Principal activities

The principal activities of the Company include the provision of Prime Services, Equity Derivatives and Cash Equities.

Business performance

The results of the Company show profit after tax of £275m (2019: £109m) and total income of £651m (2019: £408m). The Company has net assets of £1,387m (2019: £1,125m).

Business environment

The health and economic impacts of the COVID-19 pandemic continue to have significant implications for the Company, our customers and clients, and the economies and societies we serve. The global economy has experienced unprecedented fluctuations in activity levels over the last 12 months. As a direct result of the economic consequences of the COVID-19 pandemic, there have been changes in the financial environment that we have adapted to meet.

In the financial markets, the last 12 months were characterised by initial periods of high volatility, market dislocation and significant trading activity. The global markets revenue pool grew by 30%[a] in 2020 due to heightened trading activity in the first part of the year, while overall capital markets issuance rose by 9%[b] as companies sought to strengthen their balance sheets.

Post the UK's withdrawal from the EU, the UK continues to develop a new framework for financial services regulation. We anticipate a new architecture for rulemaking and enforcement and an increase in public policy and legislative activities in the near term.

The Company's activities are authorised and regulated by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'). The Company remains subject to ongoing and significant levels of regulatory change. In particular, we continue to pay close attention to the changing landscape of prudential requirements and supervisory expectations and changing approaches to stress testing.

Notes

a Source: Coalition Greenwich, Preliminary FY20 Competitor analysis. Based on Barclays internal business structure.
b Source: Dealogic for the period covering 1 January to 31 December 2020.

Strategy and future outlook

The Company operates within a complex group structure where streamlining activities and improving efficiencies across the Barclays Group is a key priority, for both the Company and the wider Group management, as regulatory change comes into effect. The Company will continue to review its strategy in line with the Barclays Group strategic objectives. The Company's overriding objective is to provide its clients with well-constructed and appropriate solutions to their requirements. The Company will continue to focus on geographies and products where it has competitive advantage while maintaining our client-centric approach and, in doing so, developing opportunities to grow our business and increase returns.

Section 172(1) statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its sole member, BBPLC, and this section forms our Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Directors also took into account the views and interests of a wider set of stakeholders, including customers, regulators, the UK Government and non-governmental organisations.

You can find out more about who the Barclays Group's key stakeholders are, how management and/or the Directors engaged with them, the key issues raised and actions taken on pages 18-21 of the BPLC Annual Report 2020 which is incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome or necessarily achieve a positive outcome for all stakeholders.

How does the Board engage with stakeholders?

Depending on the decision in question, the relevance of each particular stakeholder group may differ, and equally the Board adopts a variety of methods of engagement with different stakeholder groups. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

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

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

As a result of these activities and the information it receives, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

Engagement in action

The following are some examples of how the Directors have had regard to the matters set out in section 172 when discharging their duties in relation to the COVID-19 pandemic, and the effect of those considerations in reaching certain decisions taken by them.

COVID-19 pandemic

Throughout almost the entirety of 2020, as the COVID-19 pandemic unfurled, the primary focus of the Company and the Board has been on (i) the operational and financial resilience of the Company to ensure that it has been able to maximise, indirectly, the Group's support for the economy and society during a time of such challenge; (ii) indirectly supporting the Barclays Group's customers and clients to relieve financial pressure and help businesses; and (iii) protecting the health and well-being of Barclays Group colleagues. Notwithstanding those three COVID-19 related priorities, there have been other challenges, such as arrangements in connection with progress towards the end of the EU withdrawal transition period, with which the Board has also been concerned. The Board has demonstrated leadership and oversight during the pandemic (which continues at the date of this report) and in the face of the uncertainties during the year surrounding that transition.

Given the nature of the Company's principal business activities, the Board received regular updates from management in relation to the impact of the COVID-19 pandemic on the Company's portfolio. The Board noted that the business remained focussed, as part of the concentration on colleague resilience, on keys areas of heightened risk, such as supervision, communications and conflicts of interest. Although the Company has no employees, the Board has taken a keen interest in the welfare of the Barclays Group colleagues who perform services for the benefit of the Company, and received updates about the steps being taken to safeguard the health and well-being of colleagues generally.

In addition, the Board is aware of the importance to the Barclays Group's investors of safety and soundness of the Barclays Group and the preservation of its balance sheet; therefore the Board received updates in relation to the Company's capital position in light of the COVID-19 pandemic. The Board has been aware of the need to ensure a robust capital position to support the business of the Company and to ensure that the Company retains a level of capital above its minimum regulatory requirements, and therefore took the decision to cancel the planned dividend to its parent, BBPLC.

Mitigating Client Impact – EU Withdrawal

As mentioned above, and in our 2019 report, the Board remained focussed on the impact of the UK's withdrawal from the EU in 2020. The Board received updates on various readiness activities being undertaken in this regard, including in relation to the events that had been held to migrate EEA clients to Barclays Bank Ireland PLC ahead of year end in order to ensure that minimal impact would be suffered by clients.

Ensuring Resilient Growth

During the year, the Board undertook a number of strategic discussions in order to support the long-term success of the business, which took into account a range of stakeholders. The Board provided oversight and challenge to management as part of these discussions, including taking into consideration that as the Company continued to grow in profitability, that it would be important to ensure that that the appropriate legal entity lens continued to be applied to the activities and governance structures of the Company and that appropriate controls and processes were in place in order to remain resilient alongside business growth, and thus ensuring a positive outcome for all stakeholders.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are exposed to a number of risks. These risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

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

Risks relating to the impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. There are a number of factors associated with the pandemic and its impact on global economies that could have a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as the Company.

It remains unclear how the COVID-19 pandemic will evolve through 2021 (including whether there will be further waves of the COVID-19 pandemic, whether COVID-19 vaccines approved for use by regulatory authorities will be deployed successfully with desired results, whether further new strains of COVID-19 will emerge and whether, and in what manner, additional restrictions will be imposed and/or existing restrictions extended) and the Company continues to monitor the situation closely. However, despite the COVID-19 contingency plans established by the Company, the ability to conduct business may be adversely affected by disruptions to infrastructure, business processes and technology services, resulting from the unavailability of staff due to illness or the failure of third parties to supply services. This may cause significant customer detriment, costs to reimburse losses incurred by the Company customers, potential litigation costs (including regulatory fines, penalties and other sanctions), and reputational damage.

Furthermore, the Company relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs and/or misused. This may be exacerbated when dealing with unprecedented scenarios, such as the COVID-19 pandemic, due to the lack of reliable historical reference points and data.

The disruption to economic activity globally caused by the COVID-19 pandemic could impact the Company's income due to lower transaction volumes arising from volatility or weakness in the capital markets. Other potential risks include credit rating migration which could negatively impact the Company RWAs and capital position, and potential liquidity stress.

Furthermore, in order to support lending activity to promote economic growth, governments and/or regulators may limit management's flexibility in managing its business, require the deployment of capital in particular business lines or otherwise restrict or limit capital distributions and capital allocation.

Any and all such events mentioned above could have a material adverse effect on the Company business, financial condition, results of operations, prospects, liquidity, capital position and credit ratings (including potential credit rating agency changes of outlooks or ratings), as well as on the Company's clients and suppliers.

Business conditions, general economy and geopolitical issues

The Company's operations are subject to potentially unfavourable global and local economic and market conditions, as well as geopolitical developments, which may have a material effect on the Company's business, results of operations, financial condition and prospects.

A deterioration in global or local economic and market conditions may lead to (amongst other things): (i) deteriorating business, consumer or investor confidence, which in turn may lead to lower client activity; (ii) subdued asset prices including the value of any collateral held by the Company; and (iii) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties.

Geopolitical events may lead to further financial instability and affect economic growth. In particular:

- Global GDP growth weakened sharply in the first half of 2020 as a result of the COVID-19 pandemic. Whilst a number of central banks and governments implemented financial stimulus packages to counter the economic impact of the pandemic, recovery has been slower than anticipated and concerns remain as to whether (a) there will be subsequent waves of the COVID-19 pandemic, (b) further financial stimulus will be required and/or (c) governments will be required to significantly increase taxation to fund these commitments. All of these factors could adversely affect economic growth, affect specific industries or countries or affect the Company's business operations. See "Risks relating to the impact of COVID-19" above for further details.

- In the UK, the decision to leave the European Union (EU) may give rise to further economic and political consequences including investment and market confidence in the UK and the remainder of the EU. There are a number of factors associated with the UK's withdrawal from the EU, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Material existing and emerging risks impacting individual Principal Risks

- **Market risk**

Market risk is the risk of loss arising from potential adverse changes in the value of the Company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, dividend expectation, credit spread, implied volatilities and asset correlations. The Company incurs market risk via trading activities with clients and via the liquid assets that the Company holds. The Company manages the risk through a range of complementary approaches to identify and evaluate market risk. These are measured, limited and monitored by market risk specialists.

Economic and financial market uncertainties remain elevated, as the path of the COVID-19 pandemic is inherently difficult to predict. Further waves of the COVID-19 pandemic, deployment of COVID-19 vaccines not being as successful as desired, intensifying social unrest that weighs on market sentiment, and deteriorating trade and geopolitical tensions are some of the factors that could heighten market risks for the Company's portfolios.

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

It is difficult to predict changes in market conditions, and such changes could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

- **Credit risk**

Credit risk is the risk of loss to the Company from the failure of clients, customers or counterparties including sovereigns, to fully honour their obligations to the Company including the whole and timely payment of principal, interest, collateral and other receivables. Credit risk also arises through downgrading of counterparties whose credit instruments the Company may be holding, causing the value of those assets to fall. The Company employs a range of risk measurement techniques and methodologies to mitigate credit risk.

- **Liquidity risk**

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient 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 Company maintains a mixture of long term and short term committed facilities including financial support from its parent, BBPLC, that are designed to ensure the Company has sufficient available funds for operations.

The Company is part of a Domestic Liquidity Sub-Group (DoLSub) for Liquidity Management requirements under the European Capital Requirements Directive (CRDIV) and the European Capital Requirements Regulation (CRR). The DoLSub arrangement constitutes BBPLC and the Company. Barclays has obtained an extension until 30 June 2021 to the waiver from the PRA to supervise both entities as a single Liquidity Sub-Group on the back of a Liquidity Credit Support agreement that allows the free movement of funds between the two entities, enabling them to meet their individual and joint obligations as they become due. As a result of the DoLSub arrangement, any risks to the liquidity position of BBPLC are also a direct risk to the Company. This agreement gives rise to potential contingent liabilities albeit not quantifiable and hence not disclosed separately. Further, in the event that the application to extend the DoLSub waiver beyond 30 June 2021 is not approved, BCSL and BBPLC would be required to maintain separate liquidity management arrangements and would be regulated on a standalone basis.

- **Operational risk**

Operational risk is the risk of loss to the Company from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud or cyber risk) where the root cause is not due to credit or market risk. The Company's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. The Company has outsourced operational activities within the Company to other Barclays Group entities including the Group Service Company. These outsourced activities are managed through various intra-group service agreements between BBPLC, the Company and the Group Service Company, in which the Company is a service beneficiary. The Company continues to be accountable for the risk arising from the actions of the outsourced activities. Failure to adequately manage outsourcing risk through control environments which remain robust to ever changing threats and challenges could result in increased losses, inability to perform critical economic functions, client detriment, potential regulatory censure and penalty, legal liability and reputational damage. The Company assesses its risk and control environment across its functions with a view to maintaining an acceptable level of residual risk.

- **Capital and Regulatory risk**

Capital risk is the risk that the Company 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. Rules dictating the measurement of capital may be tightened which would constrain the Company's planned activities and contribute to adverse impacts on the Company's earnings.

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

To help meet regulatory provisions as prescribed by the PRA affecting capital adequacy and large exposures reporting, the Company has the following in place as at 31 December 2020:

- A contractual guarantee of £1bn from BBPLC to cover credit exposures arising from counterparty credit risk. The guarantee covers large exposures which are in excess of 23% of the company's eligible capital relevant for limits to large exposures. This guarantee will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party.

- A contractual guarantee of £1bn from BBPLC to cover credit exposures arising from counterparty credit risk ranked by risk weighted amount. The guarantee limit can be amended from time to time with agreement between both parties. This guarantee will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party.

- A contractual guarantee from BBPLC to cover secured financing transactions to non-core internal large exposures which are in excess of the company's eligible capital relevant for limits to large exposures. The main exposures to which this guarantee relates to are Barclays Capital Inc, Barclays Securities Japan Limited and Barclays Bank Ireland PLC. The guarantee limit is set to £1 and can be amended from time to time with agreement from both parties. This guarantee will remain in effect until terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.

- A contractual guarantee of £1.5bn from BBPLC to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. BBPLC may terminate this guarantee at any time by providing 30 business days' notice in writing.

- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019, which are included within additional Tier 1 capital;

- A subordinated loan agreement with BBPLC comprising debt of €17m and US$24.5m, which are included within Tier 2 capital.

- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

The Company's capital management strategy is to continue to maximize shareholder value by prudently optimising both the level and composition of its capital resources.

The Company's capital management objectives are to:
- Maintain sufficient capital resources to support the Company's risk appetite.
- Maintain sufficient capital resources to meet the PRA's minimum regulatory capital ratios.

External Regulatory Capital Requirements

The Company is subject to the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) implementation of Basel 3 within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by the Regulatory Technical Standards and the PRA's rulebook, including the implementation of the transitional rules. Rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the European Banking Authority (EBA) and adopted by the European Commission and the PRA. All capital and risk weighted assets (RWAs) calculations reflect the Company's interpretation of the current rules.

The Company has been granted approval by the PRA to adopt advanced approaches for computing credit, market and operational risk capital requirements. The Company uses 'The Standardised Approach' (TSA) for operational risk regulatory capital purpose with effect from 1 April 2018. Pillar 1 capital requirements are generated using the Company's risk models together with standardised calculations.

In December 2017, the Basel Committee on Banking Supervision (BCBS) finalised Basel 3 eliminating the model based approaches for certain categories of RWAs (for example, operational risk RWAs, Credit Valuation Adjustments (CVA) volatility and credit risk RWAs for equity exposures), revised the standardised approach's risk weights for a number of exposure categories, replaced the four existing approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach and established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under the advanced approaches (referred to as the "output floor").

The majority of the final Basel 3 changes are expected to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor and with a single Standardised Measurement Approach.

CRD IV Capital ratios

The current regulatory requirement is to meet a fully loaded CRD IV CET1 ratio comprising the required 4.5% minimum CET1 ratio and Capital Conservation Buffer (CCB) of 2.5%.

Also forming part of the Buffer requirement is the Counter-Cyclical Capital Buffer (CCyB) and the Systemic Risk Buffer (SRB). The Company's CCyB is based on the buffer rate applicable for each jurisdiction in which the Company has exposures. On 28 November 2018, the Financial Policy Committee (FPC) set the CCyB rate for UK exposures at 1% that has further reduced to 0% on 11 March 2020 with immediate effect. The buffer rates set by other national authorities for non-UK exposures are currently not material. Overall, this results in 0.02% CCyB for the Company as at 31 December 2020. No SRB has been set to date.

The Company's Pillar 2A requirement for 2020 was equal to £206mn i.e. 2.44% of the RWAs, of which 56% needs to be met with CET1 capital, equating to approximately 1.4% of the RWAs. The Company's 2020 Pillar 2A add-on was reduced from 3.8% to 2.4% effective 23 July 2020 with 1.4% of RWAs needing to be met in CET1 form. The Pillar 2A requirement is subject to at least annual review and has been set as a nominal capital amount. This is based on a point in time assessment and the requirement (when expressed as a proportion of RWAs) will change depending on the total RWAs at each reporting period. All capital and RWA calculations reflect the Company's interpretations of the current rules.

As at 31 December 2020, the Company's CET1 ratio was 13.39% (2019: 15.82%) which exceeds the 2020 minimum requirement of 8.39% including the minimum 4.5% of CET1 requirement, 1.37% of Pillar 2A requirement, a 2.5% CCB buffer and a 0.02% CCyB buffer.

The table below provides details of the Company's CRD IV transitional capital ratios, capital resources and RWAs at 31 December 2020 and 2019.

	2020	2019
Risk weighted assets (in £'000)	8,436,508	5,409,563
Common Equity Tier 1 capital ratio	13.4%	15.8%
Tier 1 capital ratio	15.8%	19.5%
Total capital ratio	19.3%	25.2%

The Company's Total capital ratio decreased to 19.3% (2019: 25.2%), as a result of a 56% increase in RWAs to £8,436m and 20% increase in total capital primarily due to accumulated reserves during 2020.

Significant regulatory updates in the period

On 16 November 2020 the PRA published a joint statement with HM Treasury and the Financial Conduct Authority regarding the implementation of the outstanding provisions under CRR II in the UK, stating that such implementation would be moved from 28 June 2021 to 1 January 2022. Per the CRR II regulations, the entity will fall under the ambit of the 'large institution' definition as per Article 4 (146) & (147), as the total value of its assets is equal to or greater than EUR 30 billion. As a consequence, the entity would be required to adhere to the binding requirement of maintaining a minimum Leverage Ratio under CRR II, of which the framework itself is currently under review by the Financial Policy Committee (FPC) during 2021, together with the publishing of an entity specific Pillar 3 disclosure, both of which will come into effect from 1 January 2022. The standalone disclosure requirements will be continued to be assessed based on further clarifications expected from the PRA.

Under the withdrawal agreement between the UK and the EU, the 11-month transition period expired at 11pm on 31 December 2020. Any references to CRR as amended by CRR II mean, unless otherwise specified, CRR as amended by CRR II, as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018 and subject to the Temporary Transitional Powers (TTP) available to UK regulators to delay or phase-in onshoring changes to UK regulatory requirements arising at the end of the transition period until 31 March 2022, as at the applicable reporting date. Throughout the TTP period, the BoE and PRA are expected to review the UK legislative framework and any disclosures made by the entity will be subject to any resulting guidance.

Key performance indicators

The Board of Directors monitors progress on the overall strategy by reference to profit after tax as a key performance indicator. The financial performance metrics are aimed at generating long term sustainable returns. Total income increased by 59% to £651m from 2019. Total operating expenses decreased by 1% to £218m from 2019. Profit after tax increased by 152% to £275m (2019: £109m).

FOR AND ON BEHALF OF THE BOARD

Steven Ewart
Director

13 April 2021
Company Number 1929333