Barclays US LLC

2018 Mid-Cycle Dodd-Frank Act Company-Run Stress Test Disclosure

BARCLAYS

October 2018

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A) Overview

- Barclays US LLC ("Barclays") is an intermediate holding company ("IHC") established by Barclays PLC in 2016 following the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The IHC is a wholly-owned subsidiary of Barclays Bank PLC and part of the Barclays PLC group of companies. The IHC comprises two main businesses: an investment bank, which provides banking services to corporations, governments and institutions; and a retail bank, which provides credit card, deposit and payment solutions to personal and business customers. The IHC accounts for a subset of the broader organization's total operations in the United States ("US"), with a portion of US corporate and investment banking business booked outside the IHC.
- The Dodd-Frank Act and the Board of Governors of the Federal Reserve System (the "FRB") require certain organizations, including Barclays, to conduct regular stress tests and publicly disclose the results of such stress tests. This document provides a summary of Barclays' forecasted risks, calculation methodologies and projected results with regards the Dodd-Frank Act Stress Test ("DFAST") 2018 mid-cycle company-run stress-testing exercise.
- Results are provided for selected financial measures across a nine-quarter planning horizon, beginning in the third quarter of 2018 and concluding in the third quarter of 2020. The results were calculated using forecasting tools and methodologies developed by Barclays and may differ from other stress-testing analyses produced previously by Barclays or by others, due to the specific stress testing methodologies, assumptions and scenarios used.
- The results depict the impact of a scenario created internally by Barclays to simulate a severely adverse business environment (the "IHC Severely Adverse Scenario"). The IHC Severely Adverse Scenario was developed by a broad range of stakeholders across Barclays and designed to stress multiple, material risks related to Barclays' business profile and vulnerabilities.
- The results also use the following assumptions (the "DFAST Capital Actions") regarding projected capital actions, with the first projection quarter (Q3 2018) reflecting actual capital actions taken and the second through ninth quarters (Q4 2018 – Q3 2020) including (a) common stock dividends equal to quarterly average of actuals paid in prior year; (b) payments on other capital instruments equal to stated dividend, interest or principal due in respective quarters; (c) no redemptions or repurchases; and (d) no issuance of common or preferred stock, except for employee compensation or planned mergers and acquisitions.
- The document provides estimates from forward-looking exercises of possible outcomes based on a hypothetical, materially adverse business environment and should not be viewed as a forecast of actual expected outcomes or otherwise used to make inferences about the actual future performance of Barclays, Barclays Bank PLC or the broader Barclays PLC group of companies.

B) Description of the IHC Severely Adverse Scenario

Overview	• The IHC Severely Adverse Scenario assumes a hypothetical global downturn characterized by decreased global trade volumes following the imposition of sanctions and increased tariffs between the US and China. The depth and severity of this recession is compounded by the end of US economic expansion. Further, global unrest complicates negotiations around the withdrawal of the United Kingdom from the European Union and the United Kingdom ultimately exits both the European Union common market and customs union. • The scenario includes a severe deterioration in a number of key macroeconomic variables and integrates several idiosyncratic events developed to stress Barclays' business and risk profile. The scenario features a deep economic downturn but includes some recovery during the course of the nine-quarter period.
Macroeconomic Variables Included	• US Real Gross Domestic Product declines cumulatively 7.0%. • The US unemployment rate peaks at 10%. • Equity markets decline cumulatively 60%. • Short-term rates fall, with the 3-month Treasury rate trough at 0.06%; while the 10-year Treasury rate troughs at 1.6%. • The spread of investment-grade corporate bond yields over the 10-year Treasury rate widens to 670 basis points. • Real estate prices decline, with housing prices falling 20%.
Idiosyncratic Components	• The IHC Severely Adverse Scenario also includes a market shock event reflecting the simultaneous default of multiple counterparties and significant price declines across Barclays' credit, equities and securitized products businesses in the first quarter of the projection period. • Barclays also models a credit rating downgrade of its parent entity, the default of a clearing bank that shares a central counterparty clearinghouse relationship with the IHC, losses associated with an equity block trade failure and several operational risk events, including a cyber-attack.

C) Results under the IHC Severely Adverse Scenario

Capital ratios: Actual Q2 2018, Projected Q3 2018 to Q3 2020

Regulatory Capital Ratio[1,2]	Actual Q2 2018	Projected Stressed Capital Ratios[3]		Regulatory Minimum
		Ending	*Nine-Quarter Minimum*	
Common Equity Tier 1 Capital Ratio	13.5%	6.8%	6.4%	4.5%
Tier 1 Risk-Based Capital Ratio	16.4%	9.8%	9.2%	6.0%
Total Risk-Based Capital Ratio	18.7%	12.7%	12.5%	8.0%
Tier 1 Leverage Ratio	8.2%	5.7%	5.7%	4.0%
Supplementary Leverage Ratio	6.7%	4.9%	4.9%	3.0%

Risk-Weighted Assets: Actual Q2 2018, Projected Q3 2020

Item	Actual Q2 2018	Projected Q3 2020
Risk Weighted Assets[4] ($bn)	90.3	87.0

1 Projected stressed capital ratios indicate hypothetical estimates under an economic outcome that is significantly more severe than expected actual business conditions. The estimates are not intended to represent or forecast actual or expected business conditions.

2 Capital actions based on FRB DFAST Capital Action instructions.

3 The US Basel III standardized approach is used to calculate risk weighted assets for credit risk and market risk with respect to the Common Equity Tier 1 Capital Ratio, the Tier 1 Risk-Based Capital Ratio and the Total Risk-Based Capital Ratio.

4 The US Basel III standardized approach is used to calculate both actual and projected risk weighted assets.

C) Results under the IHC Severely Adverse Scenario (continued)

Projected Losses, Revenues and Net Income before Taxes: Projected Q3 2018 to Q3 2020

Item[1]	$m	% of Average Assets[2]
Pre-Provision Net Revenue ("PPNR")[3,4]	924	0.7%
Other Revenue	-	
less		
Provisions	4,768	
Realized Losses/(Gains) on Securities (AFS/HTM)[4]	-	
Trading and Counterparty Losses	1,900	
Other Losses/(Gains)[5]	201	
equals		
Net Income/(Losses) Before Taxes	**(5,945)**	**(4.4%)**
Memo Items		
Other Comprehensive Income	-	
Other Effects on Capital	*Actual Q2 2018*	*Q3 2020*
Accumulated Other Comprehensive Income in Capital ("AOCI")[6]	(62)	(14)

1 Income statement categories used for the results conform to the FRB's definitions; classifications of revenue and expense items may differ from Barclays' financial disclosures.

2 Average Assets are the average of total assets across the nine-quarter projection period.

3 PPNR is equal to net interest income plus non-interest income, less non-interest expense, impairment losses for other intangible assets and operational risk losses.

4 Available for Sale ("AFS") and Held to Maturity ("HTM") securities.

5 Includes goodwill impairment.

6 Certain aspects of AOCI had previously been subject to transition arrangements for inclusion in projected regulatory capital. All values herein represent 100% of unrealized gains or losses on AFS securities and defined benefit pension plans.

C) Results under the IHC Severely Adverse Scenario (continued)

Loan Loss Projections: Projected Q3 2018 to Q3 2020

Loan Type	$m[1]	Portfolio Loss Rates
First Lien Mortgages, Domestic	-	-
Junior Liens and Home Equity Lines of Credit, Domestic	-	-
Commercial and Industrial	50	32.8%
Commercial Real Estate, Domestic	-	-
Credit Cards	4,432	19.1%
Other Consumer[2]	166	15.0%
Other Loans[3]	32	0.4%
Total Projected Loan Losses	**4,680**	**14.2%**

1 Average loan balances are calculated across the nine-quarter projection period. Loans held for sale or measured at fair value are excluded from average loan balances.

2 Other Consumer represents retail installment loans.

3 Other Loans includes loans to depositories and other foreign banks (including intercompany loans to other Barclays entities), loans to purchase and carry securities and municipal tender option bond loans.

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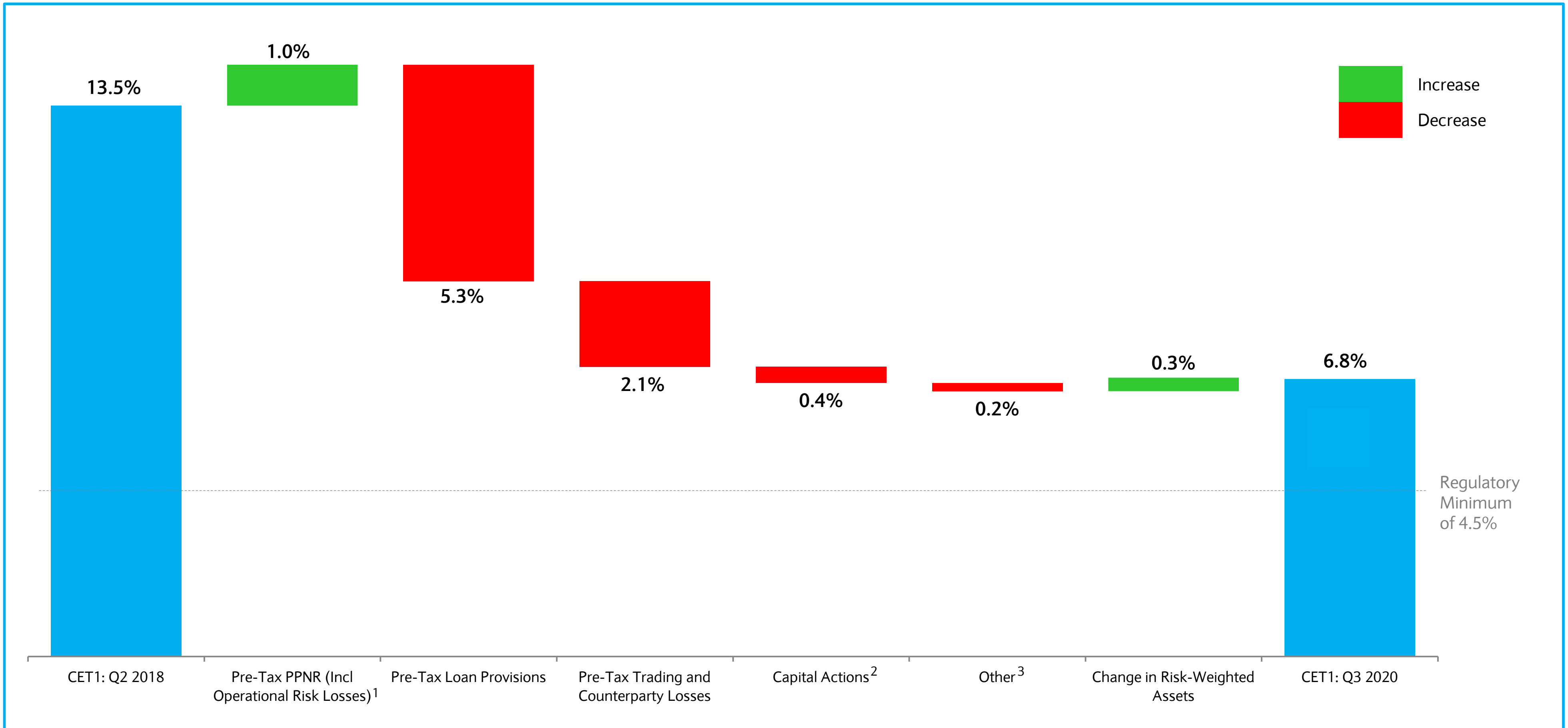
C) Results under the IHC Severely Adverse Scenario (continued)

Common Equity Tier 1 Capital Ratio: Key Drivers, Q3 2018 to Q3 2020



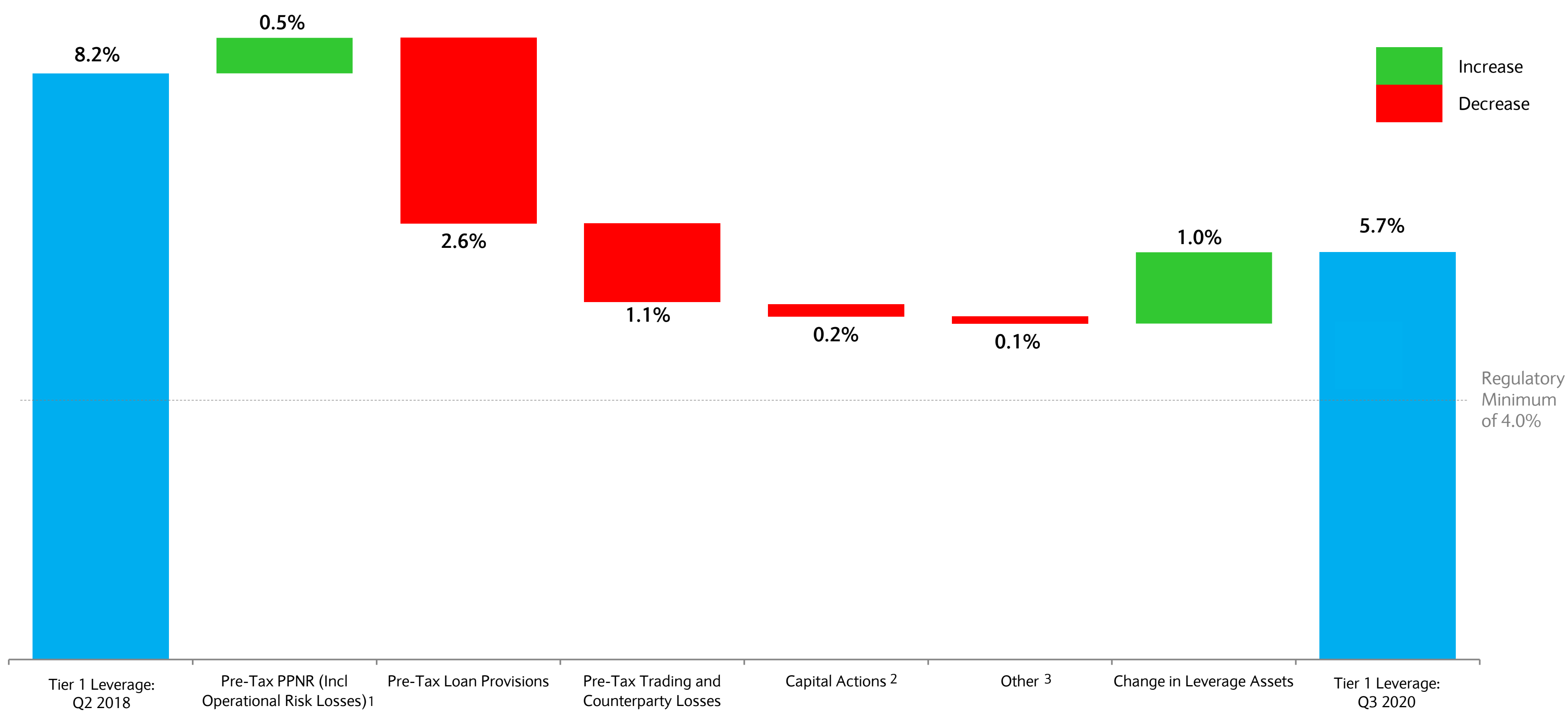
1 Pre-Tax PPNR includes losses from operational risk events and impairment losses for other intangible assets.

2 Capital actions based on FRB DFAST Capital Action instructions.

3 Represents impact from tax and regulatory capital components including deferred tax assets, goodwill, intangibles and AOCI.

C) Results under the IHC Severely Adverse Scenario (continued)

Tier 1 Leverage Ratio: Key Drivers, Q3 2018 to Q3 2020



1 Pre-Tax PPNR includes losses from operational risk events and impairment losses for other intangible assets.

2 Capital actions based on FRB DFAST Capital Action instructions.

3 Represents impact from tax and regulatory capital components including deferred tax assets, goodwill, intangibles and AOCI.

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D) Types of risks considered in the IHC Severely Adverse Scenario

The risks described below are wholly included in the IHC Severely Adverse Scenario based on their significance to the IHC's risk profile and specific vulnerabilities.

Credit Risk	• The risk of loss from the failure of clients, customers or counterparties to fully honor their obligations to the firm, including the payment of principal, interest, collateral or other obligations. • Increased counterparty risk, particularly for hedge fund clients, stemming from instantaneous market shocks that could result in uncollateralized exposure. • Higher retail credit losses and associated loan loss provisions from deterioration in the US macroeconomic environment, particularly in employment, consumer debt levels, and residential real estate metrics.
Treasury and 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 stress-testing purposes. • The risk that Barclays 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. • The risk that Barclays is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its non-traded assets and liabilities. • The risk of declining pre-provision net revenue from lower deal and transaction volumes, trading activity levels, spreads earned and other sources of revenue streams. • The risk from affiliate relationships, notably with Barclays' parent entity and dependencies on the parent's creditworthiness. • The risk from reduced revenue opportunities or increased capital constraints as a result of changes in the regulatory environment, the emergence of geopolitical risks or other changes in the competitive landscape.

D) Types of risks considered in the IHC Severely Adverse Scenario (continued)

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 interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations. • The risk of unexpected losses on residual trading inventory positions, both from sudden adverse directional systemic moves as well as more sector or name-specific idiosyncratic events, including default.
Operational Risk	• The risk of loss to Barclays from inadequate or failed processes or systems, human factors or external events including fraud where the root cause is not due to credit or market risks. • The risk of business disruption from technology outages or system errors and the associated cost to remediate issues given high transaction volumes and reliance on complex technology and data management systems. • The risk of data breaches, including loss of sensitive data; increased frequency and severity of cyber attacks.
Conduct Risk	• The risk of detriment to customers, clients, market integrity, competition or Barclays from the inappropriate supply of financial services, including instances of willful or negligent misconduct. • The risk of detriment to clients from cultural or strategic decisions resulting in legal fines, settlements or increased regulatory scrutiny.
Other Risks	• Barclays further considers and manages a range of other risks that could be significant in capital planning and capital adequacy assessment processes including legal risk, model risk and reputational risk to the organization.

E) Description of methodologies used in forecasting

Overview of Estimation Methodologies	
Overview of Estimation Methodologies	• Barclays uses an interconnected network of models to simulate business performance over nine quarters, under both baseline and stressed market conditions. Outputs from this simulation process include income statement, balance sheet and resource consumption metrics, as well as capital and leverage ratios. • Where quantitative methods are supplemented with qualitative approaches such as expert judgment or management input, Barclays operates a comprehensive process to ensure appropriate review and challenge at multiple levels of the organization. • In addition, for models and other estimation methods that use assumptions around the continuation of historical relationships, such assumptions are examined and independently validated to assess their validity for conditions of acute market stress.
Pre-Provision Net Revenue and Balance Sheet Projection Methodologies	• PPNR is equal to net interest income plus non-interest income, less non-interest expense, operational risk losses and impairment losses for other intangible assets. • The income components of PPNR are derived using methodologies informed by macroeconomic variables and expert judgment. These are estimated at a business or segment level. • The non-interest expense components of PPNR use estimation methods that reflect the current cost base and incorporate a defined set of management actions which reduce variable costs in stressed scenarios. These are estimated at a legal entity level. • The operational risk loss components of PPNR include legal losses, non-legal losses (such as credit card fraud) and idiosyncratic events. They use estimation methods informed by macroeconomic variables, historical experience and expert judgment. • Asset and liabilities are projected for each of Barclays' main businesses using quantitative and qualitative methods, which may include assumptions based on expert judgment.

E) Description of methodologies used in forecasting (continued)

Risk-Weighted Asset Projection Methodologies	• Risk-weighted assets comprise two components for Barclays: – The standardized approach, which is used for credit, counterparty credit and specific market risk exposures. – Modeled market risk, which is used for general market risk exposures. • Standardized approach projections are calculated using scaled trade balances, augmented by models that project key inputs such as collateral mix and credit ratings and aligned to the US Basel III standardized approach. • Projections under the modeled market risk approach are calculated using approaches that link risk-weighted asset components to changes in market variables such as equity or rates volatility.
Retail and Wholesale Credit Loss Provisions	• Retail loss provisions reflect the credit characteristics of Barclays' credit card and installment loan portfolios: – The models used for this metric are informed by macroeconomic variables such as unemployment, housing prices, interest rates, customer behavior and credit bureau attributes. – Probability of default, exposure at default and loss given default calculations are performed either at a loan or portfolio level. – Net credit loss forecasts are used to determine loan loss reserve build or release over the forecast horizon. • In consideration of the profile of Barclays' US business, wholesale loss is not considered material. • Both retail and wholesale loss provisions are calculated using balance sheet forecasts as inputs.
Market and Counterparty Risk Components	• Barclays estimates trading and counterparty losses using internal models which simulate the losses from market stress on these portfolios. • Losses for counterparty default are computed by applying the market shock to the relevant counterparty exposures and simulating the default of multiple counterparties, along with other incremental losses.
Capital	• The estimates of risk-weighted assets, balance sheet, revenue and loss forecasts described above are used by Barclays to project its capital position on a quarterly basis over the nine-quarter planning period.

F) Further information

- This announcement 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.
- 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 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.
- These statements and estimates are based on the current assumptions, beliefs and expectations of Barclays’ management.
- By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Subject to applicable law and regulation, Barclays undertakes no obligations to update publicly or review any forward-looking statements, whether as a result of new information or otherwise.
- The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has published or may publish via the Regulatory News Service of the London Stock Exchange or has filed or may file with the US Securities and Exchange Commission.