	**24,142**	**24,142**
Reverse repurchase agreements and other similar secured lending	**6,338**	**-**	**-**	**-**	**6,338**
Other assets	**-**	**-**	**-**	**25**	**25**
Total assets	**29,044**	**8,436**	**4,731**	**32,989**	**75,200**
Liabilities					
Derivative financial instruments			**3,567**	**2,130**	**5,697**
As at 31 December 2015					
Assets					
Trading portfolio assets	-	8,949	-	1,648	10,597
Financial assets designated at fair value	12,382	-	-	353	12,735
Derivative financial instruments	-	-	4,427	1,926	6,353
Available for sale investments	-	-	-	1,060	1,060
Loans and advances to banks	-	-	-	4,067	4,067
Loans and advances to customers	-	-	-	27,700	27,700
Reverse repurchase agreements and other similar secured lending	7,117	-	-	-	7,117
Other assets	-	-	-	31	31
Total assets	19,499	8,949	4,427	36,785	69,660
Liabilities					
Derivative financial instruments	-	-	2,761	1,926	4,687

Secured financing arrangements, short term traded interests and traded derivatives are typically managed under market risk management policies described in page 108 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 include a portfolio held within Non-Core 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 Reverse repurchase and repurchase agreements including other similar secured lending and borrowing.

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 2016, £6,568m (2015: £7,443m) of the Group's £8,436m (2015: £8,949m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

Notes to the financial statements
Scope of consolidation

37 Structured Entities continued

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 Derivative financial instruments. 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. The Group is exposed to settlement risk only on these derivatives which is mitigated through daily margining. Total notionals amounted to £1,183,215m (2015: £1,117,642m).

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.

37 Structured Entities continued

Nature of interest

	Structured credit portfolio £m	Multi-seller conduit programmes £m	Lending £m	Mortgage-backed securities £m	Investment funds and trusts £m	Others £m	Total £m
As at 31 December 2016							
Trading portfolio assets							
– Debt securities	**441**	**-**	**-**	**-**	**-**	**-**	**441**
– Equity securities	**-**	**-**	**-**	**-**	**-**	**75**	**75**
Financial assets designated at fair value							
– Loans and advances to customers	**-**	**-**	**260**	**-**	**-**	**4**	**264**
– Debt securities	**-**	**-**	**50**	**-**	**-**	**48**	**98**
– Equity securities	**-**	**-**	**-**	**-**	**-**	**5**	**5**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**2,130**	**2,130**
Available for sale investments							
– Debt securities	**535**	**-**	**-**	**357**	**-**	**2**	**894**
Loans and advances to banks	**-**	**-**	**4,890**	**-**	**-**	**25**	**4,915**
Loans and advances to customers	**637**	**6,016**	**16,754**	**-**	**-**	**735**	**24,142**
Other assets	**-**	**5**	**7**	**-**	**13**	**-**	**25**
Total on balance sheet exposures	**1,613**	**6,021**	**21,961**	**357**	**13**	**3,024**	**32,989**
Total off balance sheet notional amounts	**681**	**2,734**	**9,873**	**-**	**-**	**1,058**	**14,346**
Maximum exposure to loss	**2,294**	**8,755**	**31,834**	**357**	**13**	**4,082**	**47,335**
Total assets of the entity	**22,508**	**75,535**	**492,950**	**12,213**	**18,550**	**4,621**	**626,377**
As at 31 December 2015							
Trading portfolio assets							
– Debt securities	1,545	-	-	-	-	40	1,585
– Equity securities	-	-	-	-	-	63	63
Financial assets designated at fair value							
– Loans and advances to customers	-	-	247	-	-	6	253
– Debt securities	-	-	41	-	-	57	98
– Equity securities	-	-	-	-	-	2	2
Derivative financial instruments	-	-	-	-	-	1,926	1,926
Available for sale investments							
– Debt securities	537	-	-	515	-	8	1,060
Loans and advances to banks	-	-	4,051	-	-	16	4,067
Loans and advances to customers	1,599	5,029	20,571	-	-	501	27,700
Other assets	-	4	7	-	20	-	31
Total on balance sheet exposures	3,681	5,033	24,917	515	20	2,619	36,785
Total off balance sheet notional amounts	708	3,042	10,225	-	-	1,409	15,384
Maximum exposure to loss	4,389	8,075	35,142	515	20	4,028	52,169
Total assets of the entity	36,290	81,355	376,296	115,351	21,766	5,084	636,142

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. 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

37 Structured Entities continued

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 2016, the £1,613m (2015: £3,681m) Group's funded exposures comprised of £441m (2015: £1,545m) debt securities at fair value and £637m (2015: £1,599m) amortised cost loans and advances. Of which £645m (2015: £2,783m) were within investment grade, and the remainder either non-investment grade or not rated. The Group also had £681m (2015: £708m) of unfunded exposures in the form of undrawn liquidity commitments. Of the £2,294m (2015: £4,389m) of funded and unfunded exposures, £2,294m (2015: £4,387m) 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 2016, the Group recorded a fair value gain of £78m (2015: £4m loss) on debt securities, impairment losses recorded on loans and advances were immaterial in both the current and prior year.

Multi-seller conduit programme

The multi-seller conduit engages 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 conduit. The Group's off balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduit for the benefit of the holders of the commercial paper issued by the conduit and will only be drawn where the conduit is unable to access the commercial paper market. If these liquidity facilities are drawn, the Group is protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduit. The Group also has overlapping exposure to the conduit that arises from the letter of credit and the programme loan. The letter of credit is an unfunded commitment that is only funded to cover credit losses up to 10% of total commitments. The programme loan, which allows the conduit to comply with US risk retention rules, is a funded exposure that is positioned pari passu with the interests of commercial paper holders. The Group earns income from fees received on the liquidity facility and letter of credit provided to the conduit, as well as from management fees. 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 £24m (2015: £35m) against such facilities. The main types of lending are £2bn (2015: £3bn) of funding loans to bankruptcy remote structured entities to either invest or develop properties, £3bn (2015: £4bn) of loans to structured entities which have been created by an individual to hold one or more assets, £2bn (2015: £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 (2015: £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 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 £2,130m (2015: £1,926m) 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 arrangements where the Group has joint control and 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/(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.

	2016			2015		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	£m	£m	£m	£m	£m	£m
Equity accounted	321	363	684	217	356	573
Held at fair value through profit or loss	-	484	484	77	475	552
Total	321	847	1,168	294	831	1,125

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 2016, 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	
	2016	2015	2016	2015
	£m	£m	£m	£m
Profit from continuing operations	33	5	64	73
Other comprehensive income/(expenses)	-	-	19	(24)
Total comprehensive income from continuing operations	33	5	83	49

Unrecognised shares of the losses of individually immaterial associates and joint ventures were nil (2015: 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 £1,755m (2015: £1,450m). In addition, the Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £263m (2015: £177m).

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 result in 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 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.

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:

	2016				2015			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Loans and advances to customers								
Residential mortgage loans	**125**	**120**	**(107)**	**(107)**	376	362	(168)	(170)
Credit card, unsecured lending and other retail lending	**5,094**	**5,084**	**(4,926)**	**(4,931)**	5,433	5,472	(4,604)	(4,606)
Corporate loans[a]	**-**	**-**	**-**	**-**	8	8	(8)	(8)
Total	**5,219**	**5,204**	**(5,033)**	**(5,038)**	5,817	5,842	(4,780)	(4,784)
Loans and advances to customers								
Retained interests in corporate loans[a]	**-**	**-**	**-**	**-**	42	42	n/a	n/a
The Bank								
Loans and advances to customers								
Residential mortgage loans	**125**	**120**	**(107)**	**(107)**	376	362	(168)	(170)
Credit card, unsecured lending and other retail lending[b]	**1,165**	**1,146**	**(1,239)**	**(1,240)**	2,510	2,489	(1,911)	(1,884)
Total	**1,290**	**1,266**	**(1,346)**	**(1,347)**	2,886	2,851	(2,079)	(2,054)

Note

a Corporate loans and retained interest in corporate loans balance as at December 2015 was attributed to BAGL which is classified as held for sale in 2016.

b The carrying amount and fair value of the associated liabilities is greater than the carrying amount and fair value of the underlying assets for 2016 due to an issued note being denominated in USD and the underlying assets being denominated in GBP. This exchange rate risk is hedged.

39 Securitisations continued

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.

Retained interests in transfers of financial assets that resulted in partial derecognition 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 nil (2015: £78m). 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:

	Continuing involvement as at 31 December 2016			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount	Fair value	Maximum exposure to loss	For the year ended 31 December 2016	Cumulative to 31 December 2016
	£m	£m	£m	£m	£m
CLO and other assets	**10**	**10**	**10**	**-**	**(3)**
US sub-prime and Alt-A	**-**	**-**	**-**	**-**	**(95)**
Commercial mortgage backed securities	**-**	**-**	**-**	**-**	**-**
Total	**10**	**10**	**10**	**-**	**(98)**

	Continuing involvement as at 31 December 2015			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount	Fair value	Maximum exposure to loss	For the year ended 31 December 2015	Cumulative to 31 December 2015
	£m	£m	£m	£m	£m
CLO and other assets	686	684	686	7	(36)
US sub-prime and Alt-A	38	37	38	-	(426)
Commercial mortgage backed securities	-	-	-	-	-
Total	724	721	724	7	(462)

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	Total
	£m	£m	£m
As at 31 December 2016			
CLO and other assets	**-**	**10**	**10**
US sub-prime and Alt-A	**-**	**-**	**-**
Commercial mortgage backed securities	**-**	**-**	**-**
Total	**-**	**10**	**10**
As at 31 December 2015			
CLO and other assets	327	359	686
US sub-prime and Alt-A	38	-	38
Commercial mortgage backed securities	-	-	-
Total	365	359	724

Notes to the financial statements
Scope of consolidation

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	
	2016	2015	2016	2015
	£m	£m	£m	£m
Trading portfolio assets	**51,241**	49,308	**17,882**	17,331
Financial assets at fair value	**3,195**	2,534	**-**	-
Loans and advances to customers	**30,414**	51,038	**25,569**	46,751
Cash collateral	**68,797**	62,599	**59,302**	53,569
Financial Investments	**13,053**	11,666	**17,398**	13,690
Non current assets held for sale	**117**	1,930	**-**	1,930
Assets pledged	**166,817**	179,075	**120,151**	133,271

Barclays has an additional £14bn (2015: £13bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuance.

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	
	2016	2015	2016	2015
	£m	£m	£m	£m
Fair value of securities accepted as collateral	**466,975**	308,162	**452,626**	295,483
Of which fair value of securities re-pledged/transferred to others	**405,582**	266,015	**418,588**	268,704

The full disclosure as per IFRS7 has been included in collateral and other credit enhancements (page 86).

Notes to the financial statements
Other disclosure matters

The notes included in this section focus 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.

Fellow subsidiaries

Transactions between the Group and other subsidiaries of the parent company also meet the definition of related party transactions. In November 2016, Barclays Services Limited, the Group Service Company, was transferred from the Group to the Barclays PLC.

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.

Amounts included in The Group's financial statements, in aggregate, by category of related party entity are as follows:

	Parent £m	Fellow subsidiaries £m	Associates £m	Joint ventures £m	Pension funds, unit trusts and investment funds £m
For the year ended and as at 31 December 2016					
Income	**(60)**	**(354)**	**(20)**	**7**	**4**
Impairment	**-**	**-**	**(13)**	**-**	**-**
Total assets	**801**	**1,265**	**72**	**2,244**	**-**
Total liabilities	**805**	**2,313**	**94**	**95**	**260**
For the year ended and as at 31 December 2015					
Income	28	-	(19)	40	4
Impairment	-	-	(4)	(2)	-
Total assets	584	-	36	1,578	-
Total liabilities	67	-	158	133	184

Guarantees, pledges or commitments given in respect of these transactions in the year were £940m (2015: £881m) 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 £3m (2015: £13m).

41 Related party transactions and Directors' remuneration continued

(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 £m	Subsidiaries £m	Fellow subsidiaries £m	Associates £m	Joint ventures £m	Pension funds, unit trusts and investment funds £m
For the year ended and as at 31 December 2016						
Total assets	**1,501**	**202,451**	**1,265**	**72**	**2,244**	**-**
Total liabilities	**1,605**	**178,077**	**2,232**	**94**	**95**	**260**
For the year ended and as at 31 December 2015						
Total assets	497	198,649	-	36	1,578	-
Total liabilities	67	187,091	-	158	133	184

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, 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	2016 £m	2015 £m
As at 1 January	**9.8**	11.5
Loans issued during the year	0.6	1.1
Loan repayments during the year /change of key management personnel	**(1.2)**	(2.8)
As at 31 December	**9.2**	9.8

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	2016 £m	2015 £m
As at 1 January	**116.5**	103.0
Deposits received during the year	**18.9**	44.8
Deposits repaid during the year /change of key management personnel	**(128.1)**	(31.3)
As at 31 December	**7.3**	116.5

41 Related party transactions and Directors' remuneration continued

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 £0.2m (2015: £0.5m).

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 £4,935 (2015: £4,380) provided on an interest free basis.

The loan of £4,935 (2015: £4,380) 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 £4,935 (2015 £5,256). 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 page 130 to 133 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.

	2016 £m	2015 £m
Salaries and other short-term benefits	32.2	31.5
Pension costs	0.2	0.3
Other long-term benefits	11.0	4.7
Share-based payments	21.9	11.0
Employer social security charges on emoluments	6.2	5.3
Costs recognised for accounting purposes	71.5	52.8
Employer social security charges on emoluments	(6.2)	(5.3)
Share-based payment awards - difference between awards granted and costs recognised	(2.5)	2.5
Other long term benefits - difference between awards granted and costs recognised	(8.9)	(2.3)
Total remuneration awarded	53.9	47.7

Disclosure required by the Companies Act 2006

The following information regarding directors is presented in accordance with the Companies Act 2006:

	2016 £m	2015 £m
Aggregate emoluments[a]	8.1	7.0
Amounts paid under long-term incentive schemes[b]	-	2.2
	8.1	9.2

There were no pension contributions paid to defined contribution schemes on behalf of Directors. There were no notional pension contributions to defined contribution schemes (2015: £nil).

As at 31 December 2016, there were no Directors accruing benefits under a defined benefit scheme (2015: £nil)

Notes

a. The aggregate emoluments include amounts paid for the 2016 year. In addition, a deferred share award has been made to Jes Staley and Tushar Morzaria which will only vest subject to meeting service conditions. The total of the deferred share awards is £1.4m for 2016 (£0.7m for 2015).

b. The figure of 0.0 is shown for 2016 in "Amounts paid under LTIP's" because neither executive Director held an LTIP award that was released in 2016. The LTIP amount in the single total figure table for executive Directors' 2016 remuneration in the Directors' Remuneration report relates to the award that is scheduled to be released in 2017 in respect of the 2014-2016 LTIP cycle.

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41 Related party transactions and Directors' remuneration continued

Of the figures in the table preceding, the amounts attributable to the highest paid Director are as follows:

	2016 £m	2015 £m
Aggregate emoluments	**3.3**	1.6
Amounts paid under long-term incentive schemes	**-**	2.2

There were no actual pension contributions paid to defined contribution schemes (2015: £nil). There were no notional pension contributions to defined contribution schemes in 2016 or 2015.

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 2016 to persons who served as Directors during the year was £0.2m (2015: £0.3m). The total value of guarantees entered into on behalf of Directors during 2016 was £nil (2015: £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
2016					
Audit of The Group's annual accounts	14	-	-	-	14
Other services:					
Fees payable for the Company's associates pursuant to legislation[a]	27	-	-	-	27
Other services supplied pursuant to such legislation[b]	-	3	-	-	3
Other services relating to taxation					
- compliance services	-	-	-	-	-
- advisory services[c]	-	-	-	-	-
Other	-	1	-	4	5
Total auditors' remuneration	**41**	**4**	**-**	**4**	**49**
2015					
Audit of The Group's annual accounts	13	-	-	-	13
Other services:					
Fees payable for the Company's associates pursuant to legislation[a]	21	-	-	-	21
Other services supplied pursuant to such legislation[b]	-	3	-	-	3
Other services relating to taxation					
- compliance services	-	-	1	-	1
- advisory services[c]	-	-	-	-	-
Other	-	4	-	1	5
Total auditors' remuneration	34	7	1	1	43

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates, of which the fees paid in relation to discontinued operations were £12m (2015: £10m).
Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of discontinued operations were £5m (2015: £4m).

Notes

a Comprises the fees for the statutory audit of the subsidiaries both inside and outside UK and fees for the work performed by associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company.

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 83 to 105;
- Market risk, on pages 106 to 114;
- Capital resources, on pages 115 to 120; and
- Liquidity risk, on pages 121 to 140.

44 Assets included in disposal groups classified as 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.

On 1 March 2016, Barclays announced its intention to reduce the Group's 62.3% interest in BAGL. This reduction is intended to be to a level which will permit deconsolidation from an accounting and regulatory perspective, for which approval was granted by the shareholders at the Group's general meeting held on 28 April 2016. On 5 May 2016 Barclays sold 12.2% of the Group's interest in BAGL resulting in a transfer to non-controlling interests of £601m. Following this sale, Barclays' interest represents 50.1% of BAGL's share capital. The BAGL disposal group includes all assets and liabilities of BAGL and its subsidiaries as well as Group balances associated with BAGL and expected contributions that will form part of the sale.

No impairment for BAGL has been recognised under IFRS 5 as at 31 December 2016 for the Group. Impairment under IFRS 5 is calculated as the difference between fair value less disposal costs and the carrying value of the disposal group. The fair value is determined by reference to the quoted market price for BAGL and the foreign exchange rate for ZAR/GBP as at 31 December 2016, less the expected contributions. The fair value less disposal costs and expected contribution exceeds the net asset value at 31 December 2016.

Barclays continues to explore a sale through the disposal of its shares in BAGL during the course of 2017.

44 Assets included in disposal groups classified as held for sale and associated liabilities continued

The Group

Assets included in disposal groups classified as held for sale

	BAGL 2016 £m	Other 2016 £m	Total 2016 £m	Total 2015 £m
Cash and balances at central banks	2,689	241	2,930	21
Items in the course of collection from other banks	549	21	570	24
Trading portfolio assets	3,044	40	3,084	-
Financial assets designated at fair value	5,546	1,438	6,984	696
Derivative financial instruments	1,992	-	1,992	-
Financial investments	4,995	2,742	7,737	1,230
Loans and advances to banks	1,184	482	1,666	74
Loans and advances to customers	41,793	1,711	43,504	5,513
Prepayments, accrued income and other assets	637	59	696	47
Investments in associates and joint ventures	63	24	87	10
Property, plant and equipment	902	52	954	128
Goodwill	965	32	997	-
Intangible assets	554	16	570	43
Current and deferred tax assets	124	25	149	22
Retirement benefit assets	33	-	33	-
Total	**65,070**	**6,883**	**71,953**	**7,808**
Balance of impairment unallocated under IFRS 5	-	(499)	(499)	(444)
Total assets classified as held for sale	**65,070**	**6,384**	**71,454**	**7,364**

Liabilities included in disposal groups classified as held for sale

	BAGL 2016 £m	Other 2016 £m	Total 2016 £m	Total 2015 £m
Deposits from banks	2,113	36	2,149	-
Items in the course of collection due to other banks	350	23	373	74
Customer accounts	39,331	3,100	42,431	4,000
Repurchase agreements and other similar secured borrowing	597	-	597	-
Trading portfolio liabilities	388	-	388	-
Financial liabilities designated at fair value	3,748	3,577	7,325	346
Derivative financial instruments	1,610	1	1,611	3
Debt securities in issue	7,997	-	7,997	1,474
Subordinated liabilities	934	-	934	-
Accruals, deferred income and other liabilities	1,061	119	1,180	39
Provisions	52	51	103	34
Current and deferred tax liabilities	154	8	162	(6)
Retirement benefit liabilities	26	16	42	33
Total liabilities classified as held for sale	**58,361**	**6,931**	**65,292**	**5,997**
Net assets/(liabilities) classified as held for sale[a]	**6,709**	**(547)**	**6,162**	**1,367**
Expected contributions to BAGL[bc]	**866**	**-**	**866**	**-**
Disposal group post contribution	**7,575**	**(547)**	**7,028**	**1,367**

Notes

a The carrying value of the disposal group is stated after the elimination of internal balances between Barclays and BAGL of £595m. Internal balances have been considered in determining the carrying value of BAGL (of £7.3bn before the planned contributions in respect of BAGL) for the purposes measuring the disposal group at the lower of carrying amount and fair value less costs to sell.

b In December 2016, Barclays finalised proposals regarding planned contributions to the BAGL group relating to the reimbursement of certain expenses as well as contributions for investment to support separation activities. The cash and cash equivalents to make these planned contributions is included within the perimeter of the disposal group, also for the purposes of measuring the disposal group at the lower of carrying amount and fair value less costs to sell. The planned contributions are reported within Cash and balances at central banks in the Group's consolidated balance sheet.

c In December 2016, Barclays reimbursed BAGL for expenses incurred for an amount of £28m. This amount is excluded from the proposed overall potential reimbursement and contribution figure of £866m.

44 Assets included in disposal groups classified as held for sale and associated liabilities continued

The BAGL disposal group meets the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Group income statement, are analysed in the income statement below.

BAGL group income statement

For the year ended 31 December	2016 £m	2015 £m
Net interest income	2,169	1,950
Net fee and commission income	1,072	1,033
Net trading income	281	197
Net investment income	45	41
Other income	179	193
Total income	3,746	3,414
Credit impairment charges and other provisions	(445)	(353)
Net operating income	3,301	3,061
Staff costs	(1,186)	(1,107)
Administration and general expenses	(653)	(545)
Depreciation of property, plant and equipment	(513)	(442)
Amortisation of intangible assets	(58)	(47)
Operating expenses	(2,410)	(2,141)
Share of post-tax results of associates and joint ventures	6	7
Profit before tax	897	927
Taxation	(306)	(301)
Profit after tax	591	626
Attributable to:		
Equity holders of the parent	189	302
Non-controlling interests	402	324
Profit after tax	591	626

Other comprehensive income relating to discontinued operations is as follows:

For the year ended 31 December	2016 £m	2015 £m
Available for sale assets	(9)	(22)
Currency translation reserves	1,451	(1,223)
Cash flow hedge reserves	89	(101)
Other comprehensive income, net of tax from discontinued operations	1,531	(1,346)

44 Assets included in disposal groups classified as held for sale and associated liabilities continued

The cash flows attributed to the discontinued operations are as follows:

For the year ended 31 December	2016 £m	2015 £m
Net cash flows from operating activities	**1,164**	794
Net cash flows from investing activities	**(691)**	(1,883)
Net cash flows from financing activities	**(105)**	133
Effect of exchange rates on cash and cash equivalents	**37**	(865)
Net increase/(decrease) in cash and cash equivalents	**405**	(1,821)

An impairment of the cost of investment in BAGL to fair value less disposal costs of £984m[a] has been recognised on the disposal group within the Bank for 2016 (2015: £35m). The fair value is determined by reference to the quoted market price for BAGL and the foreign exchange rate for ZAR/GBP as at 31 December 2016.

The Bank

Assets included in disposal groups classified as held for sale

	BAGL 2016 £m	Other 2016 £m	Total 2016 £m	Total 2015 £m
Cash and balances at central banks	-	5	**5**	-
Items in the course of collection from other banks	-	21	**21**	-
Financial investments	-	97	**97**	7
Loans and advances to banks	-	130	**130**	-
Loans and advances to customers	-	1,216	**1,216**	5,498
Prepayments, accrued income and other assets	-	22	**22**	-
Investment in Subsidiaries[a]	1,872	273	**2,145**	-
Investments in associates and joint ventures	-	6	**6**	-
Property, plant and equipment	-	14	**14**	42
Goodwill	-	2	**2**	-
Intangible assets	125	7	**132**	-
Other assets	-	10	**10**	55
Total	**1,997**	**1,803**	**3,800**	**5,602**
Balance of impairment unallocated under IFRS 5	-	(347)	(347)	(422)
Total assets classified as held for sale	**1,997**	**1,456**	**3,453**	**5,180**

Liabilities included in disposal groups classified as held for sale

	BAGL 2016 £m	Other 2016 £m	Total 2016 £m	Total 2015 £m
Deposits from banks	-	16	16	-
Items in course of collection due to other banks	-	23	23	-
Customer accounts	-	1,998	1,998	4,000
Other liabilities	-	98	98	103
Total liabilities classified as held for sale	**-**	**2,135**	**2,135**	**4,103**
Net assets/(liabilities) classified as held for sale	**1,997**	**(679)**	**1,318**	**1,077**
Expected BAGL separation payments and costs [b,c]	866	-	866	-
Disposal group post contribution	**2,863**	**(679)**	**2,184**	**1,077**

Note

a An impairment of £984m has been recognised in the Bank's income statement as impairment on non current assets included in disposal groups held for sale.

b In December 2016, Barclays finalised proposals regarding planned contributions to the BAGL group relating to the reimbursement of certain expenses as well as contributions for investment to support separation activities. The cash and cash equivalents to make these planned contributions is included within the perimeter of the disposal group, also for the purposes of measuring the disposal group at the lower of carrying amount and fair value less costs to sell. The planned contributions are reported within Cash and balances at central banks in the Bank's balance sheet.

c In December 2016, Barclays reimbursed BAGL for expenses incurred for an amount of £28m. This amount is excluded from the proposed overall potential reimbursement and contribution figure of £866m.

44 Assets included in disposal groups classified as held for sale and associated liabilities continued

Other held for sale assets

Sale of the French retail business

The disposal group includes the total assets and liabilities in the French retail business with assets of £4bn. An impairment of £456m has been recognised in expectation of the loss on sale, with the sale expected to be completed in 2017.

Sale of the Egypt banking business

The disposal group includes the total assets and liabilities Barclays Bank Egypt, with assets of £1bn. Subject to regulatory approvals, the sale is expected to be completed in H1 2017.

Sale of Barclays Vida Y Pensiones

The majority of the disposal group have been sold during 2016. The sale of the remaining Spanish Life Insurance business, with assets of £657m, is expected to complete in 2017.

Sale of the Zimbabwe business

The disposal group includes the total assets and liabilities Zimbabwe business, with assets of £362m. The sale is expected to be completed in Q4 2017.

Sale of other businesses

Other disposals include £379m of assets, mainly comprised of the Italian business, with assets of £258m. The sale is expected to be completed in 2017. The remaining businesses mainly comprise of the Irish Insurance business, UK Trust and Vocalink, all of which are expected to be completed in 2017.

During the year, a number of disposal groups of held for sale assets have been disposed of. The sale of the Asia Wealth business took place in November 2016. A gain on sale of £164m has been recognised in the income statement within (loss)/profit on disposal of subsidiaries, associates and joint ventures.

The sales of the Offshore Trust business in January 2016, the sale of the designated Market Maker business in April 2016, the sale of the Portuguese retail and insurance businesses in April 2016, the sale of the Italian insurance business in June 2016, the sale of the Barclays Risk Analytics and Index Solutions Ltd in August 2016, the sale of the Italian retail banking in August 2016, the sale of the Spanish and Portuguese credit card businesses in November 2016 and sale of part of the Spanish Insurance business in November 2016 also took place this year.

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45 Related Undertakings

The Group's corporate structure consists of a number of related undertakings, comprising subsidiaries, joint ventures, associates and significant other interests. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2016

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation. Barclays' 2016 Country Snapshot provides details of where the Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays and the share capital disclosed comprises ordinary or common shares which are held by Group subsidiaries.

United Kingdom	
- 1 Churchill Place, London, E14 5HP	
Aequor Investments Limited	
Ardencroft Investments Limited	A
B D & B Investments Limited	
B.P.B. (Holdings) Limited	A
Barafor Limited	
Barclay Leasing Limited	
Barclays (Security Realisation) Limited	A
Barclays Aegis Trust	D
Barclays Africa Group Holdings Limited	A, J, K
Barclays Aldersgate Investments Limited	A
Barclays Asset Management Limited	A
Barclays BCL FI Trust	D
Barclays Bedivere Trust	D
Barclays BR Investments Trust	D
Barclays Cantal Investments Trust	D
Barclays Capital Asia Holdings Limited	A
Barclays Capital Finance Limited	A
Barclays Capital Japan Securities Holdings Limited	
Barclays Capital Luxembourg S.à.r.l. Trust	D
Barclays Capital Margin Financing Limited	A
Barclays Capital Nominees (No.2) Limited	
Barclays Capital Nominees (No.3) Limited	A
Barclays Capital Nominees Limited	A
Barclays Capital Principal Investments Limited	A
Barclays Capital Securities Client Nominee Limited	A
Barclays Capital Securities Limited	A, F, I
Barclays CCP Funding LLP	A, B
Barclays Converted Investments (No.2) Limited	
Barclays Converted Investments Limited	A
Barclays Direct Investing Nominees Limited	A
Barclays Directors Limited	A
Barclays Equity Index Investments Bare Trust	D
Barclays Executive Schemes Trustees Limited	A
Barclays Fiduciary Services (UK) Limited	A
Barclays Financial Planning Nominee Company Limited	A
Barclays Funds Investments Limited	A
Barclays Global Shareplans Nominee Limited	A
Barclays Group Holdings Limited	A
Barclays Industrial Development Limited	A
Barclays Industrial Investments Limited	A
Barclays Insurance Services Company Limited	A
Barclays Investment Management Limited	A
Barclays Lamorak Trust	D
Barclays Leasing (No.9) Limited	
Barclays Long Island Limited	A
Barclays Luxembourg GBP Holdings Trust	D
Barclays Luxembourg USD Holdings Trust	D
Barclays Marlist Limited	A
Barclays Mercantile Business Finance Limited	A
Barclays Mercantile Limited	A
Barclays Nominees (Branches) Limited	A
Barclays Nominees (George Yard) Limited	A
Barclays Nominees (K.W.S.) Limited	A
Barclays Nominees (Monument) Limited	A
Barclays Nominees (Provincial) Limited	A
Barclays Pelleas Trust	D
Barclays Pension Funds Trustees Limited	A
Barclays Private Bank	
Barclays Private Banking Services Limited	
Barclays Private Trust	
Barclays SAMS Limited	A
Barclays Services (Japan) Limited	A
Barclays Sharedealing	
Barclays Shea Limited	A
Barclays Singapore Global Shareplans Nominee Limited	A
Barclays Stockbrokers (Holdings) Limited	A
Barclays Stockbrokers Limited	A
Barclays Trust Company Limited	A, I, P
Barclays UK and Europe PLC	A
Barclays Unquoted Investments Limited	A
Barclays Unquoted Property Investments Limited	A
Barclays USD Funding LLP	B
Barclays Wealth Nominees Limited	
Barclayshare Nominees Limited	
Barcosec Limited	A
Barley Investments Limited	I, J, K
Barometers Limited	A
Barsec Nominees Limited	A
BB Client Nominees Limited	A
BCLI GP Trust	D
BMBF (Bluewater Investments) Limited	A
BMBF (No.12) Limited	
BMBF (No.21) Limited	
BMBF (No.24) Limited	
BMBF (No.3) Limited	
BMBF (No.6) Limited	
BMBF (No.9) Limited	
BMBF USD NO 1 Limited	
BMI (No.9) Limited	
BNRI ENG 2013 Limited Partnership	B
BNRI ENG 2014 Limited Partnership	B
BNRI ENG GP LLP	B
BNRI England 2010 Limited Partnership	B
BNRI England 2011 Limited Partnership	B
BNRI England 2012 Limited Partnership	B
Boudeuse Limited	A
Capel Cure Sharp Limited	
Carnegie Holdings Limited	A, I, J, K
Chapelcrest Investments Limited	
Clydesdale Financial Services Limited	
Cobalt Investments Limited	A
Condor No.1 Limited Partnership	B
Condor No.2 Limited Partnership	B
CP Flower Guaranteeco (UK) Limited	A, E
CP Propco 1 Limited	
CP Propco 2 Limited	
CP Topco Limited	J, K
CPIA England 2008 Limited Partnership	B
CPIA England 2009 Limited Partnership	B
CPIA England No.2 Limited Partnership	B
Denham Investments Limited	
DMW Realty Limited	A
Durlacher Nominees Limited	A
Eagle Financial and Leasing Services (UK) Limited	A
Equity Value Investments Limited Liability Partnership	B
Equity Value Investments No.1 Limited	A
Equity Value Investments No.2 Limited	F, I

45 Related undertakings continued

- 1 Churchill Place, London, E14 5HP (continued)	
Exshelfco (DZBC)	
Finpart Nominees Limited	A
FIRSTPLUS Financial Group PLC	A
Fitzroy Finance Limited	Z
Foltus Investments Limited	
Gerrard (OMH) Limited	
Gerrard Financial Planning Limited	
Gerrard Investment Management Limited	
Gerrard Management Services Limited	A
Gerrard Nominees Limited	
Global Dynasty Natural Resource Private Equity Limited Partnership	B
Globe Nominees Limited	
GM Computers Limited	
Greig Middleton Holdings Limited	
Greig Middleton Nominees Limited	
Hawkins Funding Limited	A
Heraldglen Limited	G, H, I
Investors In Infrastructure Limited	A
J.V. Estates Limited	
Keepier Investments	A
Kirsche Investments Limited	A
Lindley Developments Limited	A, U
Lombard Street Nominees Limited	A
Long Island Assets Limited	
Maloney Investments Limited	A
Menlo Investments Limited	A
Mercantile Credit Company Limited	A
Mercantile Leasing Company (No.132) Limited	A
MK Opportunities LP	B
Murray House Investment Management Limited	A
Naxos Investments Limited	A
North Colonnade Investments Limited	
Northwharf Investments Limited	A, I, X
Northwharf Nominees Limited	A
PIA England No.2 Limited Partnership	B
Real Estate Participation Management Limited	
Real Estate Participation Services Limited	
Relative Value Investments UK Limited Liability Partnership	B
Relative Value Trading Limited	
Roder Investments No. 1 Limited	A, I, Y
Roder Investments No. 2 Limited	A, I, Y
Ruthenium Investments Limited	A
RVT CLO Investments LLP	B
Scotlife Home Loans (No.3) Limited	A
Sharelink Nominees Limited	
Solution Personal Finance Limited	A
Surety Trust Limited	
Swan Lane Investments Limited	F, I
US Real Estate Holdings No.1 Limited	
US Real Estate Holdings No. 2 Limited	
US Real Estate Holdings No.3 Limited	
W.D. Pension Fund Limited	A
Wedd Jefferson (Nominees) Limited	A
Westferry Investments Limited	A
Woolwich Assured Homes Limited	A
Woolwich Homes (1987) Limited	E
Woolwich Homes Limited	A
Woolwich Limited	A
Woolwich Plan Managers Limited	A
Woolwich Qualifying Employee Share Ownership Trustee Limited	A
Woolwich Surveying Services Limited	A
Zeban Nominees Limited	A
Barclays Financial Planning (Entered Liquidation 26 January 2017)	A
- Hill House, 1 Little New Street, London, EC4A 3TR	
54 Lombard Street Investments (In Liquidation)	
Barclays Global Investors Finance Limited (in Liquidation)	
Barclays Global Investors UK Holdings Limited (in Liquidation)	A, J, K
Barclays Mercantile Highland Finance Limited (in Liquidation)	
Barclays Physical Trading Limited (In Liquidation)	A
Eldfell Investments Limited (in Liquidation)	A
Mercers Debt Collections Limited (In Liquidation)	A
Pendle Shipping Limited (In Liquidation)	A
Reflex Nominees Limited (In Liquidation)	A
- 5 The North Colonnade, Canary Wharf, London, E14 4BB	
Barclays Bayard Investments Trust	D
BBR Holdings Trust	D
Barclays Capital Trading Luxembourg Trust	D
Barclays Luxembourg EUR Holdings Trust	D
Barclays Luxembourg Finance Index Trust	D
CPIA Canada Holdings	B
Leonis Investments LLP	A, B
Preferred Liquidity Limited Partnership	B
- Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS	
Barclays SLCSM (No.1) Limited (In Liquidation)	A
R.C. Grieg Nominees Limited	
- 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	
BNRI PIA Scot GP Limited	A
BNRI Scots GP, LLP	B
Pecan Aggregator LP	B
- Logic House, Waterfront Business Park, Fleet Road, GU1 3SB	
The Logic Group Holdings Limited	A, J
The Logic Group Enterprises Limited	
Argentina	
- 855 Leandro N.Alem Avenue, 8th Floor, Buenos Aires	
Compañía Sudamerica S.A.	A
- Marval, O'Farrell & Mairal, Av. Leandro N. Alem 882, Buenos Aires, C1001AAQ	
Compañia Regional del Sur S.A.	
Brazil	
- Av. Brigadeiro Faria Lima, No. 4.440, 12th Floor, Bairro Itaim Bibi, Sao Paulo, CEP, 04538-132	
Banco Barclays S.A.	A
Canada	
- 333 Bay Street, Suite 4910, Toronto ON M5H 2R2	
Barclays Capital Canada Inc	
- Stikeman Elliott LLP, 199 Bay Street, 5300 Commerce Court West, Toronto ON M5L 1B9	
Barclays Corporation Limited	A
Cayman Islands	
- Maples Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104	
Alymere Investments Limited	G, H, I
Alymere Investments Two Limited (In Liquidation)	
Analytical Trade UK Limited	A
Aquitaine Investments Limited (In Liquidation)	
Barclays Capital (Cayman) Limited	A
Braven Investments No.1 Limited	
Capton Investments Limited	A
Claudas Investments Limited	A, G, H, I
Claudas Investments Two Limited	
CPIA Investments No.1 Limited	V
CPIA Investments No.2 Limited	F, I
Cureton Investments No. 1 Limited (In Liquidation)	A
Cuth Investments Limited	F, I, T
Furbridge Investments Limited	
Hamar Investments Limited	A
Hurley Investments No.1 Limited	
Iris Investments 1 Limited	A, G, H, I
Mintaka Investments No. 4 Limited	
OGP Leasing Limited	
Pelleas Investments Limited	A
Pelleas Investments Two Limited	
Pippin Island Investments Limited	
Razzoli Investments Limited	A, F, I
RVH Limited	A, F, I
Zanonne Investments Limited (In Liquidation)	
Zumboorok Investments Limited	
- PO Box 1093, Queensgate House, Grand Cayman, KY1-1102	
Blaytell Limited	A
Coskwo Limited	A

45 Related undertakings continued

Fair and Square Limited (in Liquidation)	A
- PO Box 1093, Queensgate House, Grand Cayman, KY1-1102 (Cont)	
Harflane Limited	A
Hentock Limited	A
Hollygrice Limited	A
Pilkbull Limited	A
Strickyard Limited	A
Winhall Limited	A
- 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005	
Calthorpe Investments Limited	
Gallen Investments Limited	
JV Assets Limited	L
Palomino Limited	A, Z
Raglan Investments Limited	
Wessex Investments Limited	
- Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, KY1- 9008	
Long Island Holding B Limited	A
Egypt	
- Star Capital AI Tower, City Stars Project, 2 Ali Rashed Street, Nasr City, Cairo	
Barclays Bank Egypt SAE	A
France	
- 183 avenue Daumesnil, Paris, 75012	
Barclays Courtage SAS	A
Barclays Diversification	A
Barclays Patrimoine S.C.S.	A
Barclays Vie SA	A
BBAIL SAS	A
- 32 avenue George V, Paris, 75008	
Barclays France SA	A
Barclays Wealth Managers France SA	A
Germany	
- Bockenheimer Landstrasse 38-40, D-60323 Frankfurt Am Main	
Barclays Capital Effekten GmbH	A
Sulm Investments GmbH (In Liquidation)	A
- c/o SFM Deutschland GmbH, Gruneburgweg 58-62, 60322 , Frankfurt am Main	
Baubecon Holding 1 GmbH (In Liquidation)	
Opal 110. GmbH (In Liquidation)	
- Gasstrasse 4c, 22761, Hamburg, Germany	
Baban Mantel AG (In Liquidation)	A
Gibraltar	
- Suite 1, Burns House, 19 Town Range	
Frankland Properties Limited	A
Norfolk LP	A, B
Ringmer Properties Limited	A
Saveway Properties Limited	A
Stowmarket Investments Limited	A
Townmead Properties Limited	A
Trefield Holdings Limited	A
Guernsey	
- P.O. Box 33, Maison Trinity, Trinity Square, St. Peter Port, GY1 4AT	
Barclays Insurance Guernsey PCC Limited	A, Q
- PO BOX 41, Floor 2, Le Marchant House, Le Truchot, St Peter Port, GY1 3BE	
Barclays Nominees (Guernsey) Limited	A
Hong Kong	
- 42nd floor Citibank Tower, Citibank Plaza, 3 Garden Road	
Barclays Bank (Hong Kong Nominees) Limited (In Liquidation)	A
Barclays Capital Asia Nominees Limited (In Liquidation)	
Godler Limited	A
- Level 41, Cheung Kong Center, 2 Queen's Road Central	
Barclays Asia Limited	A
Barclays Capital Asia Limited	A
India	
- 208 Ceejay House, Shivsagar Estate, Dr A Beasant Road, Worli, Mumbai, 400 018	
Barclays Securities (India) Private Limited	
Barclays Wealth Trustees (India) Private Limited	
- 67, Maker Tower 'F' 6th Floor, Cuffe Parade, Mumbai, 400 005	
Barclays Holdings India Private Limited (In Liquidation)	A
- Level 10, Block B6, Nirlon Knowledge Park, Off Western Express Highway, Goregaon (East), Mumbai, 40063	
Barclays Investments & Loans (India) Limited	A, F, I
Indonesia	
- Barclays House, 12th Floor, Jl. Jend Sudirman Kav. 22-23, Jakarta, 12920	
PT Bank Barclays Indonesia (In Liquidation)	A
- Plaza Lippo, 10th Floor, Jalan Jend, Sudirman Kav 25, Jakarta, 12920	
PT Bhadra Buana Persada (In Liquidation)	A
Ireland	
- Two Park Place, Hatch Street, Dublin 2	
Barclaycard International Payments Limited	A
Barclays Assurance (Dublin) Designated Activity Company	
Barclays Bank Ireland Public Limited Company	A
Barclays Insurance (Dublin) Designated Activity Company	
Barclays Ireland Nominees Limited (In Liquidation)	A
Isle of Man	
- Barclays House, Victoria Street, Douglas, IM1 2LE	
Barclays Nominees (Manx) Limited	
Barclays Portfolio (IoM GP) No.2 Limited	A
Barclays Private Clients International Limited	A, J, K
- 2nd Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE	
Barclays Holdings (Isle of Man) Limited	A
Italy	
- Milano, Via della Moscova 18	
Barclays Private Equity S.p.A. (In Liquidation)	A
Japan	
- 10-1, Roppongi 6-chome, Minato-ku, Tokyo	
Barclays Funds and Advisory Japan Limited	
Barclays Securities Japan Limited	
Barclays Wealth Services Limited	
Jersey	
- Third Floor, 37 Esplanade, St. Helier, JE2 3QA	
CP Newco 1 Limited	A
CP Newco 2 Limited	J, K
CP Newco 3 Limited	
- La Motte Chambers, St Helier, JE1 1BJ	
Barclays Services Jersey Limited	A
- 39 - 41 Broad Street, St Helier, JE2 3RR	
Barclays Wealth Management Jersey Limited	A
BIFML PTC Limited	A
- 13 Castle Street, St. Helier, JE4 5UT	
Barclays Index Finance Trust	S
- Lime Grove House, Green Street, St Helier, JE1 2ST	
Barbridge Limited	A
- 13 Library Place, St Helier, JE4 8NE	
Barclays Nominees (Jersey) Limited	A
Barclaytrust Channel Islands Limited	A

45 Related undertakings continued

- Appleby Trust (Jersey) Limited, PO Box 207, 13-14 Esplanade, St Helier, JE1 1BD	
MK Opportunities GP Ltd	A
Korea, Republic of	
- A-1705 Yeouido Park Centre, 28-3 Yeouido-dong, Yeongdeungpo-gu, Seoul	
Barclays Korea GP Limited	
Luxembourg	
- 9, allée Scheffer, L-2520	
Barclays Aegis Investments S.à r.l.	
Barclays Alzin Investments S.à r.l.	
Barclays Bayard Investments S.à r.l.	J, K
Barclays BCL Fixed Income S.à.r.l.	
Barclays BCLI no.1 S.à r.l	
Barclays BCLI no.2 S.à r.l.	
Barclays Bedivere Investments S.à r.l.	
Barclays Bordang Investments S.à r.l.	
Barclays BR Holdings S.à r.l.	
Barclays BR Investments S.à r.l.	
Barclays Cantal Investments S.à r.l.	J
Barclays Capital Luxembourg S.à r.l.	
Barclays Capital Trading Luxembourg S.à r.l.	J, K
Barclays Claudas Investments Partnership	B
Barclays Equity Index Investments S.à r.l.	
Barclays Lamorak Investments S.à r.l.	
Barclays Leto Investments S.à r.l.	
Barclays Luxembourg EUR Holdings S.à r.l	
Barclays Luxembourg Finance S.à r.l.	
Barclays Luxembourg GBP Holdings S.à r.l.	
Barclays Luxembourg Holdings S.à r.l.	I, AA
Barclays Luxembourg Holdings SSC	B
Barclays Luxembourg USD Holdings S.à r.l.	J, K
Barclays Pelleas Investments Partnership	B
Barclays Pelleas Investments S.à r.l.	G, I
Barclays US Investments S.à r.l.	J, K
Blossom Finance General Partnership	B
- 68-70 Boulevard de la Petrusse, L-2320	
Adler Toy Holding Sarl	
Malaysia	
- Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, Kuala Lumpur, 59200	
Barclays Capital Markets Malaysia Sdn Bhd. (In Liquidation)	A, F, I
Mauritius	
- C/O Rogers Capital Corporate Services, St. Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis	
Barclays Capital Mauritius Limited	A
Barclays Capital Securities Mauritius Limited	A
- Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene	
Barclays (H&B) Mauritius Limited	A
Barclays Mauritius Overseas Holdings Limited	A
Mexico	
- Paseo de la Reforma 505, 41 Floor, Torre Mayor, Col. Cuauhtemoc, CP 06500	
Barclays Bank Mexico, S.A.	K, M
Barclays Capital Casa de Bolsa, S.A. de C.V.	K, M
Grupo Financiero Barclays Mexico, S.A. de C.V.	A, K, M
Servicios Barclays, S.A. de C.V.	
Monaco	
- 31 Avenue de la Costa, BP 339	
Barclays Wealth Asset Management (Monaco) S.A.M	
Netherlands	
- Strawinskylaan 3105, 1077 ZX, Amsterdam	
Barclays SLCSM Funding B.V.	A
- De Boelelaan 7, 1083 Hj Amsterdam	
Chewdef BidCo BV. (In Liquidation)	A
Nigeria	
- Southgate House, Udi Street, Osborne Estate, Ikoyi, Lagos	
Barclays Group Representative Office (NIG) Limited	A
Philippines	
- 21/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City, 1226	
Meridian (SPV-AMC) Corporation	
Russian Federation	
- Four Winds Plaza, 1st Tverskaya-Yamskaya Str , Moscow 21, 125047	
Limited Liability Company Barclays Capital (In Liquidation)	A
Saudi Arabia	
- 18th Floor Al Faisaliah Tower , Riyadh, 11311	
Barclays Saudi Arabia (In Liquidation)	A
Singapore	
- 10 Marina Boulevard, #24-01 Marina Bay Financial Centre, Tower 2, 018983	
Barclays Bank (Singapore Nominees) Pte Ltd	A
Barclays Bank (South East Asia) Nominees Pte Ltd	A
Barclays Capital Futures (Singapore) Private Limited	
Barclays Capital Holdings (Singapore) Private Limited	A
Barclays Merchant Bank (Singapore) Ltd.	
Spain	
- Plaza De Colon 1, 28046, Madrid	
Barclays Tenedora De Immuebles SL.	A
Barclays Vida Y Pensiones, Compania De Seguros, S.A	A, Z
The Logic Group Enterprises S.L	
Switzerland	
- Chemin de Grange Canal 18-20, PO Box 3941, 1211, Geneva	
Barclays Bank (Suisse) S.A.	
BPB Holdings SA	
Taiwan	
- 11/F, 106 Xin-Yi Road, Sec. 5, Taipei 110	
Barclays Capital Securities Taiwan Limited (In Liquidation)	A
Thailand	
- 87, M Thai Tower All Seasons Place, 23rd Floor, Wireless Road, Lumpini, Phatumwan, Bangkok, 10330	
Barclays Capital (Thailand) Ltd. (In Liquidation)	A
United States of America	
- Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	
Archstone Equity Holdings Inc	
Barclays BWA, Inc.	
Barclays Capital Commodities Corporation	
Barclays Capital Derivatives Funding LLC	C
Barclays Capital Energy Inc.	
Barclays Capital Real Estate Finance Inc.	
Barclays Capital Real Estate Holdings Inc.	
Barclays Capital Real Estate Inc.	
Barclays Commercial Mortgage Securities LLC	C
Barclays Delaware Holdings LLC	F, I
Barclays Electronic Commerce Holdings Inc.	
Barclays Financial LLC	C
Barclays Group US Inc.	
Barclays Investment Holdings LLC	
Barclays Oversight Management Inc.	
Barclays Receivables LLC	C
Barclays Services Corporation	
Barclays US CCP Funding LLC	C
Barclays US Funding LLC	C
Barclays US LLC	A, G, I
BCAP LLC	C
BNRI Acquisition No.4 LLC	C

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45 Related undertakings continued

- Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801 (Cont'd)	
BNRI Acquisition No.5, LP	B
CPIA Acquisition No.3 LLC	C
CPIA Equity No. 1 Inc.	
Crescent Real Estate Member LLC	C
Gracechurch Services Corporation	
Long Island Holding A LLC	C
LTDL Holdings LLC	C
Marbury Holdings LLC	
Persica Holdings LLC	C
Persica Lease LLC	C
Persica LL LLC	C
Persica Property LLC	C
Protium Finance I LLC	C
Protium Master Mortgage LP	B
Protium REO I LP	B
RB Special Assets, L.L.C.	A, C
Securitized Asset Backed Receivables LLC	C
Sutton Funding LLC	C
TPLL LLC	C
TPProperty LLC	C
TPWorks LLC	C
US Secured Investments LLC	C
Vail 09 LLC	C
Vail Residential 09 LLC	C
Vail SC LLC	C
- 1201 North Market Street, P.O. Box 1347 Wilmington, DE19801	
Barclays Bank Delaware	F, I
Procella Investments LLC	C
Procella Investments No.1 LLC	C
Procella Investments No.2 LLC	C
Procella Investments No.3 LLC	C
Procella Swaps LLC	C
Verain Investments LLC	
- 2711 Centerville Road, Suite 400, Wilmington DE 19808	
Analog Analytics Inc	
Barclays Capital Equities Trading GP	B
Barclays Capital Holdings Inc.	G, I
Lagalla Investments LLC	
Protium Master Grantor Trust	D
Relative Value Holdings, LLC	
- 745 Seventh Avenue, New York NY 10019	
Alynore Investments Limited Partnership	B
Curve Investments GP	B
Preferred Liquidity, LLC	J
- CT Corporation System, One Corporate Center, Floor 11, Hartford CT 06103-3220	
Barclays Capital Inc.	
- c/o RL&F Service Corp, One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington DE 19801	
Analytical Trade Holdings LLC	
Analytical Trade Investments LLC	BB
- 100 South West Street, Wilmington DE 19801	
Barclays Dryrock Funding LLC	C
Wilmington Riverfront Receivables LLC	J, K
- 100 South Wacker Drive, Suite 2000, Chicago IL 60606	
BTXS Inc.	
- 15 East North Street, Dover DE DE 19801	
Barclays Services LLC	C
- 200 Park Avenue, New York, New York, 10166	
HYMF, Inc.	
- CT Corporation System, 225 Hillsborough Street, Raleigh, NC 27603	
Barclays US GPF Inc.	
- CT Corporation System, 350 North St. Paul Street, Dallas TX 75201	
La Torretta Beverages LLC	C
La Torretta Hospitality LLC	C
La Torretta Operations LLC	C
- Aon Insurance Managers (USA) Inc., 199 Water Street, New York NY 10038	
Barclays Insurance U.S. Inc.	
- Suite 1100, 50 W. Liberty St., Reno, Nev 89501	
CPIA FX Investments Inc.	
- 500 Forest Point Circle, Charlotte, North Carolina 28273	
Equifirst Corporation (In Liquidation)	
Zimbabwe	
- 2 Premium Close, Mount Pleasant Business Park, Mount Pleasant , Harare	
Branchcall Computers (Pvt) Limited	A
- 2nd Floor, Barclays House, Corner Jason Moyo Avenue/First Street, Harare	
Afcarme Zimbabwe Holdings (Pvt) Limited	A

Other Related Undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. The Group overall ownership percentage is provided for each undertaking.

United Kingdom		
- 1 Churchill Place, London, E14 5HP		
Barclays Africa Limited	50.10%	
Barclaycard Funding PLC	75.00%	A, J
Claas Finance Limited	51.00%	K
PSA Credit Company Limited (in liquidation)	50.00%	A, J, L
Barclays Covered Bond Funding LLP	50.00%	A, B
- 1 Angel Lane, London, EC4R 3AB		
Vocalink Holdings Limited	15.18%	A, Z
- 1 Poultry, London, England, EC2R 8EJ		
Igloo Regeneration (General Partner) Limited	25.00%	L, Z
- 1 Robeson Way, Sharston Green Business Park, Manchester, M22 4SW		
KDC Holdings Limited	37.41%	EE, Z
- 3 - 5 London Road, Rainham, Kent, ME8 7RG		
Trade Ideas Limited	20.00%	A, Z
- Derby Training Centre, Ascot Drive, Derby, DE24 8GW		
Develop Training Group Limited	70.01%	CC, Z
- 50 Lothian Road, Festival Square, Edinburgh, EH3 9BY		
Equistone Founder Partner II L.P.	20.00%	A, B, Z
Equistone Founder Partner III L.P.	35.00%	A, B, Z
- Building 6 Chiswick Park,566 Chiswick High Road, London W4 5HR		
Intelligent Processing Solutions Limited	19.50%	A, Z
-13 Frensham Road, Sweet Briar Industrial Estate, Norwich, NR3 2BT		
Warehouse Express Group Limited	62.88%	DD, Z
- Oak House, Ellesmere Port, Cheshire, CH65 9HQ		
Elan Homes Holdings Limited	59.94%	J, L, Z
- 16 Palace Street, London, SW1E 5JD		
Barclays Alma Mater Management Limited Partnership	30.00%	B, Z
- 20-22 Bedford Row, London, WC1R 4JS		
Cyber Defence Alliance Limited	25.00%	A, E, Z
- 30 Gresham Street, London, EC2V 7PG		
Gresham Leasing March (3) Limited	30.00%	Z
- 80 New Bond Street, London, W1S 1SB		
GN Tower Limited	50.00%	Z
GW City Ventures Limited	50.00%	K, Z
- Basepoint Business Centre, 70 - 72 The Havens Ransomes Europ, IP3 9SJ, Ipswich		
Equity Estates Basingstoke Limited	25.05%	J, Z
- 5th Floor, 70 Gracechurch Street, London, EC3V 0XL		
Camperdown UK Limited	50.00%	J, Z
- 5 North Colonnade, Canary Wharf, London, E14 4BB		
BEIF Management Limited Partnership	30.00%	B, Z
Imalivest LP	66.71%	J, K, Z

Notes to the financial statements
Other disclosure matters

45 Related undertakings continued

- Blake House, Schooner Court, Crossways Business Park, Dartford, DA2 6QQ		
Lakeview Computers Group Limited	57.83%	J, Z
- Queens House, 8 Queen Street, London EC4N 1SP		
BIE Topco Limited	44.80%	J, Z
- No.1 Dorset Street, Southampton, Hampshire, SO15 2DP		
MCC (15) GH Limited	72.25%	J, Z
- 2nd Floor, 110 Cannon Street, London, EC4N 6EU		
Vectorcommand Limited (in Liquidation)	30.39%	J, K, Z
- 55 Baker Street, London, W1U 7EU		
Formerly H Limited (In Liquidation)	70.32%	J, Z
- Countryside House, The Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3AT		
Woolwich Countryside Limited	50.00%	O, Z
- Haberfield Old Moor Road, Wennington, Lancaster, LA2 8PD		
Full House Holdings Limited	67.43%	J, Z
- 6th Floor 60 Gracechurch Street, London, EC3V 0HR		
BMC (UK) Limited	40.57%	F, J, Z
- Central House, 124 High Street, Hampton Hill, Middlesex TW12 1NS		
Rio Laranja Holdings Limited	45.00%	J, Z
- 13-15 York Buildings, London, WC2N 6JU		
Business Growth Fund PLC	24.18%	Z
Botswana		
- 5th Floor, Prime Plaza, Plot 74358, Central Business District, Gabarone		
Barclays Bank of Botswana Limited	33.98%	
- Deloitte & Touche House, Lot 50664 , Gaborone		
Barclays Insurance Services (Pty) Limited	33.98%	
- Khama Crescent, Plot 17938, Government Enclave		
Barclays Life Botswana Proprietary Limited	50.10%	
Canada		
- 15th Floor, Bankers Court, 850 - 2nd Street, Calgary AB T2P 0R8		
Clearbrook Resources Inc	21.62%	Z
Cayman Islands		
- Maples Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Chrysaor Holdings Limited	39.60%	F, J, Z
Cupric Canyon Capital LP	40.03%	FF, Z
Southern Peaks Mining LP	56.17%	FF, Z
Third Energy Holdings Limited	77.82%	F, J, K, Z
Germany		
- SchopenhauerstraBe 10, D-90409, Nurnberg		
Eschenbach Holding GmbH	21.70%	Z
Ghana		
- Barclays House, High Street, Accra		
Barclays Bank of Ghana Limited	50.10%	
Hong Kong		
- 6/F, Kiu Fu Commercial Building, 300-306 Lockhart Road		
CR SpaClub at Sea (HK) Limited	53.86%	Z
Indonesia		
- Wisma GKBI 39th Floor, Suite 3906, Jl. Jend. Sudirman No.28, Jakarta, 10210		
PT Barclays Capital Securities Indonesia (In Liquidation)	99.00%	A
Isle of Man		
- 3rd Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE		
Absa Manx Holdings Limited	50.10%	
Absa Manx Insurance Company Limited	50.10%	
Kenya		
- 5th Floor, IKM Place, 5th Ngong Avenue, Nairobi		
Barclays Life Assurance Kenya Limited	31.99%	
- The West End Building, Waiyaki Way, Nairobi		
Barclays (Kenya) Nominees Limited	34.32%	
Barclays Bank Insurance Agency Limited	34.32%	
Barclays Bank of Kenya Limited	34.32%	
Barclays Deposit-Taking Microfinance Limited	34.32%	
Barclays Financial Services Limited	34.32%	
Barclays Pension Services Limited	31.20%	Z
- 9th Floor, Williamson House, 4th Ngong Avenue, Nairobi		
First Assurance Company Limited	31.99%	
First Assurance Holdings Limited	50.10%	
Korea, Republic of		
- 18th Floor, Daishin Finance Centre, 343, Samil-daero, Jung-go, Seoul		
Woori BC Pegasus Securitization Specialty Co., Limited	70.00%	A, W
Luxembourg		
- 9, allée Scheffer, L-2520		
BNRI Limehouse No.1 Sarl	96.30%	R
Partnership Investments S.à r.l.	33.40%	
Preferred Funding S.à r.l.	33.33%	H
Preferred Investments S.à r.l.	33.33%	H, I
Malta		
- RS2 Buildings, Fort Road, Mosta MST 1859		
RS2 Software PLC	18.25%	A, Z
Mauritius		
- Barclays House, 68 Cyber City, Ebène		
Barclays Bank Mauritius Limited	50.10%	G, H, J, K
Monaco		
- 31 Avenue de la Costa, Monte Carlo		
Societe Civile Immobiliere 31 Avenue de la Costa	75.00%	A
Mozambique		
- Avenida 25 de Setembro, No 1184, 15 Andar, Maputo		
Barclays Bank Mocambique SA	49.50%	
- Rua da Imprensa, 183 - R/C, Maputo		
Global Alliance Seguros, S.A.	50.10%	
Namibia		
- Bougain Villas, 78 Sam Nujoma Drive, Windhoek		
EFS Namibia Proprietary Limited	50.10%	
- Unit 6, Ausspann Plaza, Dr Agostinho Nero Road, Ausspannplatz, Windhoek		
Absa Namibia Proprietary Limited	50.10%	
Netherlands		
- Alexanderstraat 18, 2514 JM, The Hague		
Tulip Oil Holding BV	30.45%	J, L,Z
Nigeria		
- Plot 6, Block XII, Osborne Estate, Ikoyi, Lagos		
Absa Capital Representative Office Nigeria Limited	50.10%	
Norway		
- Postbox 6783, ST Olavs plass, 0130 Oslo		
EnterCard Norge AS	40.00%	Z
- Skansegata 2, Stavanger, 4006, Rogland		
Origo Exploration Holding AS	28.32%	F, I, Z
Seychelles		
- Capital City, Room 1-01, 1st Floor, Independence Avenue, Victoria, Mahe		
Barclays Bank (Seychelles) Limited	49.98%	
South Africa		
- Barclays Towers West, 15 Troye Street, Johannesburg, 2001		
1900 Summerstrand Share Block Limited	50.10%	
Absa Alternative Asset Management Proprietary Limited	50.10%	

45 Related undertakings continued

- Barclays Towers West, 15 Troye Street, Johannesburg, 2001 (Cont'd)		
Absa Asset Management Proprietary Limited	50.05%	
Absa Bank Limited	50.10%	I, J
Absa Capital Securities Proprietary Limited	50.10%	
Absa Consultants and Actuaries Proprietary Limited	50.10%	
Absa Development Company Holdings Proprietary Limited	50.10%	F, I
Absa Estate Agency Proprietary Limited	50.10%	
Absa Financial Services Africa Holdings Proprietary Limited	50.10%	
Absa Financial Services Limited	50.10%	
Absa Fleet Services Proprietary Limited	50.10%	
Absa Fund Managers Limited	50.10%	
Absa idirect Limited	50.10%	
Absa Insurance and Financial Advisers Proprietary Limited	50.10%	
Absa Insurance Company Limited	50.10%	
Absa Insurance Risk Management Services Limited	50.10%	
Absa Investment Management Services Proprietary Limited	50.10%	
Absa Life Limited	50.10%	F, I
Absa Mortgage Fund Managers Proprietary Limited	50.10%	
Absa Nominees Proprietary Limited	50.10%	
Absa Ontwikkelingsmaatskappy Eiendoms Beperk	50.10%	
Absa Outsource Competency Centre Proprietary Limited	50.10%	
Absa Portfolio Managers Proprietary Limited	50.10%	
Absa Property Development Proprietary Limited	50.10%	
Absa Secretarial Services Proprietary Limited	50.10%	
Absa Stockbrokers and Portfolio Management Proprietary Limited	50.10%	
Absa Technology Finance Solutions Proprietary Limited	50.10%	
Absa Trading and Investment Solutions Holdings Proprietary Limited	50.10%	
Absa Trading and Investment Solutions Proprietary Limited	50.10%	
Absa Trust (Natal) Limited	50.10%	
Absa Trust Limited	50.10%	I, J
Absa Vehicle Management Proprietary Limited	50.10%	
Absa Vehicle Management Solutions Proprietary Limited	50.10%	
ABSAN Proprietary Limited	50.10%	
ACS Nominees Proprietary Limited	50.10%	
AIMS Nominees (RF) Proprietary Limited	50.10%	
Alberton Industrial Properties Proprietary Limited	50.10%	
Allied Development Company Proprietary Limited	50.10%	
Allied Grinaker Properties Proprietary Limited (In Liquidation)	25.55%	
Allpay Consolidated Investment Holdings Proprietary Limited	50.10%	
Allpay Eastern Cape Proprietary Limited (In Liquidation)	33.07%	
Allpay Free State Proprietary Limited (In Liquidation)	30.06%	
Allpay Gauteng Proprietary Limited (In Liquidation)	30.06%	
Allpay Mpumalanga Proprietary Limited	50.10%	
Allpay Western Cape Proprietary Limited (In Liquidation)	33.07%	
Bankorptrust Limited	50.10%	
Barclays Africa Group Limited	50.10%	A
Barclays Africa Regional Office Proprietary Limited	50.10%	
Cedar Lakes Country Estates Proprietary Limited (Liquidated on 19 January 2017)	50.10%	
Combined Mortgage Nominees Proprietary Limited	50.10%	
Compro Holdings Proprietary Limited	50.10%	
Draaikloof Properties Proprietary Limited (In Liquidation)	40.08%	
FFS Finance South Africa (RF) Proprietary Limited	25.05%	
Fradey Nominees (RF) Proprietary Limited	50.10%	
Goldreef Village Share Block Limited	50.10%	
Instant Life Proprietary Limited	37.57%	
MB Acquired Operations Limited (In Liquidation)	50.10%	
Meeg Asset Finance Proprietary Limited (In Liquidation)	50.10%	
Merfin Proprietary Limited	50.10%	
Nation-Wide Recovery Services Proprietary Limited	25.05%	
NewFunds (RF) Proprietary Limited	50.10%	
Newgold Issuer (RF) Limited	50.10%	Z
Newgold Managers Proprietary Limited	24.55%	
Olieven Properties Proprietary Limited (Liquidated on 19 January 2017)	50.10%	
Ottawa Development Trust Proprietary Limited	50.10%	
Palmietfontein Investments Proprietary Limited (Liquidated on 19 January 2017)	50.10%	
Roodekop Townships Proprietary Limited	50.10%	
UBS Trust Limited	50.10%	
United Development Corporation Proprietary Limited	50.10%	
United Towers Proprietary Limited	50.10%	
Volkskas Eiendomsdienste Eiendoms Beperk	50.10%	I, J
Volkskastrust Beperk	50.10%	I, J
Woodbook Finance Proprietary Limited	50.10%	
Woolworths Financial Services Proprietary Limited	25.05%	
- Absa Capital, 15 Alice Lane, Sandton, Gauteng		
Barrie Island Property Investments Proprietary Limited	50.10%	
Blue Age Properties 60 Proprietary Limited	50.10%	
Culemborg Investment Properties Proprietary Limited	28.69%	J, K
Diluculo Investments Proprietary Limited	50.10%	
Diluculo Properties Proprietary Limited	50.10%	
Diluculo Property Trading Proprietary Limited	50.10%	
Ngwenya River Estate Proprietary Limited	50.10%	
Nkwe Rosslyn Properties Proprietary Limited	50.10%	
Pienaarsrivier Properties Proprietary Limited	50.10%	
- 18 Bompas Road, Dunkeld West		
African Spirit Trading 309 Proprietary Limited	25.05%	Z
- 52 Grosvenor Road, Bryanston, 2021		
Campus on Rigel Proprietary Limited (In Liquidation)	16.70%	Z
- 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg		
Integrated Processing Solutions Proprietary Limited	25.05%	
- Abcon House, Fairway Office Park, Bryanston		
Somerset West Autopark Proprietary Limited	16.70%	Z
- Corner Ian Halle, P O Box 44845, Claremont, 7735		
Northern Lights Trading 197 Proprietary Limited	25.05%	Z
Pacific Heights Investments 196 Proprietary Limited	25.05%	Z
Sweden		
- c/o ForeningsSparbanken AB, 105 34 Stockholm		
EnterCard Holding AB	40.00%	A, K, Z
EnterCard Sverige AB	40.00%	Z
Tanzania, United Republic of		
- Azali Certified Public Secretaries, Hillside Apartments, First Floor, Suite #04, Ragati Road Upperhill, Nairobi		
First Assurance Company Limited (Tanzania)	16.79%	
- Barclays House, P O Box 5137, Ohio Street, Dar es Salaam		
Barclays Bank Tanzania Limited	50.10%	G, I
- Mezzanine Floor, NBC House, Sokoine Drive, Dar Es Salaam		
National Bank of Commerce Limited	27.55%	
Turkey		
- Bahcelievier Mah., Kaldirim Cad. No. 34/1, Cengelkoy-Uskudar, Istanbul		
CRKK RESORT OTEL ISLETMECILGI LIMITED SIRKETI	54.40%	Z
Uganda		
- 16 Kampala Road, Kampala		
Barclays Bank of Uganda Limited	50.10%	
United States of America		

Notes to the financial statements
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45 Related undertakings continued

iSentials Proprietary Limited	25.05%	
MAN Financial Services (SA) (RF) Proprietary Limited	25.05%	
Marmanet Retirement Village Proprietary Limited	50.10%	
Kempwest Proprietary Limited	25.05%	
Lekkerleef Eiendoms Beperk	50.10%	
- 777 Main Street, Fort Worth TX 76102 (Cont'd)		
Crescent Crown Land Holding SPV LLC	80.00%	C, Z
Crescent Plaza Hotel Owner GP, LLC	80.00%	C, Z
Crescent Plaza Hotel Owner, L.P.	80.00%	B, Z
Crescent Plaza Residential LP, LLC	80.00%	C, Z
Crescent Plaza Residential, L.P.	80.00%	B, Z
Crescent Plaza Residential, LLC	80.00%	C, Z
Crescent Plaza Restaurant GP, LLC	80.00%	C, Z
Crescent Property Services LLC	80.00%	C, Z
Crescent Real Estate Equities Limited Partnership	80.00%	B, Z
Crescent Real Estate Equities, LLC	80.00%	C, Z
Crescent Real Estate Holdings LLC	80.00%	C, Z
Crescent Resort Development LLC	80.00%	C, Z
Crescent Tower Residences GP, LLC	80.00%	C, Z
Crescent Tower Residences, L.P.	80.00%	B, Z
Crescent TRS Holdings LLC	80.00%	C, Z
Crescent-Fearing, L.P.	40.00%	B, Z
CREW Tahoe Holdings LLC	80.00%	C, Z
DBL Texas Holdings LLC	80.00%	C, Z
Desert Mountain Development LLC	80.00%	C, Z
Desert Mountain Properties Limited Partnership	74.40%	B, Z
East West Resort Development VII LLC	80.00%	C, Z
Mira Vista Development LLC	78.40%	C, Z
Moon Acquisition Holdings LLC	80.00%	C, Z
Moon Acquisition LLC	80.00%	C, Z
Mountainside Partners LLC	80.00%	C, Z
Sonoma Golf Club, LLC	64.00%	C, Z
Sonoma Golf, LLC	64.00%	C, Z
Sonoma National, LLC	80.00%	C, Z
- 8600 E. Rockcliff Road, Tuscon AZ 85750		
Canyon Ranch Enterprises, LLC	54.40%	C, Z
CR Employment, Inc.	54.40%	Z
CR Las Vegas, LLC	54.40%	C, Z
CR License, LLC	54.40%	C, Z
CR Miami Employment, LLC	54.40%	C, Z
CR Miami, LLC	54.40%	C, Z
CR Operating, LLC	54.40%	C, Z
CR Orlando, LLC	54.40%	C, Z
CR Products, LLC	54.40%	C, Z
CR Resorts, LLC	54.40%	C, Z
CR SpaClub at Sea, LLC	54.40%	C, Z
Spa Project Advisors, LLC	54.40%	C, Z
Tucson/Lenox Special Manager, Inc.	54.40%	Z
Tucson/Lenox, LLC	54.40%	C, Z
- 126 Riverfront Lane , 5th Floor, Drawer 2770, Avon CO 81620		
Blue River Land Company, LLC	39.55%	C, Z
East West Resort Development IV, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development VI, L.P., L.L.L.P.	35.86%	B, Z
East West Resort Development VIII, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development XIV, L.P., L.L.L.P.	33.52%	B, Z
EW Deer Valley, LLC	29.28%	C, Z
EWRD Perry Holding, L.P., L.L.L.P.	67.61%	B, Z
EWRD Perry-Riverbend, LLC	54.31%	C, Z
EWRD Summit Holding, L.P., L.L.L.P.	79.57%	B, Z
EWRD Summit, LLC	79.10%	C, Z
MV Penthouses, LLC	51.20%	C, Z
Vendue/Prioleau Associates LLC	49.60%	C, Z
Water House on Main Street LLC	35.26%	C, Z
- 3001 Northstar Drive, C200, Truckee CA 96161		
CREW Tahoe LLC	60.80%	C, Z
East West Resort Development V, L.P., L.L.L.P.	74.75%	B, Z
Gray's Station, LLC	56.96%	C, Z
Home Run Tahoe, LLC	60.82%	C, Z
Northstar Mountain Properties, LLC	60.82%	C, Z
Northstar Trailside Townhomes, LLC	60.82%	C, Z
Northstar Village Townhomes, LLC	56.93%	C, Z
Old Greenwood Realty, Inc.	60.80%	Z
- 777 Main Street, Fort Worth TX 76102		
CR Lenox Residences, LLC	54.40%	C, Z
CR Management, LLC	54.40%	C, Z
CRE Diversified Holdings LLC	80.00%	C, Z
Crescent Crown Greenway Plaza SPV LLC	80.00%	C,Z
Old Greenwood, LLC	60.80%	C, Z
Tahoe Club Company, LLC	60.80%	C, Z
Tahoe Mountain Resorts, LLC	60.82%	C, Z
The Glades Tahoe, LLC	60.82%	C, Z
- Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington DE 19808		
CR SPE1, LLC	54.40%	C, Z
Crescent CR Holdings LLC	80.00%	C, Z
Crescent Fresh Series B Hold Co.	80.00%	Z
Crescent McKinney Olive Holdings GP LLC	80.00%	C, Z
MVWP Development LLC	30.40%	C, Z
MVWP Investors LLC	60.80%	C, Z
Stellar Residences, LLC	60.82%	C, Z
Stellar Townhomes, LLC	60.82%	C, Z
- 1701 Wynkoop Street, Suite 140, Box 47, Denver CO 80202		
Parkside Townhomes, LLC	47.63%	C, Z
St. Charles Place, LLC	47.63%	C, Z
The Park at One Riverfront, LLC	47.63%	C, Z
Central Platte Valley Management, LLC	51.78%	C, Z
Union Center LLC	51.78%	C, Z
- Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801		
DG Solar Lessee II, LLC	50.00%	C, Z
DG Solar Lessee, LLC	50.00%	C, Z
Cupric Canyon Capital LLC	40.03%	FF, Z
VS BC Solar Lessee I LLC	50.00%	C, Z
- East West Partners, Inc., 126 Riverfront Lane, 5th Floor, Avon CO 81620		
Tahoe Club Employee Company	60.80%	Z
- 200 Renaissance Parkway Suite 20, Atlanta, Georgia 30308		
Overlook at Sugarloaf Inc	50.10%	
- C/O Capitol Services Inc., Suite B, 1675 South State Street, Dover DE 19901-5140		
Continental Intermodal Group LP	37.58%	FF, Z
- C/O W.J. Harrison & Associates, P.C., 3561 East Sunrise Dr., Ste. 201, Tuscon AZ 85718		
CR Bodrum Management, LLC	54.40%	C, Z
- 6600 Mira Vista Blvd., Fort Worth TX 76132		
Mira Vista Golf Club, L.C.	76.83%	Z
- c/o National Corporate Research Ltd. 615 DuPont Highway, Dover, Kent County, DE 19901		
Surrey Funding Corporation	99.45%	
Sussex Purchasing Corporation	99.45%	
Zambia		
- 3rd Floor, Mpile Park, 74 Independence Avenue, Lusaka		
Barclays Life Zambia Limited	50.10%	
- Stand No. 4643 and 4644, Elunda Office Park, Addis Ababa Roundabout, Lusaka		
Barclays Bank Zambia PLC	50.10%	
- Kafue House, Cairo Road, Lusaka, 10101		
Kafue House Limited	50.10%	
Zimbabwe		
- 2nd Floor, Barclay House, Corner First Street, Jason Moyo Avenue, PO Box 1279, Harare		
Barclays Bank of Zimbabwe Limited	67.68%	
Barclays Merchant Bank of Zimbabwe Limited (In Liquidation)	67.68%	
Barclays Zimbabwe Nominees (Pvt) Limited	67.68%	
Fincor Finance Corporation Limited	67.68%	
- 2 Premium Close, Mount Pleasant Business Park, Mount Pleasant , Harare		
BRAINS Computer Processing (Pvt) Limited (In Liquidation)	78.45%	F, I

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45 Related undertakings continued

Subsidiaries by virtue of control

The related undertakings below are subsidiaries in accordance with s.1162 Companies Act 2006 as Barclays can exercise dominant influence or control over them. The entities are owned by The Barclays Bank UK Retirement Fund.

United Kingdom		
- 1 Churchill Place, London, E14 5HP		
Oak Pension Asset Management Limited	0.00%	Z
Water Street Investments Limited	0.00%	Z
Cayman Islands		
- PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Hornbeam Limited	0.00%	Z

Joint Ventures

The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

United Kingdom				
Vaultex UK Limited	50.00%	A	**21 Garlick Hill, London, EC4V 2AU**	The Joint Venture Board comprises two Barclays representative directors, two JV partner directors and three non-JV partner directors. The Board are responsible for setting the company strategy and budgets.

Notes

A	Directly held by Barclays Bank PLC
B	Partnership Interest
C	Membership Interest
D	Trust Interest
E	Guarantor
F	Preference Shares
G	A Preference Shares
H	B Preference Shares
I	Ordinary/Common Shares in addition to other shares
J	A Ordinary Shares
K	B Ordinary Shares
L	C Ordinary Shares
M	F Ordinary Shares
N	O Ordinary Shares
O	W Ordinary Shares
P	Redeemable Ordinary Shares
Q	Core Shares and Insurance (Classified) Shares
R	B, C, D, E (94.36%), F (94.36%), G (94.36%), H (94.36%), I (94.36%), J (95.23%) and K Class Shares
S	A and B Unit Shares
T	Class A Residual Shares, Class B Residual Shares
U	A Voting Shares and B Non-Voting Shares
V	Class A Ordinary Shares, Class A Preference Shares (48.50%), Class B Ordinary Shares, Class C Ordinary Shares, Class C Preference Shares (92.53%), Class D Ordinary Shares, Class D Preference Shares, Class E Ordinary Shares, Class E Preference Shares, Class F Ordinary Shares, Class F Preference Shares, Class H 2012 Ordinary Shares, Class H 2012 Preference Shares, Class H Ordinary Shares, Class H Preference Shares (79.84%), Class I Preference Shares (50.00%), Class J Ordinary Shares, Class J Preference Shares
W	First Class Common Shares, Second Class Common Shares
X	PEF Carry Shares
Y	EUR Tracker Shares, GBP Tracker Shares and USD Tracker Shares
Z	Not Consolidated (see Note ##IFRS12 Structured entities)
AA	USD Linked Ordinary Shares
BB	Redeemable Class B Shares
CC	A Ordinary, Y Ordinary, Z Ordinary
DD	A Ordinary, B Ordinary, ZA Ordinary, ZB Ordinary, D Ordinary
EE	A Ordinary, ZI Ordinary
FF	Class A Units / Interests

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 2016 to the corresponding twelve months of 2015 and balance sheet analysis as at 31 December 2016 with comparatives relating to 31 December 2015. The abbreviations '£m' and '£bn' represent millions and thousands of millions of Pounds Sterling respectively; the abbreviations '$m' and '$bn' represent millions and thousands of millions of US Dollars respectively; and the abbreviations '€m' and '€bn' represent millions and thousands of millions of Euros respectively. Comparatives have been restated to reflect the implementation of the Group business reorganisation. These restatements were detailed in our announcement on 14 April 2016, accessible at home.barclays/results. There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time. Notable items as set out on page 163 and are considered to be significant items impacting comparability of performance. 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 home.barclays/results. The information in this announcement, which was approved by the Board of Directors on 22 February 2017, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016, which include certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC to the US Securities and Exchange Commission (SEC) and which contained an unqualified audit report under Section 495 of the Companies Act 2006 (which did not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006. These results will be furnished as a Form 20-F to the SEC as soon as practicable following their publication. Once furnished with the SEC, copies of the Form 20-F will also be available from the Barclays Investor Relations website home.barclays/results and from the SEC's website at www. sec.gov. Barclays is a frequent issuer in the debt capital markets and regularly meets with investors via formal road-shows and other ad hoc meetings. Consistent with its usual practice, Barclays expects that from time to time over the coming quarter it will meet with investors globally to discuss these results and other matters relating to the Group.

Non-IFRS performance measures

Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to pages 177 to 182 for further information, reconciliations and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

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 the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements 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 or guidance regarding the Group's future financial position, income growth, assets, impairment charges, provisions, notable items, business strategy, structural reform, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, rundown of assets and businesses within Barclays Non-Core, sell down of the Group's interest in Barclays Africa Group Limited, 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, 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, future levels of notable items, 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 any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implications of the results of the 23 June 2016 referendum in the United Kingdom and the disruption that may result in the UK and globally from the withdrawal of the United Kingdom from the European Union; the implementation of the strategic cost 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, expectations and guidance set forth in the Group's forward-looking statements. Additional risks and factors which may impact the Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our annual report on form 20-F for the fiscal year ended 31 December 2016), which are available on the SEC's website at www.sec.gov. Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.