Barclays Bank plc
Full Rating Report

Ratings

<table>
<thead>
<tr>
<th>Foreign Currency</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Long-Term IDR</td>
<td>A</td>
</tr>
<tr>
<td>Short-Term IDR</td>
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</tr>
<tr>
<td>Viability Rating</td>
<td>a</td>
</tr>
<tr>
<td>Support Rating</td>
<td>5</td>
</tr>
<tr>
<td>Support Rating Floor</td>
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</table>

<table>
<thead>
<tr>
<th>Barclays plc</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term IDR</td>
<td>A</td>
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<table>
<thead>
<tr>
<th>Sovereign Risk</th>
<th>Rating</th>
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<tr>
<td>Foreign-Currency Long-Term IDR</td>
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</tr>
<tr>
<td>Local-Currency Long-Term IDR</td>
<td>AA+</td>
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Outlooks

<table>
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<th>Stable</th>
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<tr>
<td>Sovereign-Foreign-Currency Rating</td>
<td>Stable</td>
</tr>
<tr>
<td>Long-Term Rating</td>
<td>Stable</td>
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Financial Data

### Barclays plc

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<thead>
<tr>
<th></th>
<th>30 Jun 14</th>
<th>31 Dec 14</th>
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<tbody>
<tr>
<td>Total assets (USDbn)</td>
<td>1,881</td>
<td>2,119</td>
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<tr>
<td>Total assets (GBPbn)</td>
<td>1,197</td>
<td>1,358</td>
</tr>
<tr>
<td>Total equity (GBPbn)</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td>Operating profit (GBPbn)</td>
<td>3,730</td>
<td>5,988</td>
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<tr>
<td>Net income (GBPbn)</td>
<td>2,108</td>
<td>845</td>
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<tr>
<td>Operating ROAE (%)</td>
<td>0.57</td>
<td>0.44</td>
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<tr>
<td>Operating ROAA (%)</td>
<td>12.42</td>
<td>10.25</td>
</tr>
<tr>
<td>Growth of gross loans (%)</td>
<td>0.62</td>
<td>-1.87</td>
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<tr>
<td>Internal capital generation (%)</td>
<td>3.75</td>
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<tr>
<td>CET 1 ratio (%)</td>
<td>11.1</td>
<td>10.3</td>
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<tr>
<td>Total capital ratio (%)</td>
<td>17.4</td>
<td>16.5</td>
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Key Rating Drivers

**Diversified Global Franchise:** Barclays plc’s (Barclays) and Barclays Bank plc’s ratings reflect the group’s diversified operations. The strength of its company profile lies in its robust position in domestic retail and corporate banking and its profitable credit card franchise, which are offset by more volatile capital markets businesses. The group reduced its investment bank (IB), but it remains sizeable and exposes Barclays to material market and credit risk.

**Improving Capitalisation:** Barclays’ capitalisation continues to improve and its fully loaded common equity tier 1 (CET1) ratio is within its peer group range. We expect the group to strengthen its capital ratios to above 12% as it targets a ratio about 150bp above the regulatory minimum. At 4.1%, the leverage ratio is still weaker than at its US peers but in line with that of its UK and European peers. We believe that Barclays would be able to strengthen its leverage ratio further, if required.

**Improving Core Earnings:** Barclays’ performance in its retail, corporate banking and credit card businesses is sound. Profitability at the restructured investment bank improved after a weak performance in 2014. We expect earnings volatility to be lower than in the past, as some of the riskier assets were placed in the non-core unit and are being wound down. As operating expenses decline, Barclays should be able to reap the benefits of its strong franchises in retail banking and credit cards.

**Ongoing Conduct Risks:** Barclays is exposed to material conduct costs, including ongoing costs for UK customer redress, regulatory fines related to misconduct in its securities businesses and civil litigation cases. The group has made efforts to improve risk controls and minimize the risk of future litigation. Nevertheless, we expect conduct costs to continue to drag on performance as the group works through legacy issues. The impact on capitalisation and franchise value should, however, remain manageable.

Rating Sensitivities

**Increased Risk Appetite:** Ratings would come under pressure if the bank’s risk appetite, or its earnings volatility, increase materially. Ratings would also come under pressure if the bank’s capital markets franchise is damaged materially to the extent that it affects the business model. Upside potential for the VR is limited in the medium term by the sizeable investment bank.

**Changing Group Structure:** Barclays is required to establish a ring-fenced subsidiary in the UK and an intermediate holding company in the US. The group plans to house the UK domestic retail and other businesses in a new legal entity, the ring-fenced bank. Barclays Bank and its international subsidiaries will remain outside the ring-fence, but the group has not reached a final decision on where some of its businesses will be located. The creation of separately capitalised and ring-fenced entities could result in ratings differentiation over time.

**Holdco Debt Buffer:** Barclays Bank’s IDR could be upgraded one notch above its Viability Rating (VR) if debt issued by the holding company (holdco) and Barclays Bank’s own external junior debt provide greater protection for its senior creditors. Fitch does not consider the group’s subordinated debt and hybrid capital buffer large enough to warrant assigning a Long-Term IDR above its VR. Because external senior debt issued by the holdco is downgraded as senior debt to Barclays Bank, it does not afford protection to it.

Related Research

- Global Trading and Universal Banks: Peer Review

Analysts

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www.fitchratings.com 30 September 2015
Company Profile

Diversified Operations but Complex Group Structure

Barclays’ company profile has a high influence on its VR. The group has strong franchises across a wide range of geographies and products, including good market shares in domestic retail and corporate banking, a global credit cards business, established presences in several African markets and a large, albeit decreasing, investment bank. Its balanced franchise should help the group generate adequate returns and avoid excessive risk concentration.

Fitch’s assessment of Barclays’ company profile also factors in its complex group structure with a large number of legal entities, spread across several jurisdictions. The group’s structure is evolving as Barclays will be required to create a ring-fenced bank in the UK and establish an intermediate holding company in the US. At the same time, Barclays is restructuring its operations by exiting certain businesses, rebalancing its business mix and reducing operating expenses, which carries execution risk.

Barclays is managed along four core businesses and a non-core unit. As the weight of non-core assets declines and cost synergies are realised, Barclays’ focus on less volatile business segments should allow it to generate improved performance. However, in the medium-term we expect that the weaker-performing assets in the non-core unit and restructuring related costs will continue to be a drag on the group’s performance.

Strong Personal & Corporate Banking Business

The group’s Personal & Corporate Banking (PCB) unit (GBP120.6bn of risk-weighted assets (RWAs) at end-1H15), forms an important cornerstone for the bank’s strategy. The unit includes Barclays’ strong franchise in the UK, where it has leading market shares among retail and small business customers. It also includes the group’s UK and international corporate banking business (about one million corporate customers), and Barclays’ wealth management client activities (about 36,000 clients). In June 2015 Barclays sold its US wealth management business, which managed about USD56bn in client assets.

Barclays’ UK retail banking business has generated strong revenue but has, however, suffered from provisions for redress for the sale of payment protection insurance (PPI) products, which between 2011 and 1H15 amounted to GBP6bn (including provisions booked in other divisions).

Barclays continues to invest in technology to improve efficiency and product offerings in PCB. As the group exits its retail and corporate banking activities in continental Europe (Barclays sold most of its Spanish operations in 2014 and expects to complete the sale of most Portuguese operations by early 2016), core retail banking outside the African region will concentrate on the UK, while corporate banking activities will concentrate on UK and multi-national clients.

Investment Bank to Remain Sizeable

IB accounted for GBP115.3bn RWA at end-1H15, down from GBP222bn at end-2013, which is already lower than the bank’s GBP120bn end-2016 target. The bulk of the RWA decline was the result of the creation of the non-core division, to which GBP90bn RWA from the IB were transferred and from which assets are gradually being disposed, including a large proportion of its commodities and emerging markets businesses and legacy derivatives. The bank does not plan to increase capital employed and expects that RWA in the division will amount to no more than 30% of Barclays’ total RWA.

Nonetheless, Barclays will continue to maintain a sizeable IB franchise which will likely concentrate on its debt and equities origination businesses and its advisory franchise, areas where the group has critical mass and should be in a good position to compete effectively with its peers. Trading activities will likely be limited to equities, including cash and equities derivatives and prime services and standard fixed income. Fixed income will concentrate on short-term instruments that are cleared and collateralised and executed on electronic platforms where possible.
Figure 1
Barclays Investment Bank Ranking

<table>
<thead>
<tr>
<th></th>
<th>1H15 rank</th>
<th>2014 rank</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global investment banking</td>
<td>7</td>
<td>7</td>
<td>3.9</td>
</tr>
<tr>
<td>Global capital markets</td>
<td>4</td>
<td>4</td>
<td>5.9</td>
</tr>
<tr>
<td>O/w equity and equity-related</td>
<td>9</td>
<td>9</td>
<td>3.9</td>
</tr>
<tr>
<td>O/w debt and syndicated loans</td>
<td>4</td>
<td>5</td>
<td>5.2</td>
</tr>
<tr>
<td>Global M&amp;A financial advisory (announced)</td>
<td>8</td>
<td>9</td>
<td>12.7</td>
</tr>
<tr>
<td>O/w US</td>
<td>4</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>O/w EMEA</td>
<td>7</td>
<td>14</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: Thompson Reuters Deal Making Intelligence, Fitch

As the division was downsized, revenue declined sharply and Barclays' share of trading revenue relative to other rated global trading and universal banks (GTUBs) decreased to around 7% at 1H15 from around 10% in 2013. According to Thomson Reuters league tables, Barclays ranked 4th in global capital markets in 1H15 by fees earned, with strengths in US and EMEA debt and convertible equity; 7th in global investment banking and 8th in M&A advisory.

Growth in Barclaycard

Barclays' credit card business has a strong international franchise and has seen material growth. The group is market leader in UK credit cards and has a strong international presence which includes the US, Germany, Spain, Portugal, Norway, Sweden and Denmark, with over 30m card customers. Barclaycard is a leading card provider in many of the markets where it is present, and the group's scale has helped to expand the business while maintaining good cost control. The South African card business is included in the Africa division.

The US franchise is fast growing, with card balances increasing to about GBP14.3bn at end-1H15. Growth is pursued through cooperation with branded partners targeting lower-risk customers, as well as through the group’s own brand. The UK card business has grown as the group concentrated on balance transfers.

Barclays aims to expand its card business, mainly organically, but it has also made targeted acquisitions. Its good franchise among cardholders and points of sales and investments in payment technology should help maintain growth momentum in this segment.

Growth Opportunities in Africa

Operations in Africa are grouped under the South Africa incorporated Barclays Group Africa Limited (BAGL), in which Barclays holds a 62.3% stake. The group’s largest operations are in South Africa through Absa Bank Limited (A-/Negative/bbb). During 2013, Barclays’ African operations outside South Africa, namely Botswana, Ghana, Kenya, Zambia, Mauritius, Seychelles, Tansania, Mozambique and Uganda were transferred to BAGL. The subsidiaries in Egypt and Zimbabwe are still held directly by the holding company.

Barclays plans to look for opportunities to grow its African operations, which include retail and business banking, corporate and investment banking, wealth management and insurance. The good geographic coverage of the region and access to technology and expertise should help it attract multi-national clients with interests in Africa, and to expand its corporate and wealth and investment management businesses in the region.

Accelerated Wind-Down of Non-Core Unit

Barclays' non-core operations are grouped in 'Barclays Non-Core' (BNC), a unit established in 2Q14, into which the group transferred assets it intends to discard either through sale or by letting them run-off. These included GBP59bn RWA that formed part of the ‘exit quadrants’ earmarked in the group’s 2013 strategy review and GBP51bn RWA identified in 2014.

The group has made good progress in reducing the division’s RWA towards the initial end-2016 target of GBP50bn. At end-June 2015 the unit had reached GBP56.6bn RWA, of which 18% from the retail and corporate banking businesses, including the group’s continental European operations.
activities, wealth and Barclaycard portfolios, 21% non-strategic IB securities and loans and 46% derivatives, including commodity and non-standard contracts. During 3Q15 BNC’s RWA were reduced by further GBP1.2bn through the sale of the UK Secured Lending portfolio. Barclays also agreed to sell parts of its Portuguese retail and corporate banking businesses, which should result in a reduction of ca GBP1.7bn RWA at completion, which is expected to occur in early 2016. The group announced that it aims to reduce RWAs in the unit to about GBP20bn by 2017, and subsequently reintegrate the unit into its core business.

BNC will likely continue to add some volatility to Barclays’ results as income-generating businesses are sold or mature and operating expenses, which to a large extent relate to the remaining European retail businesses, drag on. In 2Q15 the non-core burden resulted in a 3.2pp difference between group and core adjusted return on equity (RoE).

Management and Strategy
High Senior Management Turnover
Turnover among Barclays’ executive management and board has been higher than at many peers. Since 2013, Barclays has replaced its CEO, CFO and most of its business division heads. A new chairman of the board was appointed in 2015, after his predecessor had held the role since 2012. The departure of Barclays’ CEO in July 2015 in our opinion highlights the challenges faced by the bank to execute on its plans to improve its performance. The chairman assumed the role of Executive Chairman until a replacement is appointed.

Successful Balance Sheet Strengthening But Performance Remains Weak
Management has made good progress towards strengthening capitalisation and reducing non-core assets and operating expenses. Core profitability has improved, but to reach its targets, the bank in Fitch’s opinion will need to continue addressing revenue generation and cost efficiency.

Barclays’ strategy reviews in 2013 and 2014 underlined the importance of the bank’s core retail and corporate businesses in its home markets and its global credit card business, which have formed an important pillar of its business for many years. The strategy for its investment bank has seen more fine-tuning as Barclays, together with many of its peers, has had to adapt to a changing operating environment and an evolving regulatory landscape. As the investment bank’s strategy is evolving, the group has to demonstrate that it can protect its capital markets franchise and generate adequate profitability in this business without increasing risk appetite materially.
Risk Appetite

Moderate Risk Appetite

Barclays' strategy aims to reduce the bank's risk appetite as it rebalances the business mix and reduces the weight of its more volatile capital markets businesses. The group has a good track record in managing and controlling credit and market risk. However, exposure to conduct risk is high, as demonstrated by recurring sizeable fines and customer redress costs. Barclays will have to demonstrate that improved controls around conduct risks are effective in protecting it from new material conduct issues. Any new issues could indicate weaknesses in corporate governance or controls.

Conservative Underwriting Standards in Retail and Corporate Lending

We consider Barclays’ risk appetite in its retail and corporate lending conservative and we do not envisage that lending growth in these areas will result in higher risk. The quality of Barclays’ UK mortgage portfolio reflects the bank’s cautious underwriting policies and its decision to target more affluent lower-risk customers. Loan-to-value (LTV) ratios are generally low and new mortgages with LTVs above 85% account for a moderate percentage of new lending. In addition, affordability is a key determinant for lending decisions.

Planned growth in its credit card business should be viewed in light of its strong cards franchise, good performance track record, access to good client data and the benign economic environment. Underwriting criteria for lending to small- and medium-sized enterprises (SMEs) have proven adequate with the exception of the bank's continental European corporate loan portfolio, which has been transferred to BNC and is run down.

Barclays' plans to grow its African businesses are likely to result in a gradual rise in exposure to the region, which will however be from a low base. Outside Africa, exposure to emerging markets is moderate and declining following the bank's decision to transfer some emerging market portfolios to BNC.

The bank has reduced its risk appetite in IB, where underwriting standards are in line with peers’. Standards appear adequate, and the bank has not suffered major loan losses in large corporate loans in recent years.

Sound Risk Governance and Management Framework

Barclays' risk governance and management systems are well-established, and robust controls are in place. The group’s risk functions are involved in the annual medium-term planning process, which sets out the group’s objectives. A board risk committee reviews the bank’s risk profile and approves its control framework, while a financial risk committee monitors the risk profile in respect of risk appetite and considers issues escalated by risk heads and business risk divisions. Additional committees are in place to ensure that all risks are adequately covered, controlled and monitored. The group has a clearly defined process to ensure appropriate model approval, and all models operating in the group treat risks consistently.

A comprehensive set of limits is in place, and the bank has a good track record in managing financial risks, even throughout stress periods. Limits include stress limits as the bank seeks to limit losses even during periods of extreme stress. Participating in regulatory stress tests has strengthened the group’s stress testing capacity as well.

Material but Reducing Market Risk in Securities Business

As a globally operating banking group active in securities businesses, Barclays is exposed to complex financial instruments, but the bank’s decision to exit its non-standard derivatives book and reduce longer-term securities transactions is gradually reducing this exposure. Market risk exposure arises primarily in Barclays’ investment bank, where the group’s trading activities are concentrated, and in BNC, which holds non-strategic trading assets.

Barclays will likely continue to run a large capital markets business that includes material credit

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Risk Appetite Table

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<thead>
<tr>
<th>Bank</th>
<th>1H15</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Suisse</td>
<td>6.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>6.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>4.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Barclays</td>
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<td>4.3</td>
</tr>
<tr>
<td>UBS</td>
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</tr>
<tr>
<td>BNP Paribas</td>
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<td>Societe Generale</td>
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<tr>
<td>Citi</td>
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<td>Bank of America</td>
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<td>JPMorgan</td>
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<td>HSBC</td>
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</table>

Source: Banks' financial statements and disclosure, adjusted by Fitch

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Market Risk Graph

Figure 4

Traded Market Risk

- Loss days (RHS)
- Max VaR (LHS)
- Avg VaR (LHS)
- Stressed VaR (LHS)

Source: Barclays; Fitch

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Stressed VaR Graph

Figure 5

Fitch Stressed VaR/Fitch Core Capital

(%) 1H15 2014

Credit Suisse 6.5 5.5
Goldman Sachs 6.0 7.0
Morgan Stanley 4.8 4.7
Deutsche Bank 4.0 4.4
Barclays 3.0 4.3
UBS 2.9 3.2
BNP Paribas n.a. 2.8
Societe Generale n.a. 2.7
Citi 2.4 3.1
Bank of America 1.5 2.4
JPMorgan 1.5 1.6
HSBC 1.1 1.4

Source: Banks' financial statements and disclosure, adjusted by Fitch
trading and the group has a high market share in leveraged finance. This means that the group will maintain sizeable credit and market risk exposures in these operations. Barclays’ strong underwriting track record is an important mitigating factor for these exposures.

The group measures and manages traded market risk using a variety of tools, which include value-at-risk (VaR; historical simulation, 95% confidence interval for management VaR, one-day holding period) as the primary measure. VaR is complemented by measures to capture tail risk more accurately, and the bank uses stress testing and scenario analyses to evaluate the impact of more extreme events on its trading portfolios.

Traded market risk exposure has steadily declined over recent years, as indicated by several risk metrics. The bank’s average daily VaR fell to GBP18m in 1H15 from GBP 23m in 1H14, driven by a decline in interest rate risk. The decline in traded market risk exposure is demonstrated also by the reduced inventory and strategies to hedge against tail risks. Maximum overall VaR declined to GBP25m in 1H15 (1H14: GBP31m), a fraction of the GBP88m reported in 2011. The bank reported fewer daily trading losses in 2014 than in previous years, i.e. five days with negative daily trading revenue, compared to seven days in 2013, 31 days in 2012 and 91 days in 2011, when the hike in market volatility and efforts to reduce inventory led to a high number of loss days particularly in the second half of the year.

Reduced market risk exposure is also demonstrated by Barclays’ Fitch stressed VaR (the scaled-up sum of the high VaRs reported for each risk factor) as a proportion of Fitch Core Capital (FCC) having declined over the past three years. However, the group’s Fitch stressed VaR/FCC ratio remains at the upper end of the peer group, partly reflecting Barclays’ more granular reporting of traded market risk factors, but also the relatively high weight of investment banking activities. At end-2014 the group estimated that a +100bp shift in interest rates would decrease equity by 4.13% and a -100bp shift would increase equity by 2.89%.

**Conduct Risk Exposure Remains Material**

Barclays’ has taken measures to ensure that the bank’s businesses are undertaken in a way to minimise future litigation and regulatory risks. Nevertheless, the bank remains exposed to material operational and reputation risk until legacy conduct issues have been resolved. The biggest impact to date has come from redress for products sold to UK retail customers in the past (GBP7.75bn provided against mis-selling payment protection insurance, interest rate hedging and other products since 2011).

In May 2015 the bank announced that it had agreed to pay a GBP1.534bn fine in relation to accusations of manipulating foreign exchange rates brought by several UK and US authorities. Unlike some of its peers, Barclays did not settle with UK authorities in 2014 and consequently faced settlements with more counterparties and higher amounts in 2Q15. At the same time it agreed to settle with the US Commodity Futures Trading Commission (CFTC) in the investigations regarding manipulating the US Dollar International Swaps and Derivatives Association Fix (ISDAfix) and was fined further GBP74.2m, bringing total 1H15 fines to GBP1.6bn (ca. USD2.4bn).

The remaining main investigations and litigation reflects Barclays’ activities in capital markets and is materially in line with peers’ exposure to conduct risk. Barclays received full immunity in the European Commission’s investigation into Libor and Euribor setting, avoiding a fine of about EUR690m.

**Other Material Investigations Ongoing**

Barclays is subject to a number of lawsuits in relation to the RMBS activities undertaken between 2005 and 2008. At end-1H15 it faced unresolved repurchase requests associated with
Barclays reports various metrics for impaired loans, our spreadsheet has since 2014 been based on credit risk loans (CRL) as IFRS-impaired loans (GBP17.9bn at end-2014) are a very conservative measure as they include gross impaired loans that are less than 90 days past due.

CRL are defined as loans with an individually identified impairment allowance and all retail loans that have been passed to legal recovery. CRL also include accruing past due 90 days or more and impaired and restructured loans. CRL include some performing loans.

representations and warranties provided on about USD2.6bn loans; civil actions related to alleged false and misleading information provided with respect to some USD2.3bn RMBS and investigations by regulatory and government authorities regarding its mortgage-related activities. In April 2014, the group settled litigation with the US Federal Housing Finance Agency in connection with RMBS purchases for the payment of USD280m.

Other cases the bank is involved in include breach of listing rules by not disclosing relevant advisory fees in the listing documents; facilitating money transfers by a terrorist organisation; breaching contracts, etc. Most of the lawsuits are related to misconduct before the financial crisis, and will likely take several years to resolve.

Financial Profile
Asset Quality
Barclays’ asset quality is sound. Impaired and other problem loans continued to decline in 1H15 as economic conditions improved, particularly in the UK. Potential further impairments in the group’s continental European loan portfolios should remain manageable given their relatively small size following the divestment of Spain and Portugal. Impairments in Barclays’ IB loan book tend to be lumpier, but overall the quality of the book remains sound.

Good Quality Retail Portfolio
The group’s retail lending portfolio primarily consists of residential mortgage lending, primarily in the UK, a global credit card portfolio and a UK small business lending portfolio. The bank also has a loan book in Africa, primarily in South Africa. The continental European retail and corporate businesses, which had performed weakly because of the financial crisis, were transferred to BNC. After the sale of the Spanish loan book, the weakest quality non-core retail assets are now in the Italian loan book.

UK residential mortgages (GBP128bn at end-1H15) have performed strongly, and asset quality benefits from low LTVs with an average balance weighted LTV of 51% at end-1H15, on a declining trend due to the domestic house price appreciation. Only 3.1% of mortgages had LTVs above 85% and LTVs on new mortgage lending are moderate, with average balance-weighted LTV of 62% and 8.3% mortgages with LTV above 85% in 1H15. At end-1H15, over 90 day arrears including recoveries stood at 0.2% and the annualised gross charge-off rate was a modest 0.4%, stable yoy.

About 40% of the total 1H15 UK residential mortgage book consists of interest-only mortgages and about 50% of home loan customers in the UK benefit from a mortgage current account and can draw down further against the equity in their homes. Total limits against this product, 1 These were provided in relation to US residential mortgages sponsored, underwritten and sold. If breached, they require that Barclays repurchase the underlying loans, or make other payments
offered until 2012, were GBP17.9bn at end-2014, and were 32% utilised. Barclays is managing the credit and conduct risks inherent in these potentially higher-risk products, and asset quality in the interest-only portfolio has to date remained sound.

The asset quality in the bank’s home loan portfolios outside the UK is weaker, with loans in recoveries 3% in Italy and 4.1% in South Africa at end-2014. The South African home loan portfolio (GBP11bn gross loans at end-1H15) also performed weakly in the past, but increased coverage and declining impaired loans indicate a stabilisation of asset quality there.

Some GBP12bn mortgage loans in Italy were transferred to BNC as the group plans to exit these businesses. About GBP13bn Spanish home loans were sold together with other retail assets at the beginning of 2015. The announced sale of the Portuguese businesses will reduce assets further, but the mortgage portfolio in Portugal was smaller, at GBP2.64bn at end-2014.

**Fast Growing Credit Card Portfolio Well Managed to Date**

Unsecured retail lending to consumers stood at about GBP50bn at end-1H15 and is predominantly concentrated in Barclays’ credit card portfolio and in the UK personal loan book, which make up around 80% of the portfolio. Credit card lending is predominantly extended in the UK (GBP17.4bn) and the US (GBP14.3bn, +39% since end-2013). Gross annualised charge-off rates for cards (5.6% in the UK, 3.9% in the US) are higher than in other portfolios but pricing incorporates the intrinsically weaker asset quality of the segment.

The bank plans to expand its card portfolio overall and has maintained its cards operations in Spain and Portugal. As market leader in the UK, Barclays continues to offer zero per cent balance transfers, which remains an attractive opportunity for the group to expand its client base.

**Material Corporate and Wholesale Credit Risk Exposure**

At end-1H15, gross wholesale loans and advances amounted to GBP266.4bn, 3% higher than end-2014 as increased cash collateral and settlement balances in IB (total loans and advances excluding fair-valued loans of GBP106bn at end-2014) more than offset shrinking portfolios in BNC. The quality of the portfolio is generally good and loan impairment charges and credit risk loans are very low.

Barclays is an important participant and has good market share in leveraged finance. The limit system was reviewed on several occasions, and the bank differentiates for limits according to deal size. We believe the bank has adequate risk controls in place and asset quality should remain fairly stable.

Loans and advances in the IB at end-2014 consisted primarily of cash collateral and settlement balances (GBP68bn), corporate lending (GBP28bn) and interbank lending (GBP10bn). In 1H15 cash collateral and settlement balances increased primarily driven by higher trading volumes. The non-core wholesale portfolio includes cash collateral and settlement balances, capital equipment loans and legacy CLOs and CDOs (collateralised loan and default obligations).

**Moderate UK Commercial Real Estate Exposure**

Commercial real estate (CRE) lending in the UK amounted to GBP10bn (excluding GBP1.8bn CRE lending relating to UK business banking exposures) at end-2014, and asset quality has remained stronger than at UK peers.

The group holds a non-core portfolio of long dated fixed rate loans extended to Education, Social Housing and Local Authorities (ESHLA) of GBP17.4bn at end-2014 (2013: GBP15.6bn). In 4Q14 the bank changed the valuation of this portfolio which resulted in a GBP935m negative balance sheet adjustment. The value adjustment arises from the pricing of the hedging structure and was not related to credit risk; the portfolio is of good quality and we do not expect loan impairments.
Reduced Exposure to Peripheral Eurozone

The group has reduced its net on-balance sheet exposures to peripheral eurozone states for several years to reach GBP25.6bn at end 1H15. Exposure arises principally from the bank’s operations in Italy and Ireland, while exposure to Greece and Cyprus is minimal. The bank sold its retail banking subsidiary in Spain to CaixaBank and agreed to sell parts of its retail and corporate banking activities in Portugal to Bankinter (completion expected in early 2016), but retains its IB and credit card operations in both countries. Barclays started to impair local lending relatively early and expects the bulk of losses to have already been realised. Any further deterioration would be manageable, in Fitch’s opinion, given the relatively small size of the book.

At end-2014 the group had GBP2bn net exposure to Russia, about half of which was to financial institutions (gross exposure: GBP3.8bn), and GBP4.8bn to China, of which GBP1.7bn was to the sovereign and GBP1.4bn was to financial institutions (gross exposure: GBP5bn).

Material but Declining Counterparty Credit Risk

Counterparty credit risk in Barclays’ derivatives book, securities financing activities and securitisations declined by about 17% in 2014 (measured in post-credit risk mitigation exposure at default; EAD) driven by IB (-15%) and BNC (-21%). CRD IV EAD at end-2014 amounted to GBP124bn, predominantly to corporates (about GBP65bn) and to institutions and governments. EAD should further decline as the derivatives book is set to shrink.

Earnings and Profitability

<table>
<thead>
<tr>
<th>%</th>
<th>1H15</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
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<tr>
<td>Net interest income/average earning assets</td>
<td>0.99</td>
<td>0.95</td>
<td>0.84</td>
<td>0.81</td>
<td>0.88</td>
</tr>
<tr>
<td>Non-interest expense/gross revenues</td>
<td>63.64</td>
<td>68.99</td>
<td>70.13</td>
<td>62.73</td>
<td>65.20</td>
</tr>
<tr>
<td>Loans and securities impairment charges/pre-impairment Op. profit</td>
<td>20.69</td>
<td>26.58</td>
<td>36.76</td>
<td>29.99</td>
<td>36.72</td>
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<tr>
<td>Operating profit/average total assets</td>
<td>0.57</td>
<td>0.44</td>
<td>0.36</td>
<td>0.50</td>
<td>0.43</td>
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<tr>
<td>Operating profit/risk weighted assets</td>
<td>2.00</td>
<td>1.49</td>
<td>1.49</td>
<td>2.01</td>
<td>1.68</td>
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<tr>
<td>Net Income/average total equity</td>
<td>7.02</td>
<td>1.45</td>
<td>2.40</td>
<td>0.32</td>
<td>6.91</td>
</tr>
</tbody>
</table>

Source: Barclays; Fitch

The group aims to generate an adjusted RoE above its cost of capital by 2016 and is committed to a further reduction in operating expenses to reach this target. In our opinion, the performance of the retail and corporate banking activities is sound. These businesses should continue to generate good profitability given the good outlook for the UK economy, which should keep loan impairment charges moderate. Barclays’ IB generated stronger returns in 1H15, encouraged by a benign trading environment, after a relatively weak 2014.

Pre-tax Profit (Adjusted)

Source: Barclays, Fitch; Restated; Adjusted pre-tax profit excludes own credit, PPI and other charges, restructuring costs, provisions for litigation etc.
We expect earnings in the second half of the year to reflect seasonally weaker quarters, but as operating expenses decline, the bank should be able to reap the benefits of its strong franchises. This should help Barclays progress towards its core profitability targets. However, the impact of BNC losses, costs-to-achieve and conduct costs on profitability remains sizeable.

Core Performance Improves in 1H15
Barclays' personal and corporate banking division posted good operating results, but 1H15 pre-tax profit was dented by GBP171m costs relating to the sale of its US wealth management business and customer redress in the US. Despite this, pre-tax profit increased 4% compared to the previous year, as revenue benefited from growth in corporate lending, improved deposit margins and reduced operating costs. We expect the performance of PCB to be stable throughout 2015 given a benign operating environment.

Barclaycard reported pre-tax profits of GBP795m in 1H15, up 4% yoy on higher volumes. We expect the credit card business to maintain its sound performance, despite a reduction in interchange fees in Europe following the introduction of a cap, as Barclaycard's business is geared towards the lending business and is geographically diversified. Loan impairment charges, which remained low at annualised 293bp of gross loans, are likely to increase as the book matures, but we expect any increase to remain easily manageable for the bank.

Africa Banking 1H15 pre-tax profit increased 12% yoy, after a strong first quarter. Africa remains a growth market but the division is a small contributor to group profits.

Barclays' IB generated GBP1,440m pre-tax profit in 1H15, up 36% yoy, driven by strong trading results and lower operating costs. Barclays reported a 12% increase in revenue from macro trading (foreign exchange and rates). Credit, on the other hand, saw an 11% decline, while revenue from equities trading and banking (lending, underwriting and advisory) were relatively stable. IB pre-tax profit benefited from reduced operating expenses, which fell 11% yoy, mainly because of lower costs to achieve and savings from cost reduction measures.

We expect IB earnings volatility to decline and profitability to improve, as the group focusses on its main markets and competencies. Further fine tuning of the division’s strategy is possible, but we do not expect a material increase in risk appetite given the constraints on capital.

BNC reported a GBP512m 1H15 pre-tax loss as revenue lost from sold businesses exceeded the cost savings in the unit. We expect future performance of this division to be driven by operating expenses, which amounted to GBP521m in 1H15, of which about 40% were related to the remaining retail businesses in the unit, mainly in Italy and Portugal. The group expects to incur a GBP200m after-tax loss related to the sale of the Portuguese assets.

Figure 11
Barclays Net Revenue and Operating Expenses
(Quarterly adjusted values, yoy growth)

Source: Barclays, Fitch
Revenue Generation Challenging
Revenue generation has been weak since Barclays started restructuring its businesses, and the group experienced an average decrease in quarterly adjusted net revenue of 6% since 1Q14 (4% decrease based on statutory profits). Although increased competition and the persistent low interest rate environment put revenues under pressure across the sector, Barclays was more affected than European GTUB peers. The income weakness was most pronounced in IB, which has undergone material restructuring since 2014, and where, with the exception of 1Q15, each quarter has seen a yoy decline.

Cost Control Is Key
Given the pressure on revenue generation, continued cost control will be important for the bank to reach its performance targets. Barclays confirmed its adjusted core cost target of less than GBP14.5bn for 2016, which we consider realistic given the progress achieved to date on the back of technology improvements and branch and staff rationalisation. Operating expenses, excluding provisions for ongoing investigation and litigation and UK customer redress, fell 12% yoy in 1H15, and within operating expenses, staff costs fell 15%. Barclays also provided guidance that it would pursue a cost-income ratio in the mid 50s from the current 70%.

Group profits are still burdened by high restructuring costs and recurring legacy conduct charges, which made up about 20% of 2014 and 24% of 1H15 operating expenses. Barclays booked additional GBP1bn provisions for UK customer redress in 1H15. The group also announced the payment of a GBP1.6bn fine (unlike some of its peers, Barclays did not settle with UK authorities in 2014 and consequently faced settlements with more counterparties and higher amounts in 2015) as it reached a settlement with several US and UK authorities over allegations that it had manipulated foreign exchange markets and the USD ISDAfix. The GBP2.8bn provisions for legal, competition and regulatory matters held by end-March 2015, of which GBP0.8bn added in 2015, were sufficient to cover the fine, and we do not expect Barclays to incur any additional costs over these litigations. However, we expect Barclays to incur further sizeable conduct costs as legacy cases, including civil litigations, are worked out, which could take many years.

On a more positive note, litigation relating to the acquisition of brokerage assets from Lehman Brothers Inc in 2008 was recently settled in favour of Barclays in June 2015, resulting in a gain of GBP496m in 2Q15.

Capitalisation and Leverage
Barclays Capitalisation in Line with European Peers
Barclays’ CET1 ratio improved to 11.1% at end-1H15 from 10.3% at end-2014, within the range of its global trading and universal bank peers. The improvement was mainly driven by deleveraging and model revisions. The group expects the CET1 ratio to remain broadly stable in 2H15. From 2016, we expect the bank to continue strengthening its CET1 ratio and to comfortably reach its target, which is currently defined as about 150bp above the regulatory minimum requirement, indicating a ratio target about 12%.

Barclays discloses its ‘Pillar 2A’ requirement, which is set by the PRA (Prudential Regulation Authority) to capture idiosyncratic risks at banks that are not captured under Pillar 1. For 2015, the PRA has set Barclays’ Pillar 2A requirement at 2.8%, of which 56% has to be met with CET1 capital, 19% with AT1 capital and the remaining 25% with Tier 2 capital. In addition to its target CET1 ratio, the group expects to operate with a total capital ratio of at least 17% and plans to adjust its liabilities structure once requirements concerning the issuance of gone-concern loss-absorbing capital have been defined.

Barclays’ regulatory leverage ratio also improved, to 4.1% in 2Q15 from 3.7% at end-2014, which compares well with European peers. The improvement was driven by the reduction of its reverse repo and derivative books. The UK regulator has imposed stricter leverage requirements than other European regulators, effectively requiring Barclays to maintain a 3.7% leverage ratio, limiting the use of AT1 instruments to 25% of capital for its calculation.
Funding and Liquidity

Funding Structure Set to Evolve

Barclays' liquidity and funding are sound and benefit from the group’s good customer deposit franchise in the UK. The group’s funding structure should evolve in the coming years; as part of the group’s resolution planning, and the bulk of wholesale debt will be issued by the holding company.

The group will also be subject to tighter local liquidity regulations in some of the jurisdictions it operates in, and we expect that a large proportion of subsidiaries will be term-funded from the holding company, while the UK ring-fenced bank, which will have to be established by 2019, will receive most of its funding from customer deposits.

The funding and liquidity of the group’s South African operations are already largely managed on a local basis given local foreign currency regulations.

Strong Customer Deposit Base

Barclays' funding strategy is based on retail lending funded by customer deposits. As a result, the group’s loan/deposit ratio in its retail operations stood at about 88% at end-1H15. Assets in the investment banking division are funded through wholesale liabilities, including senior unsecured debt, which has been issued by the holdco since 2015. The group's sound structural liquidity is reflected in its Basel III net stable funding ratio (NSFR), which Barclays estimated at 106% at end-1H15.

Material Wholesale Funding Requirements

Despite having shrunk in recent years, Barclays remains a major issuer of wholesale debt. At end-1H15, Barclays' wholesale funding excluding trading liabilities and repurchase agreements amounted to GBP157bn (end-2014: GBP171bn), of which GBP68bn had a remaining maturity of less than one year. Senior unsecured funding included GBP20.6bn public benchmark debt and GBP39bn privately placed debt, including GBP33bn structured notes. Secured funding, primarily in the form of covered bonds and ABS, at the same date amounted to GBP28bn, about 18% of total funding excluding repurchase agreements.

In line with the group's stated intention of refinancing maturing debt out of the holding company, Barclays issued USD4bn senior unsecured debt at end-1H15, which it used to subscribe same-seniority notes of Barclays Bank. The group plans to refinance about GBP22bn senior unsecured debt issued by Barclays Bank out of the holding company as it matures, of which around GBP10.1bn before 2019.

The bank also issued GBP6bn under the UK government’s “funding for lending” scheme in 2014. Maturities are manageable and amount to GBP23bn in 2015 and GBP13bn in 2016.

Large But Shrinking Securities Financing Transactions

Barclays has a large volume of funding in the form of repurchase agreements, which at end-1H15 amounted to GBP85bn (end-2014: GBP124bn), primarily to fund trading assets. About 57% of the repurchase agreements used to finance trading assets were secured against highly liquid collateral (government bonds, US agency securities and US agency mortgage-backed securities). The repo book has shrunk substantially over the last years, primarily driven by leverage ratio requirements. Limits are in place to minimise mismatches in the matched book, and stress tests assume no roll-over of secured financing transactions.

Ample Liquidity and Sound Liquidity Management

The group’s liquidity is managed carefully, and the bank defines its liquidity risk appetite clearly. Barclays’ liquidity management includes a series of internal stress tests, assuming bank-specific, market-wide and combined stress scenarios. The stress tests assume outflows of customer deposits, no rollovers of unsecured wholesale debt and secured debt with less liquid collateral and a widening of haircuts. The stress test excludes BAGL, where liquidity is managed separately.

At end-1H15, the Barclays-specific scenario would have resulted in a GBP122bn stressed net outflow, which was 119% covered by the GBP145bn liquidity buffer eligible in that scenario.
The estimated CRD IV liquidity coverage ratio (LCR) stood at 121% (end-2014: 124%). The bank’s limits include a 100% LCR and sufficient liquid assets to withstand its internal stress tests. Barclays had encumbered a relatively modest portion of loans and advances to secure funding at end-2014 (c.16% of total gross customer loans and advances versus 15% at end-2013).

The group’s portfolio of liquid assets (according to its internal classification) amounted to GBP145bn at end-1H15, of which 80% consisted of cash, deposits with central banks and high quality government bonds, and equalled more than 200% of wholesale debt maturing in less than one year. The bulk (93%) at end-1H15) of the liquidity pool is held in Barclays Bank plc, with the remainder primarily held in Barclays Capital Inc., the group’s US broker dealer.

Operating Environment

Barclays is domiciled in the UK, which is also the hub for its retail operations. Our assessment of the operating environment in the UK incorporates the relatively high private sector indebtedness in the country (AA+/Stable; Macro Prudential Indicator of MPI 1 – low risk). The group’s operating environment has only a low influence on its VR.

The bank’s main IB activities are undertaken in the UK and the US, which are strategic markets for the group. The economy in the US (AAA/ Stable; MPI 1) is growing faster and enjoys better growth prospects than most of the developed world. The UK economy has benefited from more than two years of strong recovery, but Fitch believes that it is approaching the peak of the economic cycle with growth converging towards the medium term potential rate. Operations in eurozone countries, where growth prospects are weaker, are still material but are no longer considered strategic and are being gradually reduced.

Holding Company

Barclays plc’s ratings are equalised with those of Barclays Bank and reflect its role as the bank holding company and the absence of double leverage.

As part of its resolution planning, the bank expects the vast majority of junior and senior debt to be issued by Barclays plc, the holdco, rather than by the operating companies (opcos). Depending on final rules that have yet to be defined by the UK authorities, we expect that the holdco will downstream funding in the form of debt that can be bailed-in, which will in effect result in significant protection of opco senior creditors. We expect the opcos to include the UK ring-fenced bank and a non-ringfenced UK-based bank that will combine other banking operations outside the US and South Africa, BAGL and the US intermediate holdco.

Until it has created a sufficient buffer of debt issued from the holdco, Barclays indicated that it will downstream senior debt issued to the market as senior debt to the opcos. This means that contingent double leverage will remain absent, but also that senior creditors of the operating companies do not benefit from a holdco debt buffer until this becomes junior to opco senior debt in the future. At end-1H15 the buffer resulting from holdco senior and consolidated AT1 and Tier 2 instruments amounted to 7.7% of RWAs and about 2.6% of Barclays’ leverage exposure, which we consider insufficient to warrant an uplift of the opco IDR above the VR.

The expected changes in the group’s structure following the creation of a ring-fenced entity in the UK and the likely issuance of subordinated and bail-in debt by the holdco are, over time, likely to result in a differentiation between the position of holding company and operating company creditors, and therefore in the ratings of these entities once there is more clarity on the targeted liabilities structure of the group entities.

Debt Ratings

Subordinated debt and other hybrid securities issued by group entities are all notched down from the VRs of Barclays Bank plc or Barclays plc, in accordance with Fitch’s assessment of each instrument’s respective non-performance and relative loss severity risk profiles. Basel III
compliant AT1 instruments that include a 7% CET1 ratio trigger for conversion into common shares are rated five notches below the issuer's (Barclays plc) VR to reflect loss severity (two notches) and incremental non-performance risk in the form of coupon omission, which we consider the most easily activated form of loss absorption.

The contingent capital notes issued by Barclays Bank plc are rated four notches below the VR to reflect loss severity (two notches for the full and permanent write-down of the notes upon breach of the trigger) and two notches for incremental non-performance risk to reflect the loss-absorption being triggered upon breach of a 7% CET1 ratio and the absence of coupon flexibility.
## Peer Group Analysis

<table>
<thead>
<tr>
<th>Banks</th>
<th>Barclays plc</th>
<th>BNP Paribas</th>
<th>Credit Suisse Group AG</th>
<th>Deutsche Bank AG</th>
<th>Société Générale</th>
<th>UBS Group AG</th>
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<td>1H15 2014</td>
<td>1H15 2014</td>
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<td>Profitability (%)</td>
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<td>Operating ROE</td>
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<td>Adjusted pre-tax ROE*</td>
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<td>11.4</td>
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<td>Cost/income ratio</td>
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<td>Net loans/assets</td>
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<td>31.5</td>
<td>32.0</td>
<td>31.6</td>
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<td>29.6</td>
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<td>Impaired loans/total gross loans</td>
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<td>6.0</td>
<td>6.3</td>
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<td>LIs/average gross loans</td>
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<td>Loan loss coverage ratio</td>
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<td>Capitalisation &amp; leverage</td>
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<td>Total equity (USDbn)</td>
<td>89,766</td>
<td>89,739</td>
<td>100,319</td>
<td>105,684</td>
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<td>Fitch core capital (USDbn)</td>
<td>75,027</td>
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<td>Fitch core capital/RWA</td>
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<td>11.1</td>
<td>10.9</td>
<td>11.7</td>
<td>11.3</td>
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<tr>
<td>Fitch core capital/Basel III look-through RWA</td>
<td>12.7</td>
<td>12.1</td>
<td>11.0</td>
<td>10.9</td>
<td>11.9</td>
<td>11.6</td>
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<tr>
<td>Fully applied Basel III CET1 ratio</td>
<td>11.1</td>
<td>10.3</td>
<td>10.0</td>
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<td>Basel III Leverage Ratio**</td>
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<td>3.7</td>
<td>3.7</td>
<td>3.6</td>
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<td>Long-Term IDR/Outlook</td>
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<td>A+/Stable</td>
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</table>

* Adjusted pre-tax profit excludes FVOD, DVA/CVA and intangible impairment; **Swiss leverage ratio for UBS Group AG at end-2014

Source: Banks' financials; Fitch.

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* Adjusted pre-tax profit excludes FVOD, DVA/CVA and intangible impairment; **Swiss leverage ratio for UBS Group AG at end-2014

Source: Banks' financials; Fitch.
## Barclays plc
### Summary Analytics

#### A. Interest Ratios

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1. Interest Income on Loans/ Average Gross Loans</td>
<td>n.a.</td>
<td>3.28</td>
<td>3.44</td>
<td>3.68</td>
<td>3.96</td>
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<td>2. Interest Expense on Customer Deposits/ Average Customer Deposits</td>
<td>n.a.</td>
<td>0.33</td>
<td>0.62</td>
<td>0.63</td>
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<td>3. Interest Income/ Average Earning Assets</td>
<td>0.99</td>
<td>1.36</td>
<td>1.33</td>
<td>1.34</td>
<td>1.49</td>
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<td>n.a.</td>
<td>0.42</td>
<td>0.48</td>
<td>0.51</td>
<td>0.60</td>
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<td>5. Net Interest Income/ Average Earning Assets</td>
<td>0.99</td>
<td>0.95</td>
<td>0.84</td>
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<tr>
<td>6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets</td>
<td>0.84</td>
<td>0.77</td>
<td>0.62</td>
<td>0.58</td>
<td>0.61</td>
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<td>7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Asset</td>
<td>0.99</td>
<td>0.95</td>
<td>0.84</td>
<td>0.81</td>
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#### B. Other Operating Profitability Ratios

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<tbody>
<tr>
<td>1. Non-Interest Income/ Gross Revenues</td>
<td>52.23</td>
<td>53.84</td>
<td>58.75</td>
<td>60.47</td>
<td>58.32</td>
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<tr>
<td>2. Non-Interest Expense/ Gross Revenues</td>
<td>63.64</td>
<td>68.99</td>
<td>70.13</td>
<td>62.73</td>
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<tr>
<td>3. Non-Interest Expense/ Average Assets</td>
<td>1.26</td>
<td>1.34</td>
<td>1.34</td>
<td>1.18</td>
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<td>5. Pre-impairment Op. Profit/ Average Total Assets</td>
<td>0.72</td>
<td>0.60</td>
<td>0.57</td>
<td>0.71</td>
<td>0.68</td>
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<tr>
<td>7. Operating Profit/ Average Equity</td>
<td>12.42</td>
<td>10.25</td>
<td>9.79</td>
<td>13.98</td>
<td>11.71</td>
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<td>8. Operating Profit/ Average Total Assets</td>
<td>0.57</td>
<td>0.44</td>
<td>0.36</td>
<td>0.50</td>
<td>0.43</td>
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<tr>
<td>9. Operating Profit / Risk Weighted Assets</td>
<td>2.00</td>
<td>1.49</td>
<td>1.19</td>
<td>2.01</td>
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#### C. Other Profitability Ratios

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<td>1. Net Income/ Average Total Equity</td>
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<td>1.45</td>
<td>2.40</td>
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<td>2. Net Income/ Average Total Assets</td>
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<td>0.06</td>
<td>0.09</td>
<td>0.01</td>
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<td>3. Fitch Comprehensive Income/ Average Total Equity</td>
<td>1.75</td>
<td>5.90</td>
<td>(6.10)</td>
<td>(2.33)</td>
<td>8.62</td>
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<td>4. Fitch Comprehensive Income/ Average Total Assets</td>
<td>0.08</td>
<td>0.26</td>
<td>(0.22)</td>
<td>(0.08)</td>
<td>0.32</td>
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<td>5. Taxes/ Pre-tax Profit</td>
<td>32.31</td>
<td>62.54</td>
<td>54.78</td>
<td>77.29</td>
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<td>6. Net Income/ Risk Weighted Assets</td>
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#### D. Capitalization

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<tr>
<td>3. Tangible Common Equity/ Tangible Assets</td>
<td>3.81</td>
<td>3.56</td>
<td>3.49</td>
<td>2.87</td>
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<td>4. Tier 1 Regulatory Capital Ratio</td>
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<td>13.00</td>
<td>15.70</td>
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<td>5. Total Regulatory Capital Ratio</td>
<td>17.40</td>
<td>16.50</td>
<td>19.90</td>
<td>17.00</td>
<td>16.40</td>
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<td>6. Core Tier 1 Regulatory Capital Ratio</td>
<td>11.10</td>
<td>10.20</td>
<td>13.20</td>
<td>10.80</td>
<td>11.00</td>
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<tr>
<td>7. Equity/ Total Assets</td>
<td>4.77</td>
<td>4.23</td>
<td>4.13</td>
<td>3.59</td>
<td>3.75</td>
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<tr>
<td>8. Cash Dividends Paid &amp; Declared/ Net Income</td>
<td>49.67</td>
<td>199.76</td>
<td>128.91</td>
<td>404.97</td>
<td>17.06</td>
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<tr>
<td>9. Internal Capital Generation</td>
<td>3.75</td>
<td>(1.47)</td>
<td>(0.68)</td>
<td>(1.03)</td>
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#### E. Loan Quality

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<tbody>
<tr>
<td>1. Growth of Total Assets (11.87)</td>
<td>1.06</td>
<td>(9.72)</td>
<td>(4.81)</td>
<td>4.96</td>
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<tr>
<td>2. Growth of Gross Loans</td>
<td>0.62</td>
<td>(1.87)</td>
<td>2.27</td>
<td>(2.07)</td>
<td>0.11</td>
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<tr>
<td>3. Impaired Loans/ Gross Loans</td>
<td>1.98</td>
<td>2.16</td>
<td>3.01</td>
<td>3.50</td>
<td>4.84</td>
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<tr>
<td>4. Reserves for Impaired Loans/ Gross Loans</td>
<td>1.19</td>
<td>1.26</td>
<td>1.64</td>
<td>1.81</td>
<td>2.02</td>
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<tr>
<td>5. Reserves for Impaired Loans/ Impaired Loans</td>
<td>60.18</td>
<td>58.42</td>
<td>54.50</td>
<td>51.57</td>
<td>41.68</td>
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<tr>
<td>6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital</td>
<td>7.20</td>
<td>7.97</td>
<td>13.04</td>
<td>17.31</td>
<td>28.61</td>
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<td>7. Impaired Loans less Reserves for Impaired Loans/ Equity</td>
<td>6.02</td>
<td>6.75</td>
<td>10.89</td>
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<td>8. Loan Impairment Charges/ Average Gross Loans</td>
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<td>0.49</td>
<td>0.67</td>
<td>0.74</td>
<td>0.85</td>
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<td>9. Net Charge-offs/ Average Gross Loans</td>
<td>n.a.</td>
<td>0.63</td>
<td>0.69</td>
<td>0.87</td>
<td>1.10</td>
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<tr>
<td>10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Ass</td>
<td>1.98</td>
<td>2.16</td>
<td>3.01</td>
<td>3.50</td>
<td>4.84</td>
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#### F. Funding and Liquidity

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<td>1. Loans/ Customer Deposits</td>
<td>99.46</td>
<td>101.29</td>
<td>102.20</td>
<td>112.01</td>
<td>120.43</td>
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<td>2. Interbank Assets/ Interbank Liabilities</td>
<td>79.59</td>
<td>72.73</td>
<td>71.44</td>
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<tr>
<td>3. Customer Deposits/ Total Funding (excluding derivatives)</td>
<td>57.40</td>
<td>52.45</td>
<td>47.67</td>
<td>40.94</td>
<td>38.42</td>
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<td>4. Liquidity Coverage Ratio</td>
<td>121.00</td>
<td>124.00</td>
<td>96.00</td>
<td>126.00</td>
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<td>5. Net Stable Funding Ratio</td>
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<td>102.00</td>
<td>94.00</td>
<td>112.00</td>
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Barclays plc
Income Statement

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<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
<td>Unqualified</td>
<td>Unqualified</td>
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<td>GBPk</td>
<td>GBPk</td>
<td>GBPm</td>
<td>GBPm</td>
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<tr>
<td>1. Interest Income on Loans</td>
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<td>0.0</td>
<td>14,677.0</td>
<td>15,613.0</td>
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<tr>
<td>2. Other Interest Income</td>
<td>9,746.9</td>
<td>6,201.0</td>
<td>2,686.0</td>
<td>2,702.0</td>
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<tr>
<td>3. Dividend Income</td>
<td>0.0</td>
<td>9.0</td>
<td>14.0</td>
<td>42.0</td>
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<tr>
<td>4. Gross Interest and Dividend Income</td>
<td>9,746.9</td>
<td>6,201.0</td>
<td>17,372.0</td>
<td>18,329.0</td>
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<td>5. Interest Expense on Customer Deposits</td>
<td>0.0</td>
<td>0.0</td>
<td>1,473.0</td>
<td>2,656.0</td>
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<td>6. Other Interest Expense</td>
<td>0.0</td>
<td>9.0</td>
<td>3,810.0</td>
<td>3,702.0</td>
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<tr>
<td>7. Total Interest Expense</td>
<td>n.a.</td>
<td>n.a.</td>
<td>5,283.0</td>
<td>6,715.0</td>
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<td>8. Net Interest Income</td>
<td>9,746.9</td>
<td>6,201.0</td>
<td>12,089.0</td>
<td>11,614.0</td>
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<tr>
<td>9. Net Gains (Losses) on Trading and Derivatives</td>
<td>3,536.6</td>
<td>2,250.0</td>
<td>4,232.0</td>
<td>6,773.0</td>
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<td>10. Net Gains (Losses) on Other Securities</td>
<td>0.0</td>
<td>3,810.0</td>
<td>4,059.0</td>
<td>5,073.0</td>
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<td>11. Net Gains (Losses) on Assets at FV through Income Statement</td>
<td>0.0</td>
<td>0.0</td>
<td>233.0</td>
<td>203.0</td>
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<td>12. Net Insurance Income</td>
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<td>0.0</td>
<td>186.0</td>
<td>148.0</td>
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<td>13. Net Fees and Commissions</td>
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<td>0.0</td>
<td>8,174.0</td>
<td>8,731.0</td>
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<td>14. Gross Operating Income</td>
<td>10,658.6</td>
<td>6,781.0</td>
<td>14,100.0</td>
<td>16,541.0</td>
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<td>15. Personnel Expenses</td>
<td>8,319.7</td>
<td>5,293.0</td>
<td>11,005.0</td>
<td>12,155.0</td>
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<td>16. Other Operating Expenses</td>
<td>4,666.8</td>
<td>1,030.0</td>
<td>7,064.0</td>
<td>7,589.0</td>
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<td>17. Total Non-Interest Expenses</td>
<td>12,986.5</td>
<td>8,262.0</td>
<td>18,069.0</td>
<td>19,744.0</td>
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<td>18. Equity-accounted Profit/ Loss - Operating</td>
<td>(26.7)</td>
<td>(17.0)</td>
<td>36.0</td>
<td>110.0</td>
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<tr>
<td>19. Pre-Impairment Operating Profit</td>
<td>7,392.3</td>
<td>4,703.0</td>
<td>8,156.0</td>
<td>8,355.0</td>
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<tr>
<td>20. Loan Impairment Charge</td>
<td>1,529.4</td>
<td>973.0</td>
<td>2,200.0</td>
<td>3,045.0</td>
</tr>
<tr>
<td>21. Total Non-Interest Operating Income</td>
<td>12,966.5</td>
<td>8,262.0</td>
<td>14,000.0</td>
<td>16,141.0</td>
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<td>22. Securities and Other Credit Impairment Charges</td>
<td>0.0</td>
<td>0.0</td>
<td>233.0</td>
<td>203.0</td>
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<tr>
<td>23. Operating Profit</td>
<td>5,862.9</td>
<td>3,700.0</td>
<td>5,988.0</td>
<td>7,796.0</td>
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<td>24. Equity-accounted Profit/ Loss - Non-operating</td>
<td>(187.0)</td>
<td>(119.0)</td>
<td>(471.0)</td>
<td>6.0</td>
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<td>25. Total Non-Interest Income</td>
<td>13,053.9</td>
<td>3,581.0</td>
<td>5,517.0</td>
<td>7,377.0</td>
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<tr>
<td>26. Non-recurring Income</td>
<td>1,253.9</td>
<td>973.0</td>
<td>2,200.0</td>
<td>3,045.0</td>
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<tr>
<td>27. Total Non-recurring Income and Expenses</td>
<td>0.0</td>
<td>0.0</td>
<td>233.0</td>
<td>203.0</td>
</tr>
<tr>
<td>28. Change in Fair Value of Own Debt</td>
<td>644.5</td>
<td>410.0</td>
<td>34.0</td>
<td>(220.0)</td>
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<td>29. Total Non-interest Income and Expenses</td>
<td>0.0</td>
<td>0.0</td>
<td>233.0</td>
<td>203.0</td>
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<td>30. Tax expense</td>
<td>1,581.3</td>
<td>1,006.0</td>
<td>1,411.0</td>
<td>1,571.0</td>
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<td>31. Profit/loss from Discontinued Operations</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
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<td>32. Net Income</td>
<td>3,313.4</td>
<td>2,100.0</td>
<td>845.0</td>
<td>1,297.0</td>
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<td>33. Change in Value of AFS Investments</td>
<td>(246.1)</td>
<td>(294.0)</td>
<td>413.0</td>
<td>(382.0)</td>
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<td>34. Revaluation of Fixed Assets</td>
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<td>0.0</td>
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<td>35. Total Comprehensive Income</td>
<td>3,067.3</td>
<td>1,806.0</td>
<td>652.0</td>
<td>915.0</td>
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<tr>
<td>36. Memo: Profit Allocation to Non-controlling Interests</td>
<td>531.3</td>
<td>338.0</td>
<td>769.0</td>
<td>757.0</td>
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<tr>
<td>37. Fitch Comprehensive Income</td>
<td>826.8</td>
<td>526.0</td>
<td>3,447.0</td>
<td>(3,294.0)</td>
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<tr>
<td>38. Memo: Net Income after Allocation to Non-controlling Interests</td>
<td>531.3</td>
<td>338.0</td>
<td>769.0</td>
<td>757.0</td>
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<tr>
<td>39. Memo: Common Dividends Related to the Period</td>
<td>1,047.1</td>
<td>1,047.1</td>
<td>1,688.0</td>
<td>1,672.0</td>
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<tr>
<td>40. Memo: Preferred Dividends Related to the Period</td>
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<td>0.0</td>
<td>0.0</td>
<td>n.a.</td>
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<tr>
<td>41. Memo: Net Income after Allocation to Non-controlling Interests</td>
<td>531.3</td>
<td>338.0</td>
<td>769.0</td>
<td>757.0</td>
</tr>
<tr>
<td>42. Memo: Common Dividends Related to the Period</td>
<td>1,047.1</td>
<td>1,047.1</td>
<td>1,688.0</td>
<td>1,672.0</td>
</tr>
<tr>
<td>43. Memo: Preferred Dividends Related to the Period</td>
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<td>0.0</td>
<td>0.0</td>
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Exchange rate
USD1 = GBP0.63620
USD1 = GBP0.64070
USD1 = GBP0.60720
USD1 = GBP0.63370
USD1 = GBP0.64680
### Barclays plc Balance Sheet

--- | --- | --- | --- | ---
**Assets**

#### A. Loans
1. Residential Mortgage Loans | 258,316.6 | 164,341.0 | 166,974.0 | 179,527.0 | 174,988.0 | 171,272.0
2. Other Mortgage Loans | n.a. | 0.0 | n.a. | n.a. | n.a. | n.a.
3. Other Consumer Retail Loans | 91,411.5 | 58,156.0 | 69,022.0 | 70,378.0 | 66,414.0 | 64,492.0
4. Corporate & Commercial Loans | 327,290.2 | 208,222.0 | 197,226.0 | 191,580.0 | 190,303.0 | 205,066.0
5. Other Loans | 8,162.5 | 5,193.0 | 5,455.0 | 7,248.0 | 7,799.0 | 8,896.0
6. Loss: Reserves for Impaired Loans | 8,162.5 | 5,193.0 | 5,455.0 | 7,248.0 | 7,799.0 | 8,896.0

#### B. Non-Current Assets
1. Loans and Advances to Banks | 71,950.6 | 45,775.0 | 43,321.0 | 40,704.0 | 41,935.0 | 49,258.0
2. Securities and Shares Issued for Debt | 146,397.4 | 93,138.0 | 136,969.0 | 192,102.0 | 182,556.0 | 153,665.0
3. Trade Receivables and Other Assets | 206,512.1 | 131,383.0 | 147,781.0 | 166,714.0 | 186,947.0 | 187,830.0
4. Customer Deposits - Savings | 536,480.0 | 341,312.0 | 439,909.0 | 350,390.0 | 469,156.0 | 538,964.0
5. Available for Sale Securities | 151,226.0 | 96,210.0 | 86,066.0 | 91,756.0 | 75,109.0 | 68,491.0
6. Held to Maturity Securities | 0.0 | 0.0 | 0.0 | n.a. | n.a. | n.a.
7. Equity Investments in Associates | 908,787.0 | 577.0 | 711.0 | 653.0 | 633.0 | 427.0
8. Other Securities | 0.0 | 0.0 | 0.0 | n.a. | n.a. | n.a.

#### C. Total Assets
1. Total Equity | 1,769,104.1 | 1,348,719.0 | 85,745.0 | 8,865.1 | 13,563.3 | 8,865.1
2. Total Liabilities | 1,286,308.0 | 1,196,719.0 | 1,254,778.0 | 1,276,466.0 | 1,343,628.0 | 1,276,466.0
3. Net Asses | 482,796.1 | 191,970.0 | 399,031.0 | 470,001.0 | 91,999.0 | 419,506.0

#### E. Interests Bearing Liabilities
1. Interests Bearing Liabilities | 1,769,223.5 | 1,196,494.0 | 1,254,778.0 | 1,276,466.0 | 1,343,628.0 | 1,276,466.0
2. Total Interests Bearing Liabilities | 1,769,223.5 | 1,196,494.0 | 1,254,778.0 | 1,276,466.0 | 1,343,628.0 | 1,276,466.0
3. Interest Bearing Liabilities | 1,769,223.5 | 1,196,494.0 | 1,254,778.0 | 1,276,466.0 | 1,343,628.0 | 1,276,466.0

#### F. Equity
1. Shareholders Funds | 1,769,104.1 | 1,196,719.0 | 1,254,778.0 | 1,276,466.0 | 1,343,628.0 | 1,276,466.0

#### USD1 = GBP0.64680
### Barclays plc

#### Reference Data

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<td>0.0</td>
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<td>0.0</td>
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<tr>
<td>3. Guarantees</td>
<td>31,980.5</td>
<td>20,346.0</td>
<td>21,324.0</td>
<td>21,184.0</td>
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<tr>
<td>4. Acceptors and documentary credits reported off-balance sheet</td>
<td>0.0</td>
<td>1,163.0</td>
<td>1,091.0</td>
<td>1,070.0</td>
</tr>
<tr>
<td>5. Committed Credit Lines</td>
<td>423,458.0</td>
<td>269,404.0</td>
<td>276,315.0</td>
<td>254,855.0</td>
</tr>
<tr>
<td>6. Other Contingent Liabilities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>7. Total Assets under management</td>
<td>0.0</td>
<td>1,656,636.0</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

#### Average Balance Sheet

| Average Loans | 689,930.4 | 438,552.0 | 447,345.0 | 453,292.0 |
| Average Earning Assets | 1,981,212.1 | 1,285,447.3 | 1,276,586.0 | 1,381,871.2 |
| Average Assets | 2,080,600.4 | 1,323,678.0 | 1,348,822.2 | 1,473,130.6 |
| Average Managed Securitized Assets (OBS) | 0.0 | 0.0 | 0.0 | n.a. |
| Average Interest-Bearing Liabilities | 1,933,914.3 | 1,230,536.3 | 1,254,300.0 | 1,386,783.8 |
| Average Common equity | 86,970.4 | 55,330.6 | 54,076.0 | 45,468.8 |
| Average Equity | 95,197.0 | 60,654.3 | 58,428.2 | 54,002.0 |
| Average Customer Deposits | 687,670.5 | 437,496.0 | 440,470.4 | 431,526.0 |

#### C. Maturities

**Asset Maturities:**
- Loans & Advances < 3 months: 0.02
- Loans & Advances 3 - 12 Months: 0.00
- Loans and Advances 1 - 5 Years: 0.00
- Loans & Advances > 5 years: 0.00
- Debt Securities < 3 Months: 0.00
- Debt Securities 3 - 12 Months: 0.00
- Debt Securities > 5 years: 0.00
- Loans & Advances to Banks < 3 Months: 0.00
- Loans & Advances to Banks 3 - 12 Months: 0.00
- Loans & Advances to Banks > 5 Years: 0.00

**Liability Maturities:**
- Retail Deposits < 3 Months: 0.00
- Retail Deposits 3 - 12 Months: 0.00
- Retail Deposits > 5 Years: 0.00
- Other Deposits < 3 Months: 0.00
- Other Deposits 3 - 12 Months: 0.00
- Other Deposits > 5 Years: 0.00
- Deposits from Banks < 3 Months: 0.00
- Deposits from Banks 3 - 12 Months: 0.00
- Deposits from Banks > 5 Years: 0.00
- Senior Debt Maturing < 3 months: 0.00
- Senior Debt Maturing 3-12 Months: 0.00
- Senior Debt Maturing > 5 Years: 0.00
- Total Senior Debt on Balance Sheet: n.a.
- Fair Value Portion of Senior Debt: 0.00
- Subordinated Debt Maturing < 3 months: 0.00
- Subordinated Debt Maturing 3-12 Months: 0.00
- Subordinated Debt Maturing > 5 Years: 0.00
- Total Subordinated Debt on Balance Sheet: 22,043.4
- Fair Value Portion of Subordinated Debt: 0.00

**D. Risk Weighted Assets**

1. Risk Weighed Assets: 592,082.7
2. Fitch Adjustments to Risk Weighted Assets: 0.0
3. Fitch Adjusted Risk Weighted Assets: 592,082.7

**E. Equity Reconciliation**

1. Equity: 89,765.8
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity: 13,307.1
3. Add: Other Adjustments: 0.0
4. Published Equity: 103,072.9

**F. Fitch Eligible Capital Reconciliation**

1. Total Equity as reported (including non-controlling interests): 89,765.8
2. Fair value effect incl in own debt/borrowings at f.h on the B/S- CC only: 199.6
3. Non-loss-absorbing non-controlling interests: 7,595.1
4. Goodwill: 7,595.1
5. Other intangibles: 5,276.3
6. Deferred tax assets deduction: 2,927.0
7. Net asset value of insurance subsidiaries: 0.0
8. First loss tranches of off-balance sheet securities: 0.0
10. Eligible weighted Hybrid capital: 11,128.6
11. Government held Hybrid Capital: 0.0
12. Fitch Eligible Capital: 86,155.3

**Exchange Rate**
USD1 = GBP0.63620
USD1 = GBP0.64510
USD1 = GBP0.64510
USD1 = GBP0.64510
USD1 = GBP0.64510

**Barclays Bank plc**

**September 2015**

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The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.