BARCLAYS

Return to stability

Barclays Bank PLC
Annual Report 2015

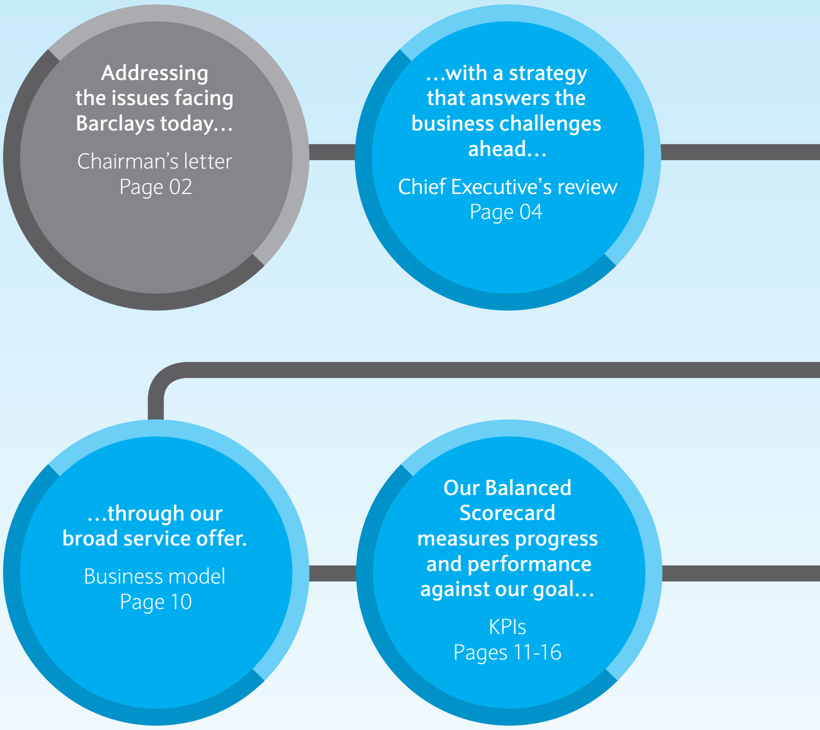
How do I use this document?

The diagram below maps the structure and flow of the Annual Report.

The Annual Report

An overview of our 2015 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

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



Notes

The term Barclays or Group refers to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2015 to the corresponding 12 months of 2014 and balance sheet analysis as at 31 December 2015 with comparatives relating to 31 December 2014. The abbreviations ‘£m’ and ‘£bn’ represent millions and thousands of millions of Pounds Sterling respectively; the abbreviations ‘$m’ and ‘$bn’ represent millions and thousands of millions of US Dollars respectively; and the abbreviations ‘€m’ and ‘€bn’ represent millions and thousands of millions of Euros respectively.

Comparatives pre Q214 have been restated to reflect the implementation of the Group structure changes and the reallocation of elements of the Head Office results under the revised business structure. These restatements were detailed in our announcement on 10 July 2014, accessible at home.barclays/barclays-investor-relations/results-and-reports

References throughout this document to ‘provisions for ongoing investigations and litigation including Foreign Exchange’ mean ‘provisions held for certain aspects of ongoing investigations involving certain authorities and litigation including Foreign Exchange.’

Adjusted profit before tax, adjusted attributable profit and adjusted performance metrics have been presented to provide a more consistent basis for comparing business performance between periods. Adjusting items are considered to be significant but not representative of the underlying business performance. Items excluded from the adjusted measures are: the impact of own credit; provisions for UK customer redress; gain on US Lehman acquisition assets; provisions for ongoing investigations and litigation including Foreign Exchange; losses on sale relating to the Spanish, Portuguese and Italian businesses; impairment of goodwill and other assets relating to businesses being disposed; revision of Education, Social Housing, and Local Authority (ESHLA) valuation methodology; and gain on valuation of a component of the defined retirement benefit liability. As management reviews adjusting items at a Group level, results by business, Core and Non-Core are presented excluding these items. The reconciliation of adjusted to statutory performance is done at a Group level only.

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

The information in this announcement, which was approved by the Board of Directors on 29 February 2016, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015, which included certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC to the US Securities and Exchange Commission (SEC) and which contained an unqualified audit report under Section 495 of the Companies Act 2006 (which did not make any statements under Section 498 of the Companies Act 2006) have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

These results will be furnished as a Form 20-F to the SEC as soon as practicable following their publication. Once furnished with the SEC, copies of the Form 20-F will also be available from the Barclays Investor Relations website at home.barclays/investorrelations and from the SEC’s website at www.sec.gov

Barclays is a frequent issuer in the debt capital markets and regularly meets with investors via formal road-shows and other ad hoc meetings. Consistent with its usual practice, Barclays expects that from time to time over the coming quarter it will meet with investors globally to discuss these results and other matters relating to the Group.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as ‘may’, ‘will’, ‘seek’, ‘continue’, ‘aim’, ‘anticipate’, ‘target’, ‘projected’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’, ‘achieve’ or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group’s future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, rundown of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under IFRS, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; United Kingdom (UK), United States (US), Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implementation of the strategic cost programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group’s control. As a result, the Group’s actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group’s forward-looking statements. Additional risks and factors which may impact the Group’s future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2015), which are available on the SEC’s website at www.sec.gov

Subject to our obligations under the applicable laws and regulations of the UK and the US in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

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

PDF **Annual Report**
home.barclays/annualreport

Addressing the issues facing Barclays today…

"Banking is in the eye of a perfect storm. It was in full consciousness of this, that I undertook the role as your Chairman at the end of April, with the strong conviction that we could not only stabilise the situation relatively quickly, but also return the Group to prosperity during my tenure."

In such an environment it is so easy to become consumed by challenges, market volatility and the short-termism of the financial markets, but this tends to obscure the underlying quality of the Barclays brand and franchise, the genuine and substantive progress that the Group has made in recent years and the potential for the organisation arising from the decisions and actions we are now taking for the future.

Today the Group is smaller, safer, more focused, less leveraged, better capitalised and highly liquid. Comparing 2015 with 2008, we find:

- £2.1trn in assets historically against £1.1trn and declining
- shareholders' equity was £36.6bn, and is now £54.5bn
- balance sheet leverage (total assets to ordinary shareholders' funds) was 56 times and is now 20 times and comparable to more highly-rated peers
- shareholders' equity as a percentage of risk weighted assets (RWAs) was 8.5% and is now 15.2%.

While we will continue this journey towards greater financial strength, the main issue for the Group is no longer capital as some remark, but earnings and returns. Put simply, for the past few years and including last year, we have produced either negligible retained profits or losses before dividends. Going forward, we need to reverse this and generate superior returns out of our franchise. This said, we also needed to take action to preserve and enhance our capital in unpredictable times. To this end, while we declared the full year 2015 dividend in line with guidance, we also decided it would be prudent to scale back dividends in 2016 and 2017, until such time as we can cover them from earnings.

Barclays has a number of industry leading businesses that produce excellent returns, but this is not universal across the portfolio. Personal and Corporate Banking and Barclaycard together produce profits after tax of £3.3bn and a combined return on equity of 13.4%. The other segments however fared less well and produced returns below the Group's hurdle rate. Barclays Africa profits, although strong in local currency, were significantly impacted by the decline in the Rand and by the UK bank levy, bringing sterling returns down to an after-tax profit of £0.3bn and a return on equity of 8.7%. Also, while doubling over the prior year, the Investment Bank's profit of £0.8bn generated an improved, but still substandard, return on equity of 5.6%, up from 2.7%.

Our core businesses overall produced a profit before tax of £6.9bn and a return on equity of 9%. While respectable, this of course is below our required return and needs to be improved. On the other hand, this profit was fully eroded by the £1.5bn drag of the non-core portfolio, £4.0bn in litigation and conduct charges relating to historical matters (in addition to the £0.4bn included in the core and non-core business results), and £1.5bn in corporate income taxes contributing to an overall loss for our ordinary shareholders of £0.4bn. Since conduct and related charges are no longer tax deductible, Barclays tax rate for last year was effectively 70%. If the £0.5bn cost of the UK bank levy is added to corporate income taxes, the effective 'tax' rate rises to 76%. The extent of the UK tax we bear was reflected in the results of PwC's 2015 survey of the One Hundred Group, which represents most of the UK's largest groups and concluded that Barclays paid the greatest amount of UK tax.

Of course with respect to our underlying profitability and the scale of the charges against this, things cannot stay the same. Tough situations like this demand effective action.

New Leadership

As an important starting point, the Board decided that new leadership was required. In July, we announced the departure of Antony Jenkins as Chief Executive and in October the appointment of Jes Staley, like me, a banking veteran. While I was able to exercise executive responsibility in an interim capacity immediately following Antony's departure, and was able to set a number of initiatives in train, we were particularly fortunate that Jes was able to be active so quickly.

Jes has made good progress in building his new management team. In short order, he has appointed Ashok Vaswani as head of Barclays UK with responsibility for the establishment of the new Ring-Fenced Bank. Jes has also recruited Paul Compton as Chief Operating Officer and C.S. Venkatakrishnan as Chief Risk Officer.

Back to Core

The Board recently reflected on the strategy and situation of the Group and decided that our strategic core was our UK retail and small business franchise, our international Corporate and Investment Banking business largely centred around our trading hubs in London, New York and Asia, and our international credit card businesses. The remainder of the Group was therefore designated non-core, and to be exited, in addition to the continued rundown of the heritage non-core portfolio.

We therefore decided, subject to shareholder and regulatory approval, to take our ownership of Barclays Africa Group Limited to a level where we can achieve accounting and regulatory deconsolidation as soon as this can be executed. We have sold, or are in the process of exiting, the balance of retail banking operations outside the UK. We have also sold, or put up for sale, our international Private Banking businesses other than the UK region, Monaco and Geneva. In the Investment Bank, we withdrew from nine countries, cash equities trading other than in New York and London, all local currency trading outside our major hubs, and certain securitised products trading in the US. The capital released will be used to underpin our capital strength going forward.

A New Corporate Structure

Following the statutory decision in the UK to ring-fence UK retail and small business banking by 2019, we decided to bring forward the establishment of the new bank and an application will be made for regulatory approval. When implemented, it will result (pending sell-down of our stake in Barclays Africa Group Limited) in three separate banks that we currently refer to as 'Barclays UK', 'Barclays Corporate & International' and 'Barclays Africa', each of which will have its own board, chief executive, management team and certain operational services. So as to prepare ourselves for this new structure, we are reorganising the divisional structure along these lines. This has the additional benefit of decentralising the very large corporate centre and results in a more streamlined, accountable and lower cost organisation. It also enhances the Group's strategic flexibility and options going forward.

Underpinning Future Earnings Performance

The decisions to change leadership, to reduce our exposure to non-strategic businesses, as well as implementing our leaner corporate structure should have significant positive earnings and capital outcomes. These are necessary but not sufficient. We are investing in our segments with the highest growth and return prospects, including UK retail banking and Barclaycard. The Investment Bank, even in its more focused form, faces unpredictable market prospects. The Board has agreed a medium-term plan that is designed to produce increased returns in the future, that we will continue to monitor closely. Additionally, Barclays has a heavy overhead structure that needs streamlining. To this end, we have initiated a Group-wide overhead reduction programme, hiring restrictions, and a very limited number of senior salary increases. These should begin to deal with those matters within our control.

Historical Regulatory and Conduct Matters

We continue to be subject to very significant capital and conduct charges by regulators and governments that frankly are not sustainable. They arise understandably from the position that banks engendered in the Global Financial Crisis and from conduct issues that we have been working hard to address. While justified in principle, in practice they have achieved a level that is undermining our transformational efforts, and those of the regulators, to build capital and support economic growth. Banks are seen by many as unpopular and having deep pockets. But those pockets belong to our shareholders, who pay penalties out of current and future earnings that would otherwise build capital.

We are half the size we were a few years ago and the narrowing of our focus as a result of current decisions will make Barclays better capitalized and less globally systemic. But as we shrink the bank, we reduce our ability to pay outsized conduct charges. The charges are not proportionate to our smaller size and ability to pay relative to many of our peers. Our FX fines are an example. We paid one of the highest amounts in penalties of the banks who settled with the government, even though the offense was the same, even though we are by some measures one half the size of other banks that settled, and even though we received acknowledgement for our cultural changes and remediation after our LIBOR settlement. When conduct charges consume our profits, as they have for the past three years, we have no choice but to meet them by shrinking our franchise – selling or closing businesses – which reduces our capacity to support the real economy. A £50m fine or penalty is the equivalent of employing 1,000 fewer employees, closing 100 small regional branches, or foregoing the capacity to lend over £500m to small businesses or consumers. The societal costs of excessive penalties is very real.

EU Referendum

On balance we think it is in the interests of our customers and clients for the UK to remain in the EU. We have modest interests domestically on the continent, but provide significant services to European companies from London. More importantly, we are heavily reliant on a successful UK domestic and international economy and feel this is enhanced through the UK's membership.

Thank You

Being on a bank board today is not for the faint-hearted. I would therefore like to thank our Board for their contribution to our company. Fortunately, the Barclays name is able to attract people with the finest credentials. I would particularly like to thank Sir David Walker, my predecessor, who retired at our AGM in April. He did an incredible job by providing wise oversight and a stable hand and we are grateful to him. I would once again like to thank Antony Jenkins, our former Chief Executive for all that he did for Barclays. He took over as Chief Executive at an extremely difficult time for the organisation and was able to provide the stability that was necessary and to advance significantly the culture and values of the organisation, much of which had been eroded. Sir Michael Rake, our Senior Independent Director retired at the end of last year after eight years, and Sir John Sunderland at our last AGM after a similar tenure and we are grateful to both for their enormous contribution.

I would particularly like to thank our staff across the organisation for coming every day to serve our customers, without whom we would not have an enterprise. I would also pay respect to our shareholders who have had a pretty miserable time, but who have supported us throughout. Your patience will be rewarded.

A New Beginning

In the eye of the storm it is difficult to sustain or engender faith in the organisation and in its future. For my part, while we continue to be buffeted by historical matters and the political and regulatory environment, I have never lost sight on the end game, the way forward and our eventual success. It has been a very active and decisive year for our company as will be the year ahead. Through decisions already taken, we will quickly reach a more stable and productive foundation.

We are though not without residual challenges, including an uncertain economic environment, as well as further historical regulatory penalties and remedies that will haunt us for some years. We are nevertheless working hard to put these behind us. This will ultimately be achieved although in the interim we would hope for a more proportional attitude from governments and conduct regulators towards banks. However, the conservative assumption, based on our experience, is that any success we do achieve is more likely to arise from our own efforts.

Priorities for the Future

Now that we are getting back to core, our priorities going forward are to:

- generate greater value from our portfolio, including bringing the Investment Bank to returns above the cost of equity and the Group cost-income ratio below 60%
- execute in the least value-destructive way the rundown of our historical and newly designated non-core businesses and assets
- implement the structural reform programme, the creation of the ring-fenced bank and the effective operation of the new decentralised divisional structure
- put historical conduct matters finally behind us
- become a more externally and customer focused company, with a strong performance ethic and underpinned by strong customer, people and community values.

John McFarlane
Chairman

…with a strategy that answers the business challenges ahead…

"I am honoured to have been chosen to lead Barclays. It is a huge responsibility, which I do not take lightly. In every part of the Group, I have been impressed and inspired by our colleagues and the work that they do for our customers and clients."

What we do
Barclays is a transatlantic Consumer, Corporate and Investment bank…

Our Goal
…that will become the bank of choice for our stakeholders…

Our focus
…by providing superior services and supporting our stakeholders*…

Our strategy
…via a commercially successful business that generates long-term sustainable returns.

*Our strategic performance is measured by our Balanced Scorecard (see page 11)

Our 2015 results show a core business that is fundamentally strong, with franchises that position us well, generating attractive earnings, with excellent prospects for growth, and collectively they already deliver a Return on Tangible Equity which is above our cost of equity. Our principal task is therefore to liberate those businesses from the two major factors which drag them down today.

The first is legacy products and businesses that are neither sufficiently profitable nor strategic for Barclays – our Non-Core Unit. And the second is the continued impact of billions of pounds of litigation and conduct expenses that are largely the product of past failures in culture.

We are going to address both of these matters head on, with the objective of putting most of these issues behind us in 2016. This will be achieved through simplifying our core business, aggressively running down our Non-Core operations, and resolving as soon as practicable our remaining legacy conduct issues, while at the same time promoting a strong values driven culture across the bank that helps to prevent the creation of new ones.

We have made great progress in simplifying Barclays over the last few years by reshaping our balance sheet, strengthening our capital base, and reducing costs.

All of this has been done to move us towards becoming a Group which can generate the returns our shareholders deserve.

But in order to complete our restructuring and deliver for shareholders in a reasonable timeframe, we must take action today.

It is our intention, subject to regulatory and shareholder approvals if and as required, to reduce our interest in Barclays Africa Group Limited (BAGL) to a non-controlling, non-consolidated position over the next two to three years.

This has been a very difficult decision to make. Barclays has been in Africa for over 100 years. We have some excellent franchises across the continent, with a great management team and dedicated colleagues.

But we face a regulatory environment where we carry 100% of the financial responsibility for Barclays Africa, and receive only 62% of the benefits. The international reach of the UK bank levy, the Global Systemically Important Bank (GSIB) buffer, minimum requirement for own funds and eligible liabilities (MREL) and Total Loss Absorbing Capital (TLAC), and other regulatory requirements, present specific challenges to Barclays as owners. The returns Barclays realises from its controlling interest in BAGL are significantly below the 17% Return on Equity reported locally.

Because of these specific challenges, we believe that it is in the best interest of shareholders to reduce our position. Given what is driving this decision, we have flexibility with respect to the pace at which we reduce our ownership and as a result, we will execute this change in our investment opportunistically over the next two to three years.

Reducing our interest to a non-controlling, non-consolidated position will also improve our Common Equity Tier 1 (CET1) ratio, though not until we deconsolidate BAGL as a regulatory matter. In the medium term, that will allow us to invest in the core franchises of Barclays. It also has the positive effect of shrinking our cost base by approximately £2bn, our headcount by around 40,000 and, of course significantly reduces our organisational complexity.

Besides simplifying our business further, we also need to accelerate the separation of our profitable Core businesses from the drag of our Non-Core businesses.

Our Non-Core RWAs started at £110bn two years ago. By the end of 2015 we reduced that to £47bn. As we conclude our restructuring, we are taking the opportunity to exit other marginal businesses and regions, including elements of the Investment Bank in nine countries, our Egyptian and Zimbabwean businesses, Southern European cards and wealth management in Asia. As a result, our Non-Core RWAs rise to

We are making significant progress in achieving our strategic aim of a more simplified and balanced business

approximately £55bn as at the end of 2015. We anticipate those one-time additions will add approximately £600m to underlying Non-Core costs, but we expect to exit the majority of these in the course of 2016.

Our Non-Core businesses act as a significant drag on our Group profitability that must be eliminated as soon as possible.

The Board has therefore decided to adjust our near-term dividend to give us the flexibility to accelerate our exit of Non-Core activities. It is our intention to reduce our dividend in 2016 and 2017. This will help us accelerate the imperative rundown of Non-Core.

I recognise the importance of paying a meaningful dividend as part of total shareholder returns and am committed to doing so in the future.

But for now, the reduction of the dividend is the right choice. These are hard decisions, but we believe the shareholder value created by getting Non-Core closed will greatly exceed the downside of cutting the dividend for the next two years.

These strategic actions will bring forward the completion of our restructuring and the emergence of a simpler and very profitable Barclays.

We are also changing the way in which we structure Barclays to further simplify the Group and prepare early for UK ring-fencing requirements.

At the heart of Barclays' strategy is to build on our strength as a Transatlantic Consumer, Corporate and Investment bank, anchored in the two financial centres of the world, London and New York.

Barclays will operate as two clearly defined divisions, **Barclays UK** and Barclays Corporate & International. Barclays UK will include our leading UK retail bank, our UK consumer credit card business, and play its traditional role as a committed provider of lending and financial services for small businesses up and down the UK.

The business has 22 million retail customers, and almost one million business banking clients. We are one of the country's leading business banks. We are the second largest wealth manager in the UK, and Barclaycard is the number one card issuer in Britain with close to 11 million UK card customers. Barclays UK will also continue to pioneer innovation in the provision of consumer financial services.

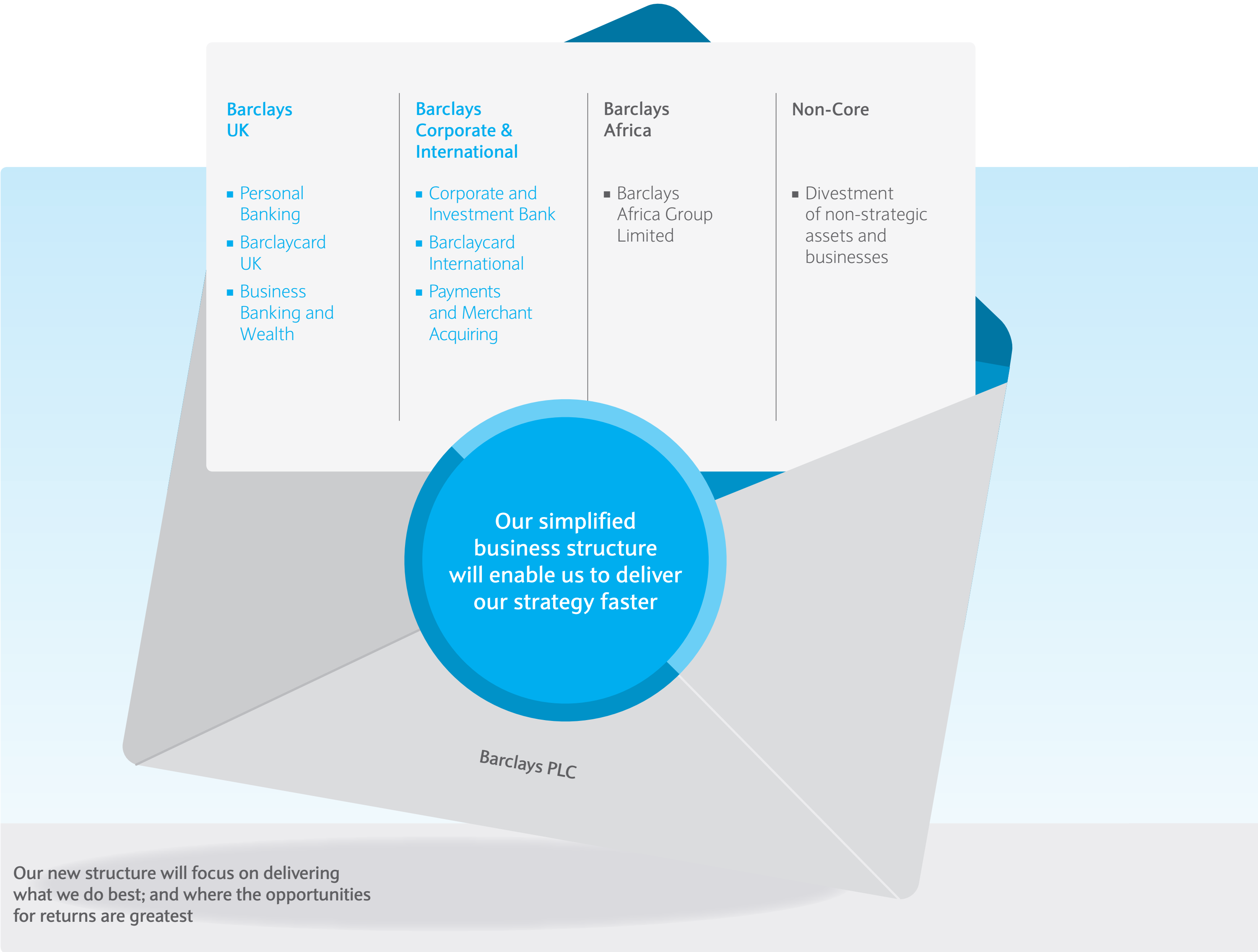
This represents formidable strength. It will ultimately become our UK ring-fenced bank, a resilient British bank, compliant with all regulatory requirements.

Second, **Barclays Corporate & International** will comprise our market leading Corporate banking business, our Barclaycard operations in Europe and the US, our bulge bracket Investment Bank, and our International Wealth offering.

Barclays Corporate & International has scale in wholesale banking and consumer lending, strength in our key geographies, and good balance in its revenue streams, delivering further resilience.

Barclays Corporate & International will ultimately become our non-ringfenced bank. It will operate as a strong unit within the Barclays Group, and is wholly complementary to Barclays UK. It is a strategically coherent collection of franchises across corporate, investment, and consumer banking, creating a robust and diversified business for us.

…delivered through a simpler and better structured business…



We are confident that Barclays Corporate & International will continue to be well capitalised with a balanced funding profile, supporting solid investment grade credit ratings.

In summary then, the future is bright. Both Barclays UK and Barclays Corporate & International already generate double digit Returns on Tangible Equity (RoTE). They are strong financially, and will be as sibling businesses, and shareholders and debt investors in Barclays will benefit from the diversified revenue streams they produce.

We are also simplifying our financial targets for the Group going forward to focus on three key metrics, and will be aiming to achieve these targets in a reasonable timeframe, in order to deliver shareholder value:

- RoTE: As we reduce the Non-Core drag on Group returns, the Group's RoTE will converge towards the Core RoTE, and achieve attractive returns for shareholders
- CET 1 ratio: We wil run the Group's CET 1 ratio at 100-150 basis points above our regulatory minimum level
- Cost:Income ratio: We will reduce the Group's Cost:Income Ratio to below 60%

Going forward, we will also return to normalised financial metrics. Barclays is in the process of emerging from restructuring and our future disclosures will be based on our business divisions – Barclays UK and Barclays Corporate & International. They will no longer include things like 'cost to achieve' or 'Structural Reform Programme charges'. Instead, you will get a simple and clear statutory presentation of our Group's performance.

Achieving our goals must be realised at the same time as we complete the critically important cultural transformation of the Group.

More than 300 years ago, Barclays was founded by a group of Quakers. Those first Barclays bankers earned the trust of English merchants, and those bankers felt responsible as stewards of that trust. The Bank, early on, built an exceptional reputation for integrity. Barclays became renowned for the principled way it did business.

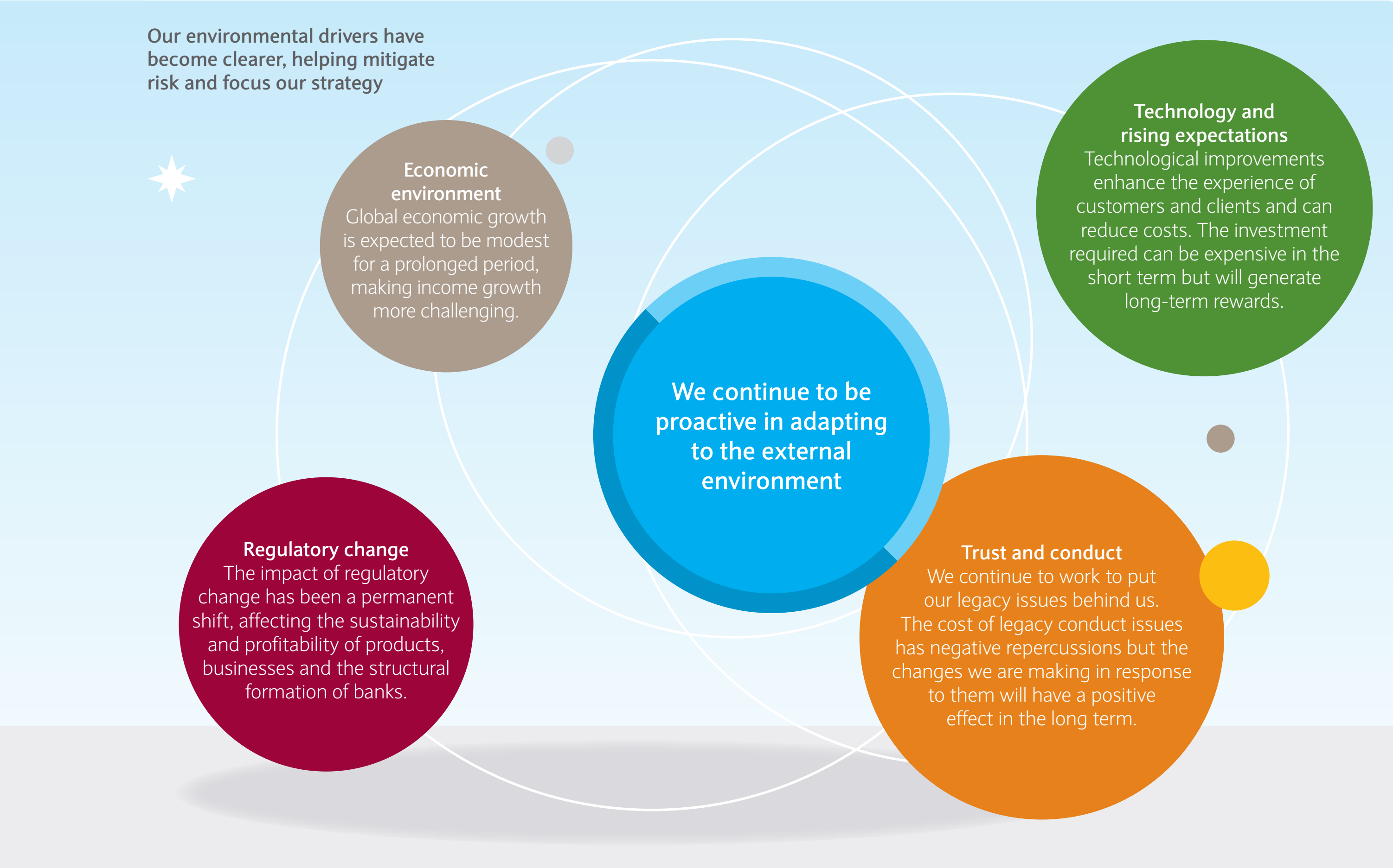
I joined banking back in 1979, because I was excited to be a part of a respected profession. Being a banker back then was like being a lawyer or a doctor. The practitioners of the profession of banking were skilled at understanding the complex topics of capital, credit, savings and investor returns; and they were highly regarded as they used that knowledge to help consumers, corporations, investors and governments, to navigate, with transparency and clarity, the world of finance. It was a profession because it was moored to a commitment for integrity.

A company that retains the loyalty of its employees solely based on compensation is a company that gambles with its institutional culture. I want Barclays to be a bank where our employees choose to work here because they believe in the institution, and its intrinsically valuable role in society.

This is a mind-set I want to reinvigorate in everyone at Barclays, from branch colleagues working on the high street in Manchester, to the M&A banker in New York.

Banking, at Barclays, will again be a 'profession' and it will be up to all of our employees to promote that goal internally, and to find the people

…that is best suited to our business environment…



that want to join Barclays because they want to be part of a great profession. The profession of banking.

I look forward to meeting investors at our AGM, and in the course of the next year, and thank you for your support as we continue the work of restoring Barclays to where it should be.

James E. Staley
Group Chief Executive

Barclays is a transatlantic Consumer, Corporate and Investment bank, governed by global and local regulatory standards.

Global economic growth has been modest in recent years, and unprecedented monetary policies, such as Quantitative Easing and near zero and negative interest rates, have been implemented by many Central Banks to stimulate growth. During the second half of 2015 and into 2016, the macroeconomic environment has deteriorated, driven by commodities weakness, particularly oil prices, along with economic uncertainty in China. In the UK, the referendum on EU membership gives rise to political uncertainty. We remain alert to these changes and more, and monitor and manage our risks accordingly.

Regulation continues to direct attention towards capital, liquidity and funding, in order to create a safer banking environment. In 2015, the Financial Policy Committee of the Bank of England clarified the overall capital framework for banks. This has provided greater certainty and allowed us to progress our strategy. Reforms requiring banks to separate certain activities, such as structural reform in the UK and US, continue to be a big focus and have been accounted for in the structure of our revised strategy, as described on page 4.

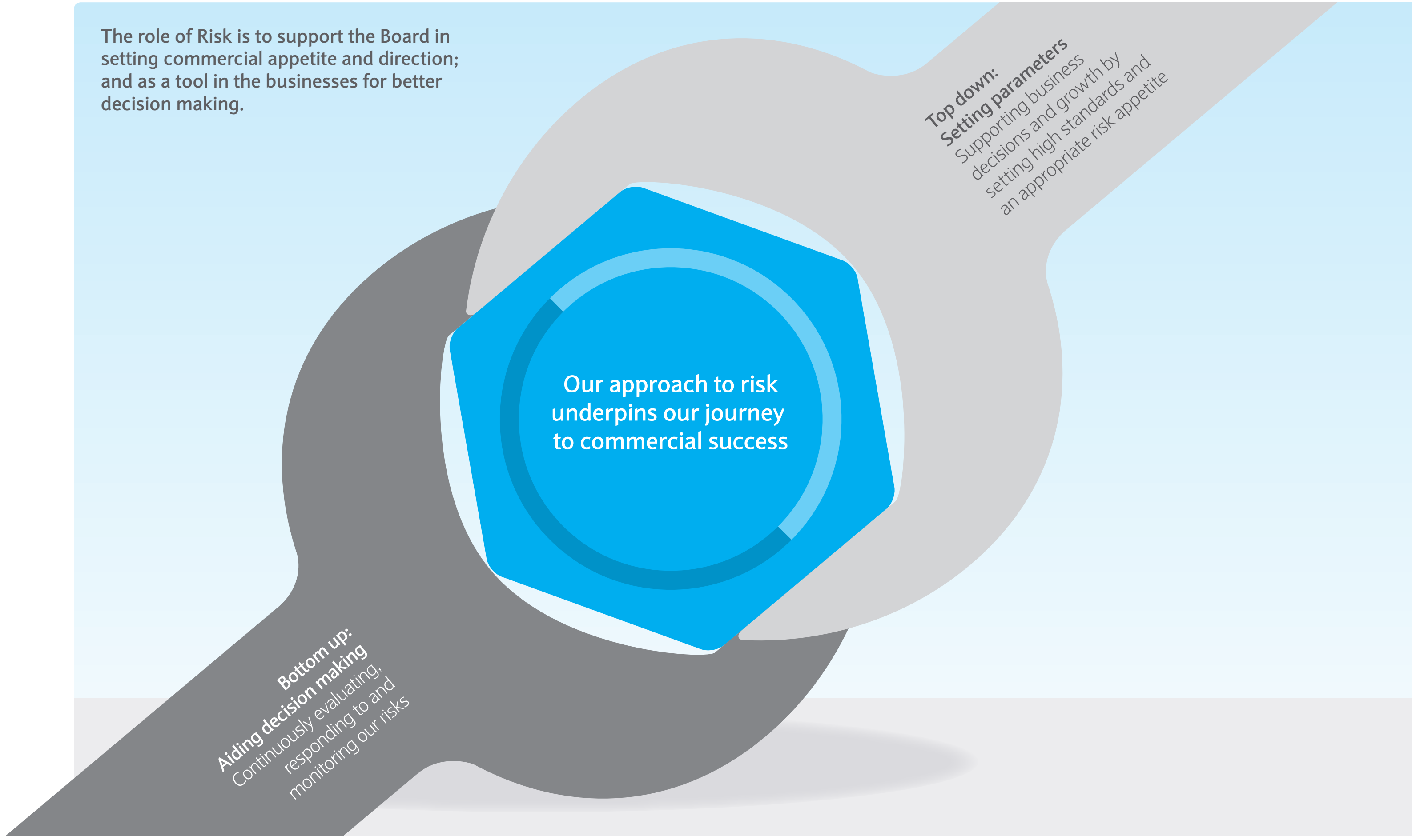
Conduct issues have hurt Barclays, causing loss of trust among stakeholders. We continue to embed cultural change and improve governance to work to rebuild customer and client trust and market confidence.

Digitalisation trends continue to grow and the power of technology has raised customer and client expectations, resulted in new competitors in the digital space, and increased the challenge of defeating cybercriminals. It has also reduced the cost-to-serve through automation, process improvement and innovation, while making customer experiences faster, more personalised and lower risk.

Without active risk management to address these external factors, our long-term goals could be adversely impacted. Our approach to risk management is outlined on page 127, and material existing and emerging risks to the Group's future performance are outlined on page 119.

Our strategy continues to evolve to respond effectively to the external environment. Please refer to page 4 for an update on our strategy.

…and underpinned by our robust approach to risk management…



To protect Barclays from a volatile and weak external environment, a strong risk capability is needed. At Barclays the Risk teams:

- provide critical risk capabilities, including directing risk appetite and the risk profile
- set frameworks, policies and standards
- provide strong and independent second line challenge on a business by business basis
- lead implementation of critical regulatory risk initiatives.

In the execution of our strategy, some of the risks we face arise as a result of our decisions, and some result from operational processes, or the external environment. We classify risks under five types:

- Credit risk: Financial loss should customers not fulfil contractual obligations
- Market risk: Earnings or capital impact due to volatility of trading book positions or as the consequence of running a banking book balance sheet and liquidity funding pool
- Funding risk: Failure to maintain adequate capital and liquidity
- Operational risk: Cost from human factors, inadequate processes and systems or external events
- Conduct risk: Detriment through inappropriate judgement in execution of business activities.

In the course of business we identify and assess these risks, determine the appropriate risk response, and monitor the effectiveness of these actions and changes to the risk profile:

- Evaluate: Individuals and teams who manage processes identify and assess the proposed risks
- Respond: Ensures risks are kept within appetite, the level of risk the Group is prepared to accept while pursuing its business strategy, and where appropriate taking necessary mitigation actions
- Monitor: Monitoring the risks identified is on-going and proactive, and can often mean re-evaluating risks as well as changing our response.

In 2015, the Risk function and the businesses carried out detailed evaluations of the risks Barclays faces using tools such as stress testing. These risks included lower global energy and commodity prices, a slow down in China's economic growth, or of any risks from the EU referendum in the UK. We have responded to changing market conditions by tightening lending criteria in riskier areas and re-deploying risk capacity toward sectors offering better returns on risk. Senior management and the Board are actively engaged in monitoring these risks, and provide high-level direction.

Responsibilities for the management of risk and control are aligned to a 3 lines of defence activity-based model:

- first line of defence responsibilities rest with the colleagues who manage operational or business processes. They are responsible for identifying the related risks, and designing, operating, testing and remediating appropriate controls to manage those risks
- designing frameworks and policies and providing independent oversight and challenge to ensure compliance constitute the second line of defence role
- Barclays Internal Audit, the third line, provides independent assurance.

When performed appropriately by all colleagues, these responsibilities ensure that there is a strong risk and control environment at Barclays.

…to better drive value creation and sustainable stakeholder return…

Our approach creates value for all our stakeholders and delivers broader economic benefits to society:

- superior service for customers and clients internationally
- challenging, meaningful and fulfilling careers for our people in a values driven organisation
- long-term sustainable returns for our investors, based on diversification of income streams and risk management expertise
- employment and growth in the economies in which we operate
- engagement with governments and society in general to address social issues and needs.

As a transatlantic Consumer, Corporate and Investment bank Barclays offers a well-balanced and integrated set of products and services across personal, corporate and investment banking, credit cards and wealth management. We serve individuals, small and large businesses, local authorities, corporations, institutions and governments.

Barclays seeks to satisfy the needs of our customers and clients by offering a well-rounded value proposition, focused on our core strengths, particularly in our UK and US home markets, and thereby deliver a diversified income stream and long-term sustainable returns.

Our business model has been simplified through actions taken over the past two years. It provides us with a stable platform from which to capitalise on the scale and diversity of our businesses and the quality, character and relationships of our people.

The creation of Barclays UK and Barclays Corporate & International further strengthens our value proposition and reinforces the resilient business mix that we enjoy from having an appropriate balance across consumer and wholesale revenue streams.

For example, the scale of our Corporate Banking and Investment Bank franchises serving large, multi-national companies and financial institutions complements that of our market leading consumer businesses across personal banking, wealth management and credit cards. Similarly, our payments solutions offering to businesses and consumers combines our Corporate Banking payments knowledge with our Barclaycard merchant acquiring expertise.

Our international reach and scale mean we have the responsibility – indeed the obligation – following our designation as a GSIB, to work together with our regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term.

…through our broad service offer.

As we continue to build Barclays, we believe we can become the partner of choice for all our customers and clients.

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

Our integrated products and services offer expertise across the customer and client spectrum

Our diverse business model enables us to provide continuing and relevant support across all our businesses to our customers and clients, whatever their stage of life.

For example, for individuals, Barclays offers a safe place to store savings, can help a first-time buyer take their first steps onto the property ladder, give people from a variety of backgrounds the opportunity to grow and manage their wealth, or provide cross-border advice for the affluent for example, helping family members abroad. For businesses it means being ready to help entrepreneurs launch a business, fund its growth, manage payments securely, expand internationally, manage risk effectively, and issue bonds and listed equity shares.

Technology is a critical component of this service offering that benefits customers and clients across the spectrum, regardless of which part of our business they engage with first. Digitalisation and automation of simple banking processes deepens relationships with our customers. For example, automation of account opening and unsecured lending provides increased convenience to personal and corporate customers alike. Similarly, the digitisation of FX transfers and innovative payments solutions enable businesses to achieve their ambitions in the same way that our multi-asset trading platform enables institutional clients to achieve theirs. These are all examples of the way Barclays adds value and provides benefit to all of our customers and clients through our approach to banking.

Our Balanced Scorecard measures progress and performance against our goal…

We have agreed eight key measures categorised into the 5Cs against which our stakeholders can hold us to account.

	Metric	Actual 2014	Actual 2015	Target 2018
Customer and Client Page 12	Personal and Corporate Banking (PCB), Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score® (NPS) vs. peer sets	4th	**4th**	1st
	Client Franchise Rank: Weighted average ranking of wallet share or customer satisfaction with priority clients in the Investment Bank	5th	**5th**	Top 3
Colleague Page 13	Sustained engagement of colleagues score	72%	**75%**	87-91%
	% women in senior leadership	22%	**23%**	26%
Citizenship Page 14	Citizenship Plan – initiatives on track or ahead	11/11	**10/11**	Plan targets
Conduct Page 15	Conduct Reputation (YouGov survey)	5.3/10	**5.4/10**	6.5/10
Company Page 16	Adjusted Return on Equity (RoE)	5.1%	**4.9%**	N/A[a]
	Fully Loaded CRD IV CET1 ratio (Capital Requirements Directive IV Common Equity Tier 1)	10.3%	**11.4%**	N/A[a]

Note
a Please refer to the new financial targets set out in the Chief Executive's review on page 4.

Gender Barclays Board membership includes four women and ten men, and one woman and nine men on the Group Executive Committee. During 2015 we had a maximum of three women on the Group Executive Committee. Under the Companies Act 2006, Barclays are also required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 129,400 (66,100 male, 63,300 female), 796 were senior managers (574 male, 222 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior Managing Directors, and directors on the boards of undertakings of the Group, but exclude individuals who sit as directors on the board of the Company.

In 2015 the Balanced Scorecard was used throughout the organisation and formed part of the framework by which our staff were assessed, with individual performance objectives aligned to the 5Cs.

This year has seen improvement across a number of our metrics, especially our capital strengthening, as measured by the CET1 ratio, and within Colleague. Further work is required in some areas, including RoE.

The Customer and Client Relationship metrics remained stable as a strong performance in corporate banking, combined with improvements in Barclays current accounts, was partially offset by the impact of reshaping our wealth business. Our Client Franchise Rank remained stable in challenging market conditions.

Under Colleague, we have seen an improvement in both the colleague engagement and the gender-diversity in our leadership, with numerous initiatives to promote equality and support our workforce proving successful.

In our Citizenship plan, 10 out of 11 metrics on target shows that we are having a positive impact on the communities in which we operate, with lending to households the only initiative to lose momentum primarily as a result of market and trading conditions.

Conduct also showed a slight improvement on 2014 following a number of actions being taken to improve customer outcomes, although we are below where we would like to be.

Within Company there has been a significant strengthening in the CET1 ratio, however we have plenty of work to do to deliver an acceptable return to shareholders, with RoE slightly down on 2014.

There is still plenty of work to do and we remain focused on improving our balanced performance for colleagues, customers and clients, the wider community and shareholders.

…for our Customers and Clients we aim to be the bank of choice…

What we are doing

In building customer advocacy we will continue to:

- further invest in our brand and the attractiveness of customer and client propositions
- bring increased accountability to those closer to customers
- innovate through customer relevant technology and the transformation of the branch network
- develop service models tailored to the changing needs of our global customer and client base.

The 2018 target is to be 1st in NPS, and Top 3 in Client Franchise Rank.

Balanced Scorecard metric

	Actual 2015	Actual 2014	Actual 2013
PCB, Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score® vs. peer sets	**4th**	4th	3rd[a]
Client Franchise Rank: Weighted average ranking of wallet share or customer satisfaction with priority clients in the Investment Bank	**5th**	5th	N/A

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

How we measure success

- Commercial success across our businesses depends on the continued endorsement by our customers
- Competition for customers and clients has never been stronger. 2015 saw unprecedented levels of switching in our key UK retail markets and intense competition in corporate markets
- Relationship NPS ranking provides a simple customer advocacy measure and indicates growth potential across our franchise
- A ranking widely used in banking and other industries, it facilitates comprehensive benchmarking, simplifies target setting and identifies best practice, bringing the customer's voice to the heart of Barclays. It is income-weighted using divisional customer satisfaction
- For the investment banking industry, NPS is not as widely measured. Therefore, a 'Client Franchise Rank' is calculated by measuring use of our products and services by target clients. It is a revenue-weighted ranking of our global client share across the Investment Bank
- Improving our rank with these clients is a key indicator of effectiveness in meeting their needs, supporting delivery of improved returns for Barclays

STAKEHOLDER PERFORMANCE

How we are doing

Relationship NPS

2015 saw improved performance in UK retail markets with increased NPS scores for both Barclaycard UK credit cards and Barclays current accounts. In 2015 we've focused on improving key customer experience touch points for our retail customers whether they contact us in branch, over the phone or by online channels. We've also launched our Barclays Blue Rewards proposition to UK retail customers and have measured improved perceptions of value as a result. In the UK, Barclaycard has continued to introduce industry leading balance transfer offers and innovative payment plan products.

Elsewhere across our customer franchises we've maintained a very strong performance in the corporate banking market where we've vied for leadership position among our peers throughout the year. Our NPS ranks for our Wealth business slipped as we exited the US market.

While we have recorded improvement in NPS scores in key markets, acceptable progress towards our 2018 Group target will require us to ultimately outperform our peers – in addition to improving our own scores. We believe we are well placed to achieve this by leveraging technology to accelerate the transformation of customer and client interaction. Transforming the nature of banking globally through innovations such as Barclays Mobile Banking, Pingit, Mobile Cheque Imaging and Video Banking will be fundamental to our success.

Client Franchise Rank

Our ranking of 5th for 2015 provides a strong platform from which to build as we aspire to our goal of being 'top 3' with our target clients. We will seek to achieve this goal by focusing on the following key areas:

- further aligning our structure to client needs: As part of the Strategic Review in 2014 we brought Equities and Credit teams together under the same management to provide a more integrated approach. In 2015 we have taken steps to further align teams across Banking and Markets to provide a complete service to clients encompassing primary issuance and secondary trading
- improving client management information: We have invested technology and resources in our management information and analytics that enable us to provide more finely targeted solutions for our clients
- investing in people and conduct: The quality of our people and the way they do business is fundamental to building and maintaining strong relationships with our clients. We are committed to attract and retain the best talent to serve our clients and help them achieve their ambitions. The Investment Bank remains focused on strengthening the Conduct framework, and Conduct Risk training for colleagues is delivered throughout the year.

Case study

Barclays has piloted a ground-breaking new service at our branches. Customers with a disability or impairment can now enter their accessibility needs and preferences into an optional free-to-download app, along with their name and a photo of themselves. The data is 'awoken' and passed discretely to any participating branch when the customer comes into range of its Bluetooth beacon. A staff member is alerted to the customer's arrival and can proactively tailor the service they provide, according to the stated wishes, making communication and interaction both easier and more empathetic to both parties. We know how tiresome it can be for some customers to re-articulate their access needs every time they visit the branch, so we used their feedback to drive direction of the design. For further information, please visit www.barclays.co.uk/beacons

…creating an environment where our Colleagues can fulfil their potential…

What we are doing

Our colleagues remain core to success at Barclays, and we remain committed to investing in them and ensuring they are enabled to consistently deliver strong performance over time.

Fostering an inclusive and diverse culture where all colleagues can achieve their potential remains a core business focus:

- through diversity, we gain a greater breadth of perspectives
- through inclusion these perspectives feed innovation.

In turn, this ensures we deliver services and innovative products that are market leading, enabling our diverse customers to achieve their goals.

The 2018 target is for a score of 87-91% in Sustained Engagement of colleagues, and 26% women in senior leadership.

Balanced Scorecard metric

	Actual 2015	Actual 2014	Actual 2013
Sustainable Engagement of colleagues score	75%	72%	74%
% women in senior leadership	23%	22%	21%

To drive our own progress towards gender parity, we continue to measure the number and percentage of women at each level of the organisation. We have seen continued advancement towards our 2018 gender goal of 26% women in senior leadership roles; at 23% by the end of 2015. Female representation across the firm has again increased, sustaining a 1% year on year upward trend since 2012. Sustained Engagement at Barclays is currently 75%, a positive result in light of the ongoing change our organisation experienced in 2015.

How we measure success

Increasing the representation of women in senior roles, and building a robust pipeline of diverse talent remain priorities. Practical talent management tools are in place to deliver tangible change, ranging from our global unconscious bias training programme, to ensuring diversity is reflected in candidate shortlists and hiring panels. Targeted sponsorship and mentoring programmes connect leaders with rising talent, with networks and forums all actively supporting our people to achieve their potential. Collectively our approach aims to contribute to the culture and commitment needed to build greater gender parity.

We place emphasis on how committed our colleagues are to working at Barclays, the environment we create to enable our colleagues to do their best work, and our colleagues' overall well-being within the workplace. These aspects form what we call Sustainable Engagement. We measure progress by asking colleagues how engaged they feel working at Barclays.

STAKEHOLDER PERFORMANCE

How we are doing

Women in senior leadership

Achieving gender parity requires a cultural shift so we continue to enable and amplify dialogue with internal and external stakeholders to promote equality. Our Shattering Stereotypes research in 2015 has highlighted key opportunities and barriers to unlocking the economic power of female entrepreneurship. Our Women in Leadership Index continues to enable investors to show their interest in companies with gender-diverse leadership. Internally, we have continued to embed gender parity principles into our core people processes and practices. We have established alumni and returnership programmes to enable women to restart paused careers, while our Women on Boards programme prepares our senior leaders for external non-executive director roles. The diversity of our own Board continues to be a focus, with our recently revised Board Diversity Policy setting out our intention to see female Board representation rise to a 33% minimum by the end of 2020.

Sustainable Engagement

Now in its second year, the global employee opinion survey (Your View) was deployed across the Group in October 2015, with over 100,000 colleagues participating. The survey is in line with our Group-wide approach to measuring employee feedback, and allows us to consistently track progress, measure success and highlight areas for improvement. The survey was more concise and focused this year and provides insight on Sustainable Engagement, colleague alignment to our Values, the working environment and perceptions of Leadership.

With a Sustainable Engagement score of 75%, a 3% increase on the prior year, our colleagues strongly believe in the goals and objectives of Barclays, and would recommend our organisation as a place to work. We remain committed to building on the positive trend we have seen in Sustainable Engagement in 2015, and will use the insights from this year's survey to sharpen aspects of our people strategy. This includes focusing on how we collectively make the best use of our resources, supporting colleagues with an effective technology infrastructure. In doing so we are creating an environment that both allows our colleagues to thrive professionally, and deliver for Barclays customers.

Case study

Working with the United Nations (UN) as one of ten Impact Champion organisations highlights our commitment to achieving greater equality for women. To advance the cultural shift towards gender parity, we became a founding supporter of the UN led 'HeForShe' movement. This important campaign unifies efforts, and significantly is enabling men to demonstrate why equality matters to them. Male and female colleagues, including members of the Group Executive Committee, have signed a Barclays 'HeForShe' pledge, channelling leadership commitment towards key gender initiatives such as mentoring. Membership of our gender network the Women's Initiative Network (WiN) has also increased significantly as leaders see the importance of being vocal and visible advocates for gender equality. Since launching the 'HeForShe' campaign, 60% of new WiN members have been male. 'HeForShe' is an integral aspect of our strategy in enabling women to achieve their full potential at Barclays, and ensuring our communities benefit fully from their talent.

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

What we are doing

- Ensuring that the way we do business is responsible, sustainable, and takes account of wider stakeholder needs
- Contributing to growth by supporting households and businesses
- Supporting our communities by building the skills of young people

We met or exceeded 10 of 11 targets set out in the 2012-2015 Citizenship Plan and are developing a new strategy to launch in 2016.

Balanced Scorecard metric

	Actual 2015	Actual 2014	Actual 2013
Citizenship Plan – initiatives on track or ahead	**10/11**	11/11	10/11

Barclays achieved 10 of 11 targets set out in the 2012-2015 Citizenship Plan. For detailed performance on the underlying 2015 Citizenship Plan metrics, please see the Citizenship Data Supplement 2015.

We provide further detail on our programmes and a range of case studies on our website at home.barclays/citizenship In addition, we also provide further disclosures aligned to the Global Reporting Initiative G4 guidelines, in the Citizenship Data Supplement 2015 available at home.barclays/annualreport

How we measure success

Fully integrated with the Balanced Scorecard, the Citizenship Plan included 11 targets to deliver by the end of 2015. A performance summary is available below with more detailed information in the Citizenship Data Supplement 2015.

We are now preparing to launch the next chapter in our Citizenship ambitions, which will be even more integrated and with a sharper focus on accelerating shared growth for our business and for society. This next evolution is deeply aligned with our strategy, geographical footprint and strengths.

Each of the business units will contribute to our Citizenship commitments with a focus on where they can deliver positive societal impact. We see exciting opportunities to partner across customers, clients, government, suppliers and NGOs to create new solutions that will deliver the greatest social impact and return for our business. The new strategy will be launched in 2016.

*Cumulative performance 2012 to 2015, unless otherwise indicated

STAKEHOLDER PERFORMANCE

How we are doing

The way we do business

Attestation to the Barclays Way code of conduct met target with 99% of employees attesting. We exceeded our target to reduce carbon emissions by 10%, achieving a total reduction of 37.3% against a 2012 baseline, driven by operational energy efficiency initiatives and travel management.

We have continued to see moderate improvement in stakeholder perceptions, based on the results of the Citizenship Reputation (YouGov survey), with our overall score increasing to 5.24/10 (2014: 5.11/10). Supplier payment performance hit 86% on time, ahead of our target of 85%. We have evaluated our reporting requirements under the UK Modern Slavery Act and continue to embed and refine necessary changes to our supplier screening and human rights related policies and practices, prior to reporting in our 2016 disclosures.

Contributing to growth*

As a result of market and trading conditions, we missed our target to deliver £150bn of new and renewed lending to households, providing a total of £141.8bn by the end of 2015 (2014: £107.7bn). We met our target to deliver £50bn of new and renewed lending to SMEs, providing a total of £50.7bn on a cumulative basis (2014: £38.5bn). We assisted in raising £3,366bn of financing for businesses and governments on a cumulative basis (2014: £2,487bn).

We reached over 190,000 participants at SME support events, exceeding our target of 120,000. We also exceeded our target to recruit 2,000 apprentices with a total of 2,263 apprentices at Barclays in the UK (2014: 1,734).

Supporting our communities*

2015 marks the conclusion of Barclays' 5 Million Young Futures commitment. Between 2012 and 2015, we have invested in programmes to support young people around the world develop vital skills they need to achieve their ambitions. Over this period we have reached more than 5.7 million young people and invested nearly £262m in the community against our cumulative target of £250m. In 2015 alone, we helped to build the enterprise, employability or financial skills of more than 1.5 million young people and invested £63m in the community.

Case study

As Green Bonds continue to mature as a way of financing environmentally beneficial activities, Barclays remains committed to the development of the space.

Barclays made a public commitment in 2014 to invest £1bn in Green Bonds within the Group liquidity pool by November 2015. After meeting that goal, we committed to an additional £1bn investment in Green Bonds in December 2015, representing one of the largest investments into this sector to date.

We are a signatory to the Green Bond Principles and have been an active underwriter on a variety of Green Bond transactions for corporate, supranational and municipal issuers, raising a total of £1.3bn in 2015.

…acting with integrity in everything we do…

What we are doing

The Group continued to incur the significant costs of conduct matters

- Additional charges were recognised for customer redress including £2.2bn for the cost of PPI remediation
- Resolution of these matters remains a necessary and important part of delivering the Group's strategy
- There are early signs that we are driving better outcomes for customers from a more thoughtful consideration of our customers' needs.

The 2018 target is for a Conduct Reputation (YouGov survey) score of 6.5/10.

Balanced Scorecard metric

	Actual 2015	Actual 2014	Actual 2013
Conduct Reputation (YouGov survey)	5.4/10	5.3/10	5.2/10

We are below where we would like to be for 2015, although overall progress on the measure is in line with our expectations and puts our 2018 targets within reach.

How we measure success

- The Conduct measure is developed through a Conduct reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers
- The 2015 Conduct score, taken from two surveys, each of 2,000 respondents, comprises questions relating to transparency, employee welfare, quality and customer value as well as trust

STAKEHOLDER PERFORMANCE

How we are doing

In 2015 Barclays made progress on its Conduct measure recording a score of 5.4 (2014: 5.3). 'Operates openly and transparently', 'Has high quality products and services' and 'Delivers value for money for customers and clients' have all improved according to audience perception. Performance on two components, 'Treats staff well at all levels of the business' and 'It can be trusted' have declined slightly.

As a result of increased awareness and early consideration of conduct risk in the business, a number of actions have been taken to improve customer outcomes including:

- proactive consideration and management of potential customer detriment associated with Barclays' strategy to simplify its business and products. For example, change programmes monitoring customers subject to multiple changes including platform and online migrations
- application of more stringent residential mortgage requirements to buy-to-let mortgage applicants, ensuring better lending decisions
- improvements in key areas such as bereavement and power of attorney and ongoing training to equip staff to support customers in vulnerable circumstances
- enhanced surveillance monitoring in the Investment Bank identifying and proactively managing activity which appeared to cause unusual market impact
- separation plans of non-core businesses consider customer outcomes.

In 2016 there will be continued improvements of conduct risk management across governance structures, MI, culture change initiatives, risk management processes and enterprise-wide risk management. There will also be further enhancements to how conduct risk is considered in strategy setting.

Case study

An Investment Bank client inadvertently elected to earn a lower interest rate of 0.13% (instead of the correct interest rate of 0.30%) on a $100m deposit cash trade. Operations staff identified the mismatch and despite being legally entitled to proceed with the lower interest rate, agreed that the right thing to do was to amend the rate in favour of the client.

Barclays have teams in place that constantly monitor such transactions in order to spot operational or system errors. Although Barclays had the right to go ahead and apply the lower interest rate (which would have cost the client £130,000) we instead amended the trade in favour of the client.

By putting ourselves in our clients' shoes, we have elected to achieve our ambitions in the right way. We believe that our customers should be able to trust us to have their best interest at heart as this ensures long term profits through customer loyalty.

…effectively managing risk to create sustainable returns for our Company.

What we are doing

We are committed to delivering long-term acceptable returns to shareholders in a sustainable way, while maintaining adequate levels of capital to enable the Bank to operate safely through challenging economic conditions.

We will achieve this by prudently optimising the level, mix and distribution to businesses of our capital resources whilst maintaining sufficient capital resources in order to:

- ensure the Group is well capitalised relative to its minimum regulatory capital requirements set by the PRA and other regulatory authorities
- support its credit rating
- support its growth and strategic objectives.

Balanced Scorecard metric

	Actual 2015	Actual 2014	Actual 2013[a]
Fully loaded CRD IV CET1 ratio	**11.4%**	10.3%	9.1%
Return on Equity (Adjusted)	**4.9%**	5.1%	4.3%

Note

a 2013 Return on Equity (Adjusted) has been revised to account for the reclassification of £173m of charges, relating to a US residential mortgage related business settlement with the Federal Housing Finance Agency, to provisions for ongoing investigations and litigation including Foreign Exchange to aid comparability.

How we measure success

Fully Loaded CRD IV CET1 ratio

- The Fully loaded CRD IV CET1 ratio demonstrates the capital strength and resilience of Barclays. By ensuring we are well capitalised relative to minimum capital requirements of regulatory authorities, we create a safer bank for customers and clients, and all stakeholders through challenging economic conditions.
- The ratio expresses Barclays' capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of CRD IV (an EU Directive prescribing capital adequacy and liquidity requirements), and is part of the regulatory framework governing how banks and depository institutions are supervised.

Adjusted Return on Equity (RoE)

- Adjusted RoE measures the organisation's ability to generate acceptable returns for shareholders.
- Adjusted RoE is calculated as adjusted profit for the year attributable to ordinary equity holders of the parent divided by average shareholders' equity for the year excluding non-controlling and other equity interests. It excludes certain items, including those that are significant but not representative of the underlying business performance.

STAKEHOLDER PERFORMANCE

How we are doing

Fully loaded CRD IV CET1 ratio

In 2015 the Group's CET1 ratio increased by 110 basis points to 11.4%. The main driver was a £44bn reduction in RWAs to £358bn, demonstrating continued progress on the Non-Core rundown together with reductions in the Investment Bank. This was partially offset by a decrease in CET1 capital to £40.7bn (2014: £41.5bn). We will continue to reduce RWAs within Non-Core, while looking to allocate capital to RoE enhancing growth opportunities in our Core businesses.

Adjusted Return on Equity

Adjusted RoE in 2015 decreased to 4.9% (2015: 5.1%) as adjusted PBT fell by 2% to £5,403m, driven by a 24% increase in the Non-Core loss before tax to £1,459m as a result of the continued rundown, partially offset by a 3% increase in Core profit before tax to £6,862m. Adjusted RoE for Core was 9.0% (2014: 9.2%).

The Group estimates its cost of equity for 2016 at 10.5%.

Case study

Our Non-Core division is responsible for the divestment of Barclays non-strategic assets and businesses, and is run by a dedicated management team operating within a clear governance framework to rundown the unit while optimising shareholder value.

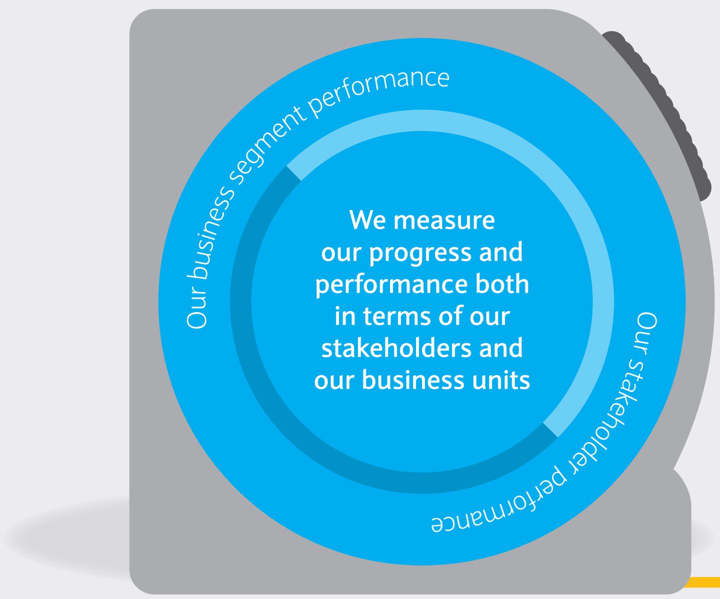
When the Non-Core division was created in May 2014, RWAs were £110bn. By the end of 2015, this had reduced to £47bn as a result of the disposal of Businesses, the rundown and exit of Securities and Loans, and Derivative risk reductions. Key drivers of the decrease in RWAs of £29bn in 2015 were a £10bn reduction in the Derivative portfolio, £9bn reduction in Securities and Loans, and reductions as a result of the sale of the Spanish and UK Secured Lending businesses. The announced sale of the Portuguese and Italian retail businesses in H215, due to be completed in H116, are expected to result in a further £2.5bn reduction in Non-Core RWAs.

The activity in our business units reflects our progress in becoming the partner of choice…

Barclays Group: our 2015 structure, markets and customer type

Group structure	Markets	Customer type
Personal and Corporate Banking See pages 18-19	▪ UK Retail ▪ Corporate Banking ▪ Wealth	Individual, Small and medium size businesses, Corporates
Barclaycard See pages 19-20	▪ UK cards ▪ US cards ▪ Card businesses in Europe ▪ Business Solutions	Individual, Small and medium size businesses, Corporates
Africa Banking See pages 21-22	▪ Retail and business banking, cards ▪ Corporate and investment banking ▪ Wealth and Investment Management, and Insurance	Individual, Small and medium size businesses, Corporates, Financial institutions and Banks, Sovereigns and Institutions
Investment Bank See pages 22-23	▪ Markets ▪ Banking ▪ Research	Corporates, Financial institutions and Banks, Sovereigns and Institutions
Barclays Non-Core See pages 24	▪ Principal non-strategic businesses ▪ Securities and loans, such as non-strategic long dated corporate loans ▪ Derivatives impacted by regulation	Individual, Small and medium size businesses, Corporates, Financial institutions and Banks, Sovereigns and Institutions

The 2015 performance has been reported in the business units that operated during the year. With a change in structure for 2016, an upcoming restatement document will detail 2015 performance under the new business units.



The following pages provide an insight into what each of the businesses do, the products they provide and markets they serve, and how they look to add value to Barclays' business model.

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

- Individual
- Small and medium size businesses
- Corporates
- Financial institutions and Banks
- Sovereigns and Institutions

Personal and Corporate Banking

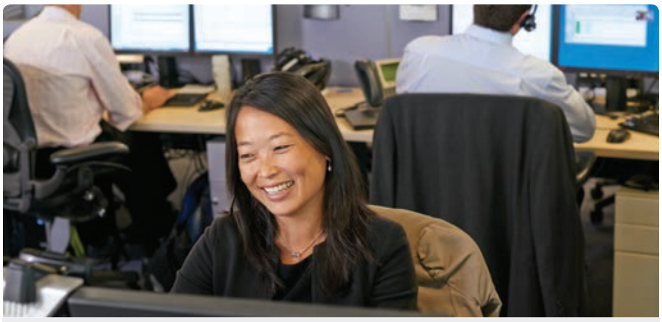
"We are succeeding by putting our customers and clients at the heart of everything we do and by continuing to do this we will become the partner of choice for the UK Ecosystem."

Ashok Vaswani
Chief Executive,
Personal and Corporate Banking

BUSINESS SEGMENT PERFORMANCE

Personal and Corporate Banking

Contribution to the Group	2015	2014
Income (£m)	8,726	8,828
Profit before tax (£m)	3,040	2,885
Adjusted RoE (%)	12.1%	11.9%
Risk Weighted Assets (£bn)	120.4	120.2



Salford City Council partnership

Our ability and enthusiasm for supporting the wider, non-banking needs of the Council, has led us to become the chosen financial services partner for the Local Authority Sector in the Greater Manchester area.

We worked closely with Salford City Council to understand their specific needs and devised a strategic plan in conjunction with the Council and its partners, focusing on digital skills and driving efficiency by:

- utilising Barclays Digital Eagles to provide free 'Code Playground' and 'Tea and Teach' sessions across the City, supporting residents of all ages with building confidence in digital skills
- providing an easier and more convenient way for residents to pay for Council services by signing Salford City Council up to Pingit, our innovative payment solution
- collaborating with the Council to develop a secure communication portal, enabling the Council to share information with colleagues in a safe and secure way.

Our purpose

Society is facing a digital revolution which is transforming the lives and businesses of our customers and clients. We firmly believe that Barclays has a social and commercial responsibility to help customers and non-customers to embrace the new and ensure that no one is left behind on the digital journey.

How the business is structured and what we provide to the Group

PCB is a powerhouse with the potential to challenge the traditional UK banking landscape.

- **Personal Banking:** provision of simple and transparent banking products to c.14 million customers, with a focus on transforming customer interactions through automating routine transactions and humanising important moments
- **Mortgages:** a single, highly automated, industrial strength engine to provide mortgage services to over 1.5 million individuals
- **Corporate Banking:** an end-to-end proposition and service continuum that supports nearly one million clients, from start-ups and small businesses, through FTSE 100 companies, to partnering with the largest global corporations
- **Wealth:** a differentiated wealth and investment management business for 35,000 high net worth and ultra-high net worth clients focused on the UK Ecosystem

Using our structure and leveraging advances in technology we can innovate to deliver relevant and differentiated client and customer experiences while driving down costs and improving control.

Environment in which the business operates

We're in the midst of a digital revolution where everyone now expects and demands services that are easy to access, fast and reliable. Customers expect us to be with them, whenever, wherever and however they choose to transact. That's why we're investing in building the capacity to deliver our services digitally and finding ways to redefine how we meet customer expectations. We are restless in the pursuit of finding innovative ways to solve the routine everyday money moments while empowering and training our colleagues to help customers when they need us the most.

Risks to this business model

While executing our strategy we are cognisant that the external market and environment in which PCB operates is constantly changing, with emerging regulation, rapidly evolving competitive landscape and increasing customer expectations.

We are making good progress to adapt and evolve with the changing environment to mitigate against these risks. For example:

- focusing on ensuring operational and business risks are totally understood and appropriately addressed
- reshaping the way we interact with our customers in a way that will drive customer satisfaction and deepen customer engagement
- automating and simplifying processes, controls, systems and products
- driving technological innovation to enable our existing customers to do more with us.

We continue to focus on embedding Conduct Risk awareness across PCB to build on our values-led culture and keep customers and clients at the centre of everything we do, by empowering colleagues to ensure the right outcomes for our customers.

Review of the year

2015 was a transformational year for PCB. We continued to support growth in the communities in which we operate, helping 17,600 people take their first steps onto the property ladder, lending £3.6bn in Barclayloans and launching a £150m fund to support fast growing technology businesses in the UK.

By innovating and harnessing technology, we are able to provide simple and relevant solutions for our customers and clients. We launched Barclays Blue Rewards providing customers with a simple and inclusive digital rewards proposition, paying cash every month, to recognise and reward their relationship with us. We also created the FX powered by Barclays app, giving users an information-only tool to compare up to the second FX rates and margins.

We continued to use technology to make customers' lives easier in a number of UK banking firsts. Over 60,000 cheques, totalling over £55m, were processed as digital images through our Mobile Cheque Imaging pilot and through the partnership between Pingit and Camelot, we were able to create the first new payment option for the National Lottery in over a decade.

We were the first UK bank to launch Video Banking, allowing customers to securely carry out their banking through a digital face to face service with our expert colleagues. Our Serve Anywhere iPad technology enabled colleagues to access customer systems remotely in an industry first for any UK retail bank.

We made significant progress in de-risking the business and made a strategic decision to sell Barclays Wealth Americas and transformed the Wealth business with a focus on simplification and innovation in markets where we can compete at scale. In 2015, we were awarded Wealth Manager of the Year at the Global Investor Awards.

We continued to work towards our ambition to become the most inclusive and accessible bank in 2015, reaching over 4,000 Talking ATMs, being the first bank to launch a Sign Video service and launching the Community Driving Licence – a modularised colleague training app to better understand the needs of different customer circumstances.

We are firmly committed to leaving no-one behind as we enter into the digital revolution, with our network of over 15,000 UK Digital Eagles supporting customers and non-customers to build their confidence in digital skills. In 2015 alone, they hosted almost 5,000 Tea and Teach sessions helping those taking their first steps to get online, more than 1,000 Code Playgrounds teaching young people and their parents to code and over 250 Digital Business Clubs supporting small businesses in taking advantage of the opportunities new technology brings. We also continued to help the next generation secure employment and manage their finances more effectively, with the number of young people participating in our LifeSkills programme since 2013 reaching over 1.8 million and almost 3,000 colleagues volunteering to run LifeSkills sessions last year.

Barclaycard

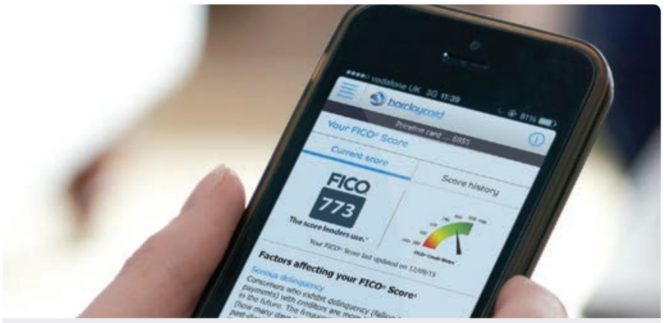
"We continue to build on our heritage of innovation, offering a range of market leading solutions to help consumers make and retailers take payments."

Amer Sajed
Interim Chief Executive,
Barclaycard

BUSINESS SEGMENT PERFORMANCE

Barclaycard

Contribution to the Group	2015	2014
Income (£m)	4,927	4,356
Profit before tax (£m)	1,634	1,339
Adjusted RoE (%)	17.7%	16.0%
Risk Weighted Assets (£bn)	41.3	39.9



Delighting our customers with free access to credit scores and education

When Barclaycard US discovered that more than 60% of the US population does not check their credit score regularly, they realised just how far this was impacting their everyday decisions from renting an apartment to getting a new mobile phone contract. The team made enhancements to their mobile app and servicing website to give customers their FICO® Credit Score; top two key factors affecting it; along with related information for customers to keep in mind.

Over three million cardholders in the US are now proactively viewing their FICO® scores with about 60% accessing it monthly and around 35% using our mobile app. Lower rates of delinquency have been observed in customers taking advantage of the service.

Based on the positive feedback and engagement from our customers in the US, a similar initiative with a local partner has since been taken up in the UK with free credit score checks for all our UK customers too.

®FICO is a registered trademark of Fair Isaac Corporation in the US and other countries.

Our purpose

Barclaycard aspires to be the most recommended brand to help consumers buy and clients sell, every day. We provide funding to facilitate payments and lend responsibly to customers and clients based on their needs and our risk appetite. We also enable retailers to accept payments through a range of innovative point of sale solutions.

How the business is structured and what we provide to the Group
Barclaycard serves consumers in both of Barclays' core geographies, the UK and the US, as well as in Germany and Southern Europe. We also operate in Norway, Sweden and Denmark via our EnterCard joint venture. We provide branded and co-branded consumer cards to our customers, and business solutions to our clients, including commercial cards, payment acceptance and point of sale finance. Our business model is diversified by geography and product line and our scale helps us deliver a strong financial performance through the economic cycle.

Environment in which the business operates
The consumer payments and lending environment is experiencing considerable change, driven by new competitors and technology, consumer behaviour and regulation. Competition from traditional and non-traditional players is intensifying, adding further pressure to an already crowded payments environment. Electronic and mobile commerce are changing consumer expectations, driving a need for a fast and seamless payments experience. Across the payments landscape regulation is challenging existing business models but also enabling increased card acceptance, as cash is replaced by electronic payments.

Many of the trends above provide opportunities for Barclaycard to help its customers and clients achieve their goals. Our future business strategy is focused on opportunities that represent the best interests of our customers and clients and that help us deliver sustainable growth.

Risks to this business model
Managing risk is a critical element of our culture. Barclaycard faces risks every day which, if they crystallise, could negatively impact our business, our customers and clients and our colleagues.

Barclaycard is exposed to a series of risks and threats, including: macroeconomic fluctuations, potential economic shocks, further regulatory changes, fraud, increasingly sophisticated cyber crime and the resilience of our core infrastructure.

We address risk by rigorous consideration of customer outcomes in the way we define and execute our strategy and make decisions. We operate within agreed risk appetites to ensure we maintain the planned risk profile. Our lending strategy is supported by clear target market criteria, ensuring we lend to those for whom credit is suitable.

We also address risk through our diversified business model; by innovating to create new opportunities; by identifying ways to meet changing customer demands in a more efficient way; and by continuing to invest in technology, people and processes.

Examples of innovations/deals this year
Barclaycard achieved numerous industry accolades in 2015.

Our proprietary bPay wearable payments solution secured eight industry awards, including "Best Alternative Payments" at the Card and Payments Awards for UK and Ireland.

Since our deployment of contactless payment across London's transport network in 2014, over 250 million journeys have been completed using over 8.7m unique cards from 80 countries.

Finally, our US business announced a partnership with JetBlue to launch a new co-brand credit card program in early 2016, adding to our list of prestigious partnerships.

Review of the year
Barclaycard delivered a record performance in 2015. Profit before tax increased 22% to £1,634m. Strong growth was delivered through the diversified consumer and merchant business model with asset growth across all geographies. Cost to income ratio improved to 42% (2014: 43%), while investment in business growth continued. The business focus on risk management was reflected in stable 30-day delinquency rates and improved loan loss rates. This resulted in a return on average equity of 17.7% (2014: 16.0%) and a return on average tangible equity of 22.3% (2014: 19.9%).

Total income increased 13% to £4,927m, driven primarily by growth in US cards and the appreciation of the average USD rate against GBP.

Loans and advances to customers increased 9% to £39.8bn reflecting growth across all geographies.

Customer deposits increased 40% to £10.2bn driven by the deposits funding strategy in the US.

In 2015, the value of transactions increased by 14%, to reach £293bn. We have also maintained the strong customer acquisition trend from previous years, as we welcomed over 4 million new customers and 32,000 new clients in 2015, while reaching an important milestone in Germany of over 1 million customers. We have also continued to improve customer satisfaction by delivering products and services important to our customers, enabling simplification of our proposition and driving digital customer engagement.

We have made further progress in embedding Conduct Risk into our business, by strengthening areas around governance and culture, product design and customer servicing, and embedding a Conduct focused culture throughout our business, thus striving to deliver the right outcomes for our customers and clients.

Building on our commitment to make a positive difference to the communities in which we live and work, 69% of colleagues used Barclays support to volunteer, fundraise or donate. We are also making Barclaycard an even better place to work, with over 93% of our high performing employees retained, 56% of hires internal appointments and 34% of our senior leaders women.

In 2016, we are very excited to mark two significant milestones in our history, celebrating Barclaycard's 50th anniversary and the 25th year of activity for our German operations. Since launching the UK's first credit card in 1966, Barclaycard has continued to push the boundaries and challenge the status quo – creating the payment innovations of today and defining the possibilities of how people will pay tomorrow.

Africa Banking

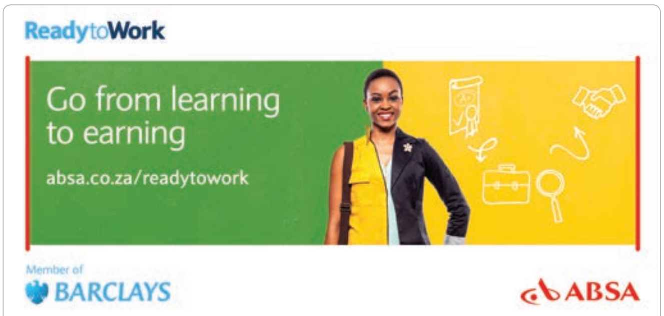
"In the third year since the formation of Barclays Africa Group Limited, our strategy execution is on track. We are well positioned to address the Africa growth opportunity, make a positive economic contribution to our communities, and deliver sustainable returns for our shareholders."

Maria Ramos
Chief Executive,
Africa Banking

BUSINESS SEGMENT PERFORMANCE

Africa Banking

Contribution to the Group	**2015**	2014
Income (£m)	3,574	3,664
Profit before tax (£m)	979	984
Adjusted RoE (%)	11.7%	12.9%
Risk Weighted Assets (£bn)	33.9	38.5



Delivering Shared Growth: ReadytoWork Initiative

In October 2015, we launched ReadytoWork, a pan-Africa employability initiative aimed at empowering young people with the skills they need to successfully transition from basic education into the world of work. ReadytoWork aims at addressing youth unemployment by providing work readiness skills through a free interactive e-learning platform. We rolled out ReadytoWork in Zambia, Seychelles, Botswana, Kenya, Mauritius, Zimbabwe and South Africa, in partnership with several institutions of higher learning.

Over 4,500 users have independently registered on the portal, with an additional 64,000 learners across 325 secondary schools in South Africa accessing the curriculum through our partnership with the Gauteng Department of Basic Education.

Our purpose

We are focused on our goal to be the bank of choice in Africa. Our growth strategy is based on a unique competitive advantage – we are an African bank that is fully local, fully regional and fully international.

How the business is structured and what we provide to the Group
Africa Banking is a diversified financial services provider offering an integrated range of products and services across retail and business banking (RBB), credit cards, corporate and investment banking, wealth and investment management and insurance (WIMI). We serve nearly 12 million customers across Africa and have a long-standing presence in 12 countries, including in our largest market South Africa.

Africa Banking is a combination of the results of Barclays Africa Group Limited (BAGL), and Barclays Egypt and Barclays Zimbabwe.

BAGL strategy
BAGL's strategy is underpinned by four clear themes. First, as an African bank, we invest in growth opportunities on the continent and provide access to the African and global capital markets. Second, as a customer-focused organisation, we aim to ensure customer experience remains our primary focus to make customers' lives easier and help them prosper. Third, we are simplifying our business to reduce costs and improve efficiency. Finally, we continue to make significant investments in technology and automation.

Our Retail and Business Bank strategy is to transform our leading retail franchise in South Africa, and in our other African markets. We made strong progress on new customer acquisition, improved customer experience, and are investing heavily in mobile and other technologies. In our Business bank, we are improving channel efficiency to serve small businesses and medium corporates. In our Corporate and Investment bank, we completed the roll out of a best-in-class integrated product platform for corporates in all our markets, and are repositioning our Markets business. In our Wealth, Investment Management and Insurance business, we expanded into East Africa, improved performance in our short-term insurance business, and transformed our Wealth and Investment Management business to an advisory-led model.

Environment in which the business operates
Against the backdrop of a slowing global economy, Africa economies are experiencing lower growth rates in part driven by lower commodity prices. In South Africa, our largest market, persistent power shortages and drought have had a significant economic impact. In many African countries, the challenges of job creation and access to quality affordable education, and the need for a more equitable society free of race and gender discrimination, have become more critical. As a major financial services group in Africa, we aim to have positive economic impact and invest in our communities, while delivering sustainable shareholder returns.

The industry in which we operate is highly competitive and dynamic. Mobile and other technologies enable new market entrants and disrupt traditional models, while at the same time the complexity in the operations and technology environments has increased. BAGL continues to make sizeable investments in innovation, data and automation to improve customer experience and increase efficiency. Mobile technology in particular is transforming our distribution channels in line with industry and competitor trends.

Review of the year
Africa Banking 2015 performance was solid and we made further progress on the financial commitments that we set out to the market. Our Cost-to-Income ratio was lower than 2014 as income growth

exceeded sub-inflationary cost growth. Africa Banking RoE of 8.7% and RoTE of 11.7% was lower than 2014, although underlying returns in BAGL increased further. Contribution from the markets outside of South Africa increased, and is now above 20% as these markets grew faster than South Africa. We are currently top 3 by income in four of our largest five markets.

On a reported basis, profit before tax decreased 1% to £979m and total income net of insurance claims decreased 2% to £3,574m. The ZAR depreciated against GBP by 10% based on average rates and by 28% based on the closing exchange rate in 2015 and was again a significant contributor to the movement in the reported results of Africa Banking.

The discussion of business performance that follows is based on results on a constant currency basis unless otherwise stated.

Profit before tax increased 11% reflecting growth in rest of Africa operations of 18% and growth in South Africa of 9%. Good growth was achieved in the identified strategic areas of RBB and Corporate Bank in South Africa, and WIMI, while the corporate business outside South Africa was negatively impacted by higher impairments. Investment Bank trading performance in South Africa was lower as Fixed Income, Currencies and Commodities (FICC) income was impacted by a volatile environment.

Total operating expenses for Africa Banking increased 5% with inflationary pressure, partially offset by savings from strategic cost programmes including restructure of the branch network, increased automation, and property rationalisation.

Loans and advances to customers increased 8% to £29.9bn (reported) driven by strong Corporate and Investment Bank growth, resulting in increased net interest income for African Banking. Customer deposits increased 11% to £30.6bn (reported) reflecting RBB growth.

Investment Bank

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

Tom King
Chief Executive,
Investment Bank

BUSINESS SEGMENT PERFORMANCE

Investment Bank

Contribution to the Group	**2015**	2014
Income (£m)	7,572	7,581
Profit before tax (£m)	1,611	1,370
Adjusted RoE (%)	5.6%	2.7%
Risk Weighted Assets (£bn)	108.3	122.4

Long-standing relationships with our clients

Barclays has had a long-standing relationship with Dell, having advised the Company on a number of capital markets transactions as well as its acquisition of Wyse Technology in 2012. When Dell, together with its owners, Michael Dell, MSD Partners and Silver Lake Partners agreed to acquire EMC Corporation in 2015 for $67 billion, Barclays acted as a financial adviser to Dell and provided financing for the transaction.

This landmark transaction, which represents the largest technology M&A transaction to date, will create the world's largest privately-controlled technology company with an integrated portfolio positioned to address customers' rapidly changing critical IT needs.

Barclays is committed to delivering innovative financial solutions to empower our clients to seize opportunities for growth and tackle the big challenges of the future.

Our purpose

We enable the movement of capital between those who need it, for example to grow their company or build new infrastructure, and those looking to generate a return on investment. In doing so we fund and facilitate global economic growth, helping people to achieve their ambitions.

How the business is structured and what we provide to the Group

Our business is split into three core areas:

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

Through this range of business activities we can provide Barclays with a diversity of income and risk, while delivering a full spectrum of advisory, financing and market execution services for our corporate, government and institutional clients.

Environment in which the business operates

The investment banking sector continues to change, driven by regulatory evolution, higher capital requirements and changing client demands. This has resulted in significant differences in the strategic responses from industry peers.

The changes we have made following our strategy update in May 2014 have rebalanced our business mix towards core business lines in which we have competitive strengths and can drive higher returns, while ensuring that we continue to provide a holistic service to our target clients. In January 2016 we announced several complementary initiatives to further support the execution of this strategy (e.g. through certain product and country exits). The Investment Bank continues to make progress on earnings, capital and leverage as set out in the strategy update.

Risks to this business model

The market environment remains challenging, marked by uncertain macro conditions and resource constraints. Alongside structural regulatory change, including new capital and leverage requirements, this has put increasing pressure on the Investment Bank's ability to deliver returns.

Changes resulting from new and impending regulation will continue to impact our business model. In particular, adapting our business framework in response to structural reform will be a key focus over the coming years as we seek to comply with global structural reform plans.

In addition the business continues to face conduct and litigation risk. We continue to strengthen our control environment, evolve our culture and simplify our products in order to minimise these risks.

Examples of innovations/deals this year

During 2015, the Investment Bank executed several transactions that demonstrate its execution capabilities, connectivity to clients and the strength of the franchise. A few notable examples are listed below.

- Barclays acted as a financial adviser to long-term client Teva Pharmaceutical on its $40.5bn definitive agreement to acquire the Actavis generics business from Allergan
- Barclays executed BHP Billiton's $6.45bn equivalent five tranche, three currency hybrid capital security
- Barclays executed large strategic trades for clients including a large FX trade off the back of Tesco's Korean business disposal and the structuring and issue of the largest MXN Development equity certificate acquired by the Mexican Pension Funds

Review of the year

The Investment Bank continues to make progress on its origination led strategy, building on leading positions in its home markets of the UK and US, while driving cost savings and RWA efficiencies. Annual revenues remained resilient at £7.6bn (2014: £7.6bn) and disciplined capital deployment resulted in lower RWAs of £108bn (2014: £122bn). The PBT for the year improved to £1.6bn (2014: £1.4bn).

We have continued to deliver for our clients by advising on some of the most noteworthy transactions of the year and helping institutional clients navigate the evolving markets landscape:

- Maintained number one position in Greenwich Associates' annual survey of European fixed income investors for the ninth year in a row
- Advised on several prominent deals of the year, including some of the largest transactions in Consumer, Technology and Pharmaceutical sectors
- Named 'Bond House of the Year' by IFR magazine in 2015

Through our business activities, we aim to have a positive impact on our colleagues and the broader communities in which we operate. A few notable results in 2015 are listed below:

- Barclays facilitates the flow of capital towards environmentally and socially beneficial activity, with a range of business lines actively involved in delivering solutions across product groups, geographies and industry sectors. For example, the Investment Bank issued more than £5.6bn (at share) of environmental financings that positively contribute to the low carbon economy
- The Investment Bank participates in a three-year rotational apprenticeship programme which runs across a number of areas of Barclays in the UK. Apprentices will receive a degree-level qualification and a permanent role upon completing the programme
- The internal Employee Survey demonstrates the progress we continue to make in transforming the business and culture. The survey results point to significant improvement in sense of personal accomplishment, belief in Barclays' goals and strategy, and the likelihood of recommending Barclays as a good place to work

The Investment Bank remains focused on strengthening the Conduct framework. The Conduct Risk committee and the relevant sub-committees ensure conduct considerations are firmly embedded in all business and strategic decisions. In-person and online Conduct Risk training for colleagues is delivered throughout the year.

Barclays Non-Core

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

BUSINESS SEGMENT PERFORMANCE

Non-Core

Contribution to the Group	**2015**	2014
Income (£m)	(164)	1,050
Loss before tax (£m)	(1,459)	(1,180)
Adjusted RoE drag (%)	(5.1%)	(5.4%)
Risk Weighted Assets (£bn)	46.6	75.3

How the business is structured and what we provide to the Group
Barclays Non-Core (BNC) was formed to oversee the divestment of Barclays' non-strategic assets and businesses, releasing capital to support strategic growth in our Core business.

BNC brings together businesses and assets that do not fit our client strategy, remain sub-scale with limited growth opportunities, or are challenged by the regulatory capital environment. Non-Core assets have been grouped together in BNC, comprising three main elements: Principal Businesses, Securities and Loans, and Derivatives. Several of the businesses managed within BNC are profitable and will be attractive to other owners.

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

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

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

At the creation of BNC, almost 80% of BNC RWAs related to the non-core Investment Bank. It included the majority of our commodities and emerging markets businesses, elements of other trading businesses including legacy derivative transactions, and non-strategic businesses. The key non-core portfolios outside the Investment Bank comprised the whole of our European retail business, some European corporate exposures and a small number of Barclaycard and Wealth portfolios.

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

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

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

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

Review of the year
Loss before tax increased 24% to £1,459m driven by continued progress in the exit of businesses, securities and loans, and derivative assets. RWAs reduced £29bn to £47bn including a £10bn reduction in Derivatives, £9bn reduction in Securities and Loans, and Business reductions from the completion of the sales of the Spanish and UK Secured Lending businesses. The announced sales of the Portuguese and Italian retail businesses, which are due to be completed in H116, are expected to result in a further £2.5bn reduction in RWAs.

Total income net of insurance claims reduced to an expense of £164m:

- Businesses income reduced 44% to £613m due to the impact of the sale of the Spanish business and the sale and rundown of legacy portfolio assets
- Securities and Loans income reduced to an expense of £481m primarily driven by fair value losses and funding costs on the ESHLA portfolio, the active rundown of securities, exit of historical investment bank businesses and the non-recurring gain on the sale of the UAE retail banking portfolio in 2014
- Derivatives income reduced 76% to an expense of £296m reflecting active rundown of the portfolios and funding costs

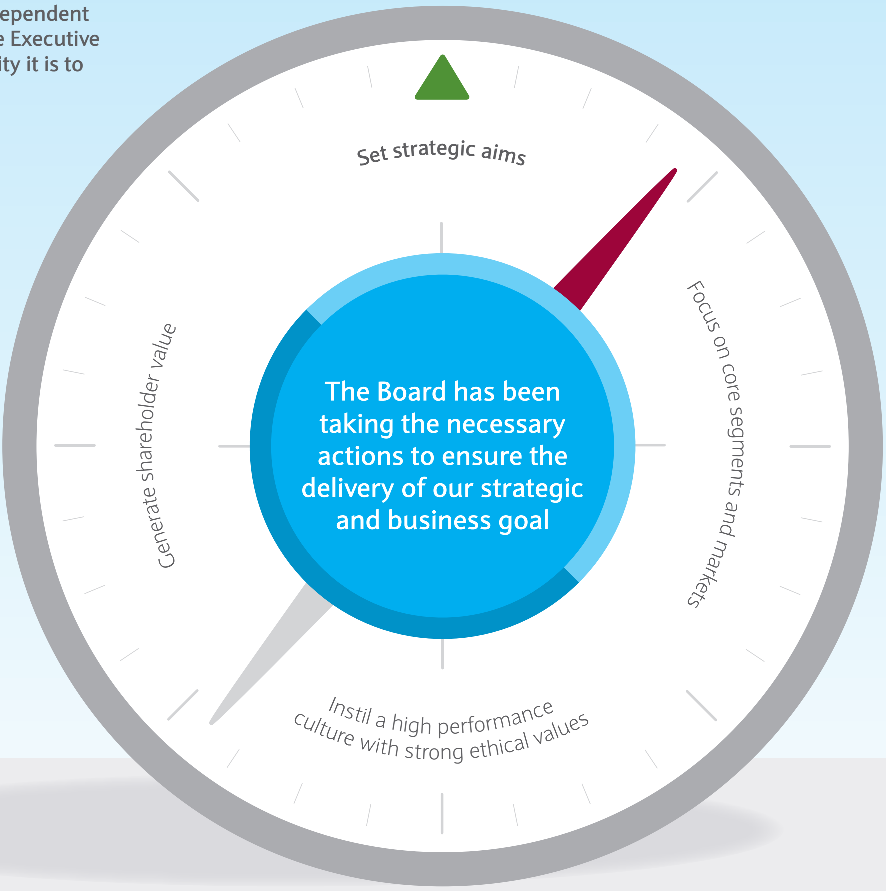
Credit impairment charges improved 54% to £78m due higher recoveries in Europe and the sale of the Spanish business.

Total operating expenses improved 40% to £1,199m reflecting savings from the sale of the Spanish, UAE retail, commodities, and several principal investment businesses, as well as a reduction in costs to achieve, and conduct and litigation charges.

Total assets decreased 36% to £303.1bn with reduced reverse repurchase agreements and other similar secured lending, and lower derivative financial instrument assets.

Your Board sets strategic direction and provides oversight and control…

The Board acts as an independent check and balance to the Executive team, whose responsibility it is to run the business



John McFarlane
Chairman

Chairman's governance overview

"The oversight and constructive challenge provided by the Board is essential to strategic success."

The Board is responsible to shareholders for creating and delivering sustainable shareholder value by approving the strategic direction of the Group's businesses. In our pursuit of greater long-term shareholder value, we must maintain the highest standards of corporate governance, which are the foundation on which we manage risk and build the trust of all our stakeholders. The way in which we govern the Group to achieve these standards is set out in our governance framework, described below.

On becoming Chairman in April 2015, I wrote to shareholders setting out the three strategic priorities for the Group: to evolve the strategy to focus on our core segments and markets; to wind down non-core exposures and assets and achieve our target capital levels; and to instil a high performance culture with strong ethical values. To meet these commitments and build a business for the future, your Board has taken decisive action to increase focus, discipline and accountability, as briefly highlighted below.

Focus on core segments and markets

During 2015, your Board emphasised the need to focus resources on areas that matter to the Group and to exit those that do not provide an appropriate return. We approved the revised strategy to unlock greater value from the Investment Bank. We discussed increasing the pace of exit from Non-Core and during 2015 Barclays shrank non-core assets, disposing of a number of businesses or asset portfolios, with a resulting reduction in RWAs. These disposals included the sales of the Spanish, Portuguese and Italian banking networks, the Index business, FirstPlus mortgages, the Wealth business in the US and UK Secured Lending.

Generate shareholder value

While we recognise the importance of dividends in delivering returns to shareholders, we have decided it would be prudent to scale back dividends in 2016 and 2017. We are focused on improving returns to enable future increases in the dividend and to fund growth. We also progressed a number of options for increasing capital accretion over the level achieved in recent years, including the release of capital from underperforming business areas and a reduction in expenses driven by savings from strategic cost programmes. The benefit from the latter, however, was impacted by the costs of legacy conduct issues. In addition, we explored a number of new ways to improve the cost:income ratio, such as the increased deployment of technology in our core businesses.

Instil a high performance culture with strong ethical values

To ensure we have the right balance of skills and experience to drive the Group's strategy to completion, we appointed new non-executive Directors during 2015, in addition to the appointment of Jes Staley as the new Group Chief Executive. As Chairman, I strive to instil a performance culture with increased personal accountability to enable the organisation to become more efficient and agile. Progress reports on our cultural transformation during the year revealed that the factors contributing to execution risk mainly derive from fairly simple cultural issues. As a result your Board recommended a high-level single view of the portfolio of key strategic initiatives to manage dependencies, harness potential synergies and increase the speed of completion.

John McFarlane
Chairman

29 February 2016

You can read more about the work of your Board and its Committees in the Governance section on home.barclays/annualreport

Our corporate governance framework

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

Leadership

Your Board provides challenge, oversight and advice to ensure that Barclays is doing the right things in the right way. Your Board is also attentive to the need to cultivate future leaders and ensure that robust succession plans are in place.

Effectiveness

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

Risk management and control

Understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic aims. Your Board's risk committees play an active role in ensuring that Barclays undertakes well-measured, profitable risk-taking activity that supports long-term sustainable growth. During 2015, we simplified and streamlined the structure of the Board's risk committees. We disbanded the Board Enterprise Wide Risk Committee and your Board assumed responsibility for oversight of enterprise wide risk. We also revised the responsibilities of the other Board-level risk committees so that the Board Risk Committee took on responsibility for oversight of the capital and financial implications of operational risk.

Remuneration

Your Board seeks to ensure that remuneration decisions are aligned with and support the achievement of long-term value creation.

Engagement

Barclays' wider societal responsibilities means it is attentive to a broad set of stakeholders. Your Board undertakes regular engagement with shareholders, investors and other stakeholders to maintain strong relationships.

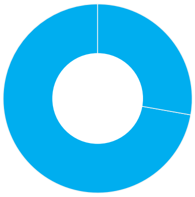
Your Board

John McFarlane (68) Group Chairman
Jes Staley (59) Group Chief Executive; Executive Director
Sir Gerry Grimstone (66) Deputy Chairman and Senior Independent Director
Mike Ashley (61) Non-executive Director
Tim Breedon (58) Non-executive Director
Crawford Gillies (59) Non-executive Director
Reuben Jeffery III (62) Non-executive Director
Wendy Lucas-Bull (62) Non-executive Director
Tushar Morzaria (47) Group Finance Director; Executive Director
Dambisa Moyo (47) Non-executive Director
Frits van Paasschen (54) Non-executive Director
Diane de Saint Victor (61) Non-executive Director
Diane Schueneman (63) Non-executive Director
Steve Thieke (69) Non-executive Director

Board diversity

Your Board's overriding duty is to ensure it is strong and effective, with strong and effective Directors. All appointments to your Board are therefore made on merit, taking into account the collective balance of skills, experience and diversity that the Board requires. Our Board Diversity Policy, which is available at home.barclays, sets out our policy and objectives for achieving diversity on your Board. At the end of 2015, there were four women on your Board (29%), compared to our target of 25% by the end of 2015.

Noting that the latest progress report on women on boards from the Davies Review has suggested a target of at least 33% by 2020, your Board has adopted this new target in its Board Diversity Policy.



Gender balance

31.12.15	4 Female Directors (29%) 10 Male Directors (71%)
31.12.14	3 Female Directors (21%) 11 Male Directors (79%)
31.12.13	3 Female Directors (20%) 12 Male Directors (80%)
31.12.12	1 Female Director (8%) 11 Male Directors (92%)

During 2015 we have continued our work to enhance support for our colleagues in their careers and to enable them to contribute to the long-term success of Barclays.

Culture, values and learning

We are into our third year of cultural change at Barclays. We have defined a common set of Values and Behaviours and embedded them into our core people processes so that they are recognised and understood by our colleagues. Having set the tone from the top by driving cultural change through our Group Executive Committee and business/functional senior leaders, we have delivered a number of group-wide initiatives to embed the organisational culture. Our leadership development programme is underpinned by our Values, and ensures all senior management are aware of, and are enabled to role model our Values and Behaviours. Both the Barclays Leadership Academy and the Global Curriculum, which provides colleagues with development resources focused on personal and behavioural skill, are widely available and provide a consistent approach to core and leadership development.

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

Early careers and apprenticeships

Barclays is committed to helping young people achieve their ambitions when they enter the world of work, so our Early Careers proposition includes graduate, internship and apprenticeship programmes which provide structured support to young people. In 2015, we launched our Bolder Apprenticeship Programme, targeting long-term unemployed adults over the age of 24, which is the first of its kind in the UK and underlines our commitment to tackling societal issues and attracting diverse talent.

We provide pathways for progression from apprentice to graduate supported by recognised qualifications and, in doing so, help to create an internal talent pipeline. In 2015, Barclays hired over 1,000 interns, 800 graduates and have created over 2,500 apprenticeships since 2013. During 2015 we increased our gender diversity across our internship programmes by 8% to 42% female representation.

My Career and mentoring tool

Colleague development, both personal and professional, has been a priority in 2015. We launched the 'My Career' online portal which provides a wide range of information and tools to help colleagues understand their potential and make informed career decisions. We recognise the importance of great mentor relationships and have deployed an online tool to match mentors and mentees based on skill sets and experience.

Wellbeing

Our new global wellbeing programme, 'Be Well' launched in 2015, aiming to support employee engagement and improve health and well-being. The programme includes existing health and well-being resources, as well as new investment in areas such as employee health screenings, a global speaker series and a new global portal which acts as a gateway to education materials and events.

Performance management

Colleagues are encouraged to align their objectives to business and team goals and behavioural expectations are set in relation to our Values. Performance is assessed against both 'what' colleagues do and 'how' they do it. The 'Values in Action' framework provides all colleagues with the tools to assess 'what' objectives they achieved and 'how' they achieved them, together with a guide on expected behaviours in line with the Values. Our global recognition plan allows colleagues to recognise the outstanding achievements of those who have demonstrated our Values, with over 188,500 colleagues receiving a Values 'Thank You' in 2015.

Managing change

Where business restructuring has been necessary to support the transformation of our business and cost profile, we have consulted on potential job losses with employee representatives, as well as the impacted individuals. Our aim has been to treat all colleagues with respect and to avoid compulsory redundancies wherever possible. We have placed significant emphasis on both voluntary redundancy programmes as well as internal redeployment via 'Internals First'.

Internals First supports colleagues who have been impacted by change and provides individual support to ensure that we retain talent within Barclays. Internals First is deployed in all our main locations and is managed by a dedicated team. In 2015, 935 colleagues registered for Internals First support and we redeployed 39% of them within Barclays. Throughout 2015, colleagues attended Internals First Career and Networking Events and opted for outplacement support services.

During 2015, we also developed 'Be Informed', which is available on both desktop and mobile devices. This intuitive support site gives transparent and helpful advice for colleagues who are impacted by change, including how to manage change, further career options available to them and where to go for help and support during periods of uncertainty.

When an employee does leave Barclays as a consequence of restructuring, our commitment is to ensure they are given the best support for the next stage in their career and life. Following an extensive review, a new globally consistent career transition service has been implemented which offers personalised advice and support for all employees placed at risk of redundancy.

Industrial relations

We continue to advocate and practise a partnership approach to industrial relations and value the relationships we have with over 30 trade unions, works councils and staff associations around the world. In particular, our formal partnership with Unite since 2000 is one of the longest standing in the UK. During 2015, we have continued to have regular, constructive dialogue with employee representatives on a wide range of topics that affect employees, facilitated through established regional consultation forums which bring together representatives from across our businesses.

We are confident that through all these established core people processes and others we have created the right landscape at Barclays to sustain the desired organisational culture. We also believe that while we have a common purpose, Values, and vision, this can mean different things for different parts of our business and so we need to continue to shape our culture in a way that makes sense for each of our business areas. To that end, in 2015, each business CEO was tasked with driving the organisational culture for their business and we supported this by deploying business-specific training academies across the Group. This will continue into 2016.

Your View

Barclays' recognises the importance of listening to our colleagues and maintaining open, two-way dialogues between the organisation and colleagues. The views of our colleagues shape the decisions we make, helping us create an environment that colleagues want to work in, which we in turn believe will help drive high performance.

We deployed a global colleague survey, 'Your View' once again in 2015 to seek the views of colleagues. This year's survey was more focused, based on the insights derived from the previous year's survey, and asked for our colleagues' views on a range of topics, including our Values, leadership and line management, the working environment, and citizenship. The results showed a near-universal understanding among colleagues of the Values and related behaviours (97% favourable) with 81% agreeing that role modelling the Values is central to creating the right culture at Barclays.

Compared to 2014, colleagues feel an increased sense of job accomplishment and enthusiasm, believe more strongly in Barclays' goals, and are more likely to recommend Barclays as a place to work. Sustainable Engagement is at 75%, a 3% increase compared to 2014. This is a strong result, suggesting action taken during 2015 is having an impact, notwithstanding the continued and sustained change we have experienced. We have performed an in-depth review of the results of the survey with all senior leaders, and will continue to focus our efforts on improving employee engagement in 2016.

Barclays regularly updates employees regarding the financial and economic factors affecting the company's performance throughout the year, using a variety of communications channels. These include CEO and senior leader email communications, line manager briefing packs, video interviews and talking points which are distributed to employees every quarter to coincide with Barclays' financial reporting calendar. They are all designed to build awareness and understanding of Barclays' results and the broader macroeconomic environment, and to drive dialogue around what the figures mean and how employees should respond. We also hold a variety of events for all employees, across each business division and function throughout the year, which provide employees the chance to hear directly from the CEO, ExCo member or leader and to ask them questions. We have also recently introduced an 'Ask the Experts' communication which gives perspectives from across the bank on what Barclays' results mean and how they are received by different stakeholders such as investors, politicians and the media.

Flagship campaigns are released to all employees each quarter, covering topics such as wellbeing, recognition and dynamic working. Each quarter, colleagues and managers receive interactive updates to raise awareness of the tools being introduced to help them develop their careers at Barclays and to provide them with the opportunity to understand and engage in employee initiatives. Colleagues are also kept informed through regular intranet and email updates about the progress Barclays is making across activity such as our Diversity and Inclusion agenda, Performance Management and annual Pay and Reward processes.

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

Colleagues are also encouraged to be involved with the company's performance by participating in Barclays all-employee shareplans, which have been running successfully for over 10 years. Further details of our approach to remuneration are included in the Remuneration Report pages 86 and 87.

Diversity and Inclusion

Barclays' global Diversity and Inclusion (D&I) strategy sets out objectives, and frames our plans for each of five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational. Central to each pillar is building an inclusive culture, which is why we continue to build leadership competency about Unconscious Bias and have had more than 10,000 participants undertake the training. Following our 2014 programme to engage senior leaders, our 'Everyday Ism's' programme has this year opened up dialogue with colleagues more widely focusing on stereotypes, assumptions and bias.

An important aspect of our D&I agenda is ensuring people from all backgrounds have equal opportunity to join, and progress through, our organisation. In support of this, we have established candidate shortlist diversity goals for senior positions to provide focus during talent decisions, and ensure hiring panels are diverse to broaden assessment perspectives.

This ethos begins with our most senior roles. Having achieved the target we set ourselves in 2012 to increase Board level diversity to 25%, we have now challenged ourselves to achieve a minimum of 33% by 2020. To strengthen the pipeline, we have consecutively achieved our year on year goals towards representation of women in senior roles to 26% by 2018. We have more to do, but are pleased when progress towards greater inclusion is recognised. During 2015, respected organisations such as Stonewall in the UK, Working Mother in the US and Community Business in Asia have praised our programmes and achievements, citing our D&I work as innovative and robust.

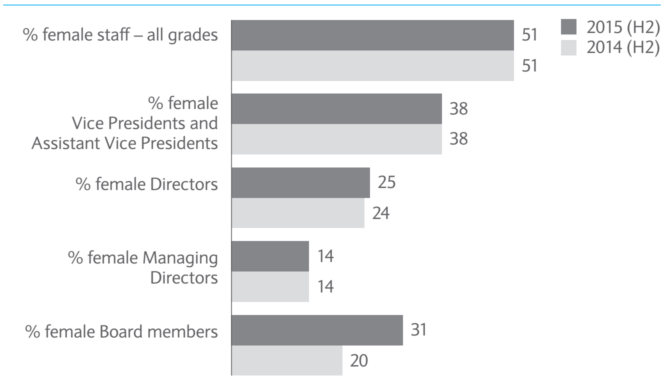
Gender

Sustaining progress towards our Balanced Scorecard and Board Diversity goals remains a core focus. Our Board membership has increased to four women, with one woman on Group Executive Committee. Our female senior leadership population stood at 23% at the end of 2015 representing a consecutive 1% increase year-on-year since 2011. Women are also leading countries where we operate, for example in Ireland, Brazil, Singapore, Botswana and Gibraltar.

At all levels, our gender pipeline is strengthening thanks to extensive programmes which focus on building capability and fostering gender intelligence. Our internal HeForShe campaign, in partnership with the United Nations, asks colleagues to pledge a specific commitment that will contribute to gender parity. Since launching HeForShe, 60% of new Women's Initiative Network members have been male, and men have also taken active roles as mentors and sponsors.

Also new this year is our Returnship programme which is enabling senior women who needed to pause their career, the opportunity to refresh their skills and confidence in preparation for a return to leadership roles. For the eighth year running, we were pleased to be included in The Times Top 50 Workplaces for Women in the UK, and for the third successive year to be named in 'Working Mother' 100 Best Companies in the US.

Female representation



Above shows the positive change in female representation within Barclays from 2014 (H2) to 2015 (H2)

LGBT

An inclusive culture is vital for colleagues to have the freedom and choice to bring their whole selves to work, and in particular for people to be open about their sexual orientation if they choose to. Our Your View survey saw 5% of global colleagues identifying as being LGBT globally, a 1% increase since 2014. Enabling that culture are our Global Allies – colleagues from every region who share our commitment to LGBT equality and who take an active role in shaping an LGBT-inclusive workplace. The Allies programme is led by Spectrum, our employee network for anyone interested in LGBT matters. Since 2001, Spectrum has been an important contributor of insight and innovation and now connects colleagues across the world, with the Spectrum App providing access outside the workplace.

'#PrideHeroes' was the theme of Pride in London, which we were again the lead sponsors of in 2015. More than 400 colleagues, leaders, friends and family came together for Pride, with many more joining other events across our regions of operation. A specially 'Pride wrapped' DLR train carried the '#RidewithPride' message across London, with ATM's up and down the UK communicating our support for LGBT equality. ATM messaging also conveyed our advocacy for IDAHOBIT (International Day Against Homophobia, Biphobia and Transphobia). For World AIDS Day, £ for £ matching augmented colleague fundraising for organisations leading on the treatment and prevention of AIDS.

Independent recognition reflects the sustained impact of our global work and further motivates us to continue to shape our culture so that colleagues can be themselves at work. In Singapore, we won best LGBT employee network at this year's ALMA Awards, and Stonewall continue to name us as one of just eight 'Star Performer' organisations that are seen as leaders globally. Colleagues across a range of levels were this year recognised in the Financial Times OUTstanding list of 100 LGBT business leaders, and in the Pride Power List.

Disability

Our aspiration to become 'the most accessible bank' remains firm. Understanding where we need to focus attention is key which is why we value our Disability Listening forums to bring together colleagues who have insight with those who have influence to turn ideas into action. We listen to our customers too, directly and via our external partners – from RNIB to Leonard Cheshire – as part of our continual improvement ethos. Their feedback contributed to us becoming the first bank to receive an accreditation from AbilityNet for our Mobile Banking app, reflecting its improved accessibility functionality.

In another first, we successfully launched our Return on Disability Exchange Traded Notes (ETNs) on the New York Arca Stock Exchange. The ETNs are a first of a kind investment product, linked to the performance of an index developed in conjunction with The Return on Disability Group. They provide investors with exposure to US based companies that have acted to attract and serve people with disabilities, and their friends and family, as customers and employees.

Continually improving our own workplace is a steadfast aim, and is why we expanded 'This Is Me' from a UK to a global campaign. Originally focused on mental health, through 'This Is Me' colleagues tell their stories as to how disability touches their lives. The stories told via 'This Is Me' included members of our Reach employee network, which connects anyone interested in disability. The inclusive culture enabled by Reach is instrumental in helping us attract people who have a disability, so that they bring their talent to us. Our apprenticeship programme is just one career route that we are ensuring is fully accessible to all.

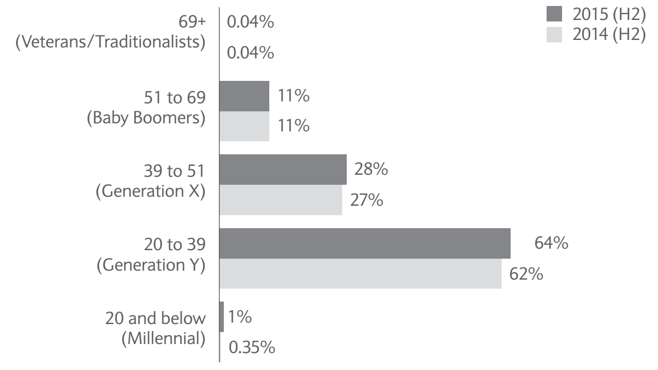
Awards and recognition from exemplar organisations, including the Business Disability Forum, indicates that we are fast moving towards our own 'most accessible' ambition but we want to share learning with others. To celebrate and recognise the 25th anniversary of the American Disability Act (ADA), we partnered with the New York Mayor's Office to host the only B2B event in the ADA calendar to stimulate thought leadership and encourage partnership. Our Your view Survey saw over 6% of colleagues identifying as having a disability globally, a 1 percentage point improvement from previous year results.

We recognise ability is multi-faceted. We give full and fair consideration to applications from candidates who may have a disability. Our people processes ensure all colleagues can progress their careers, with comprehensive training and development, and through tailored and needs-based workplace adjustments where relevant. Employees who become disabled during their employment with us can access a full range of services and support ensuring, where-ever possible, we retain their talent. Ongoing reviews ensure adjustments are updated and relevant to individual requirements, providing the ability for colleagues to move between roles with consistent support.

Multigenerational

We benefit from the diverse perspectives of employees from five generations and need to ensure our workplace is inclusive for all. 'Work' and 'place' are increasingly becoming less co-joined, with shifts in technology and generational expectations requiring us to think and act differently. Dynamic Working, our signature campaign relevant to colleagues' every life stages with the strapline of 'how do your work your life', encourages dialogue about the integration of personal and professional responsibilities through smarter working. With flexibility and agility at the core, more than 12,000 line managers and their teams have participated in workshops, presentations and training to open up discussions about how work could be done differently.

Multigenerational



Above shows the different generations working at Barclays and the percentage change over 2014 (H2) and 2015 (H2)

Changing careers is another important time, which is why our Armed Forces Transitioning, Employment and Rehabilitation (AFTER) programme also continued to see ex-military talent join our company, or be supported to gain relevant work-ready skills. Our 'LifeSkills' programme continue to prepare young people for their first steps into the world of work and our Emerge network ensures new joiners, whatever their career stage, feel connected from the moment they arrive.

In Singapore, we won the Most Empowering Company for Mums award by the National Trades Union Congress while in the US we were included in the '100 Best Companies for Working Mothers'. In the UK, our approach to Talent Attraction was recognised by Working Mums as well as by Business In the Community who felt our apprenticeship and 'LifeSkills' programmes were award winning.

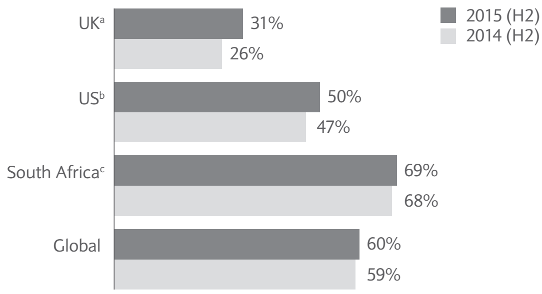
Multicultural

Our global footprint covers more than 50 countries, making multicultural inclusion imperative. Fostering cross-cultural connections is enabled by Embrace our multicultural network which brings together all those who share an interest in all aspects of race, ethnicity, nationality and faith. Embrace took an active role in Interfaith week, when leaders hosted discussions to gain insight and ideas for better serving our multicultural customers and clients, and for engaging colleagues across our global community. Embrace also helped us mark important cultural and religious calendar dates throughout 2015 such as Diwali and Eid, creating communications and events to bring to life the rich multicultural diversity of our people. Day-to-day, this diversity is enabled by, for example, a dedicated quiet room in many of our larger sites for prayer and reflection, and by serving halal and kosher food in our canteens.

Ensuring Black, Asian and Minority Ethnic (BAME) female entrepreneurs can sustain and develop their businesses has been a shared focus via our partnership with the UK Women's Business Council, and in 2015 we also supported the Black British Business Awards to celebrate the achievements of BAME leaders in the UK.

Insight from BAME colleagues has been put into practice for our attraction and recruitment processes, including profiling available roles in jobsites dedicated to the diverse job-seeker and targeting high calibre candidates for our apprenticeship programmes. 26% of our Bolder apprentices have been from a BAME background, evidencing our engagement approach is working but we will continue to strive to ensure our workforce is representative of our communities.

Multicultural



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

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

FTE by region

	2015	2014	2013
United Kingdom	**49,000**	48,600	54,400
Continental Europe	**7,400**	9,900	9,800
Americas	**10,600**	10,900	11,100
Africa and Middle East	**43,600**	44,700	45,800
Asia Pacific	**18,800**	18,200	18,500
Total	**129,400**	132,300	139,600

Directors' report

The Directors present their report together with the audited accounts for Barclays Bank PLC (the 'Company') for the year ended 31 December 2015.

Section 414A of the Companies Act requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. The information which fulfils this requirement can be found on pages 1 to 27.

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

The particulars of important events affecting the Company since the financial year end can be found in notes 28 and note 44. An indication of likely future developments is given in the Strategic Report.

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

Profits and dividends

The Group operates through branches, offices and subsidiaries in the UK and overseas. The results of the Group show a pre-tax profit of £2,841m (2014: £2,309m) for the year and profit after tax of £1,238m (2014: £854m). The Group had net assets of £66,019m at 31 December 2015 (2014: £66,045m). The profit attributable to Barclays PLC, the Company's parent, for the year 2014 amounted to £911m (2014: £528m).

Barclays PLC will pay a final dividend in respect of 2015 of 3.5p per ordinary share on 5 April 2016 to shareholders on the share register on 11 March 2016. The Company will pay a dividend to Barclays PLC in order to fund the external dividend payment. The Directors recommend a dividend of no more than £595m to satisfy this requirement. Further details on total dividends on ordinary shares paid during 2015 are set out in Note 11 to the accounts. Dividends paid on preference shares for the year ended 31 December 2015 amounted to £343m (2014: £441m). As at 31 December 2015, the distributable reserves of the Company were £29,598m.

Share Capital

There was no increase in ordinary share capital during the year. Barclays PLC owns 100% of the issued ordinary shares. There are no restrictions on the transfer of securities or agreements between holders of securities known to the Company which may result in restrictions on the transfer of securities or voting rights. Further information on the Company's share capital can be found on pages 238 to 240.

Repurchase of shares

The Company did not repurchase any of its ordinary shares during 2015. During 2014 the Company repurchased from Barclays PLC 108,144 euro preference shares of €100 each at a price of €10,123.63 per share, 54,070 sterling preference shares of £100 each at a price of £10,604.11 per share, and 41,867 dollar preference shares of $100 each at a price of $10,605.23 per share. The repurchased shares were subsequently cancelled. On 15 December 2014, 100,000 euro preference shares of €100 each became redeemable at the option of the Company and the entire class of shares was redeemed on this date.

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

The powers of the Directors are determined by the Companies Act 2006 and the Company's Articles. No shares were issued or bought back in 2015. At a general meeting held in June 2014, shareholders authorised the Company and Barclays PLC to enter into a call option Agreement pursuant to which the Company may purchase certain of its shares by way of off-market purchase.

Directors

The Directors of the Company are listed on page 35. The Directors' interests in shares are set out on page 106 of the Remuneration Report in Barclays PLC's Annual Report and Financial Statements. The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical. Changes to Directors during the year are set out below.

Name	Role	Effective date of appointment/resignation
Diane Schueneman	Non-executive Director	Appointed 25 June 2015
James (Jes) Staley	Executive Director	Appointed 1 December 2015
Sir Gerald (Gerry) Grimstone	Non-executive Director	Appointed 1 January 2016
Sir John Sunderland	Non-executive Director	Retired 23 April 2015
Sir David Walker	Non-executive Director	Retired 23 April 2015
Antony Jenkins	Executive Director	Resigned 16 July 2015
Sir Michael Rake	Non-executive Director	Retired 31 December 2015

John McFarlane succeeded Sir David Walker as Chairman of Barclays with effect from the conclusion of the Barclays PLC AGM in April 2015. John McFarlane held the position of Executive Chairman with effect from 17 July 2015 to 1 December 2015, when Jes Staley took up the position of Chief Executive.

Directors' Indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2015 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. In addition, the Company maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2015 for the benefit of the then Directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the retirement fund.

Similarly, qualifying pension scheme indemnities were in force during 2015 for the benefit of directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), Barclays Capital Funded Unapproved Retirement Benefits Scheme, and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the schemes above.

Environment

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

We have disclosed global greenhouse gas emissions that we are responsible for as set out by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We provide fuller disclosure across our carbon emissions within Barclays Citizenship Data Supplement statement found on our website home.barclays/citizenship.

	Reporting Year[a] 2015	Reporting Year[a] 2014	Reporting Year[a] 2013	Comparison Year[a] 2012
Global GHG Emissions[b]				
Total CO2e (tonnes)	701,600	853,600	1,036,755	1,119,145
Scope 1 CO2e emissions (tonnes)[c]	65,340	49,939	58,372	47,904
Scope 2 CO2e emissions (tonnes)[d]	500,086	678,443	791,766	880,995
Scope 3 CO2e emissions (tonnes)[e]	136,174	124,993	186,616	190,245
Intensity Ratio				
Total Full Time Employees (FTE)	129,400	132,300	139,600	139,200
Total CO2e per FTE (tonnes)	5.42	6.45	7.43	8.04

Notes

a 2015, 2014 and2013 reporting years cover Q4 from the previous year and Q1, 2, 3 of the reporting year in question. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors' report. This report is produced earlier than previous carbon reporting to allow us to report within the year end financial reporting timelines. The 2012 reporting year is the full calendar year (Jan 2012 – Dec 2012).

b The methodology used to calculate our CO2e emissions is the operational control approach on reporting boundaries and carbon emissions methodology as defined by the World Resources Institute/ World Business Council for Sustainable Development (WRI / WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Where properties are covered by Barclays' consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the Group GHG calculations. For properties where Barclays are the tenant, landlords provide Barclays with utility bills which are included in our emissions reporting.

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

In cases where we have collected new data for previously unreported consumption, we have restated the baseline if the new data amounts to a material change greater than 1% of the total consumption. If the change is less than 1%, we have reported consumption from the point at which the data became available. If it is greater than 1%, we have restated the baseline and previous years' figures based on actual or estimated figures. Reasons for restatements in data are due to more accurate data being available which led to replacements of estimates with actual data for 2012, 2013 and 2014.

c Fugitive emissions reported in Scope 1 for 2015, 2014 and 2013 cover emissions from UK, Americas, Asia-Pacific and South Africa. Fugitive emission data for 2012 is not available. Business travel reported in Scope 1 covers company cars in the UK and South Africa. This covers the majority of our employees where we have retail operations with car fleets.

d Scope 2 carbon emissions from electricity have been calculated using locations based carbon conversion factors as defined by the GHG Protocol 2015. We are mindful of the new location and market based methodology for accounting scope 2 electricity emissions and these emissions will be reported in future reports

e Scope 3 is limited to emissions from business travel which covers global flights and ground transport from the UK and South Africa. We have improved our coverage for car hire data and now include data from the US and India. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available

Research and Development

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

Financial Instruments

Barclays' financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 48 to 62 and 63 to 115.

Change of control

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

The Auditors

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

During 2015, Barclays undertook an external audit tender in conformance with the auditor rotation requirements of the final statutory audit services order published in October 2014 by the UK's Competition and Markets Authority, which took effect in January 2015. At the conclusion of the audit tender process, the BAC recommended to the Board the appointment of KPMG LLP. KPMG LLP have been appointed as the Groups' auditor with effect from the 2017 financial year onwards.

Directors' report

Disclosure of Information to the Auditor

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This con rmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Going concern

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

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

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 156 is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the accounts on pages 159 to 164, and the additional information contained on pages 165 to 275 the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Directors' responsibilities Statement

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

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

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

The Directors, whose names are set out on page 35, confirm to the best of their knowledge that:

(a) The financial statements , prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) The management report, which is incorporated in the Directors' Report on pages 32 to 34 includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Lawrence Dickinson
Joint Secretary
29 February 2016

Barclays Bank PLC
Registered in England, Company no: 1026167

Directors and Officers

Current Directors[1]

John McFarlane – Group Chairman

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

Non-executive Directors
Mike Ashley
Tim Breedon
Crawford Gillies
Sir Gerry Grimstone - Deputy Chairman
Reuben Jeffery III
Wendy Lucas-Bull
Dambisa Moyo
Frits Van Paasschen
Diane De Saint Victor
Diane Schueneman
Stephen Thieke

Group Executive Committee[1]		Appointed to position
Robert Le Blanc	Chief Risk Officer	2004
Maria Ramos	Chief Executive, Barclays Africa Group	2009
Ashok Vaswani	CEO, Personal and Corporate Banking	2012
Bob Hoyt	Group General Counsel	2013
Thomas King	Chief Executive, Investment Bank	2013
Michael Roemer	Group Head of Compliance	2014
Michael Harte	Chief Operations and Technology Officer	2014
Jonathan Moulds	Chief Operating Officer	2015
Tristram Roberts	Group Human Resources Director	2015
Amer Sajed	Interim CEO, Barclaycard	2015

Company Secretaries		Appointed to position
Lawrence Dickinson	Joint Secretary	2002
Patrick Gonsalves	Joint Secretary	2002

[1] The composition of the Board and the Group Executive Committee shown is as at 29 February 2016.

Risk review
Contents

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

Barclays' risk disclosures are located across the Annual Report and Barclays 2015 Pillar 3 Report.

		Annual report	Pillar 3 Report
Risk performance continued			
Funding risk – Capital: The risk that the Group is unable to maintain appropriate capital ratios.	▪ Capital risk overview	95	n/a
	▪ Regulatory minimum capital and leverage requirements	95	8
	▪ Capital resources	96	16
Funding risk – Liquidity: The risk that the firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.	▪ Liquidity risk overview and summary of performance	99	n/a
	▪ Liquidity risk stress testing	99	n/a
	▪ Liquidity pool	102	n/a
	▪ Funding structure and funding relationships	103	n/a
	▪ Wholesale funding	104	n/a
	▪ Term financing	106	n/a
	▪ Liquidity management at Barclays Africa Group Limited	106	n/a
	▪ Contractual maturity of financial assets and liabilities	106	n/a
Operational risk: The risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.	▪ Operational risk overview and summary of performance in the period	117	92
	▪ Operation risk profile	117	93,94
Conduct risk: The risk that detriment is caused to our customers, clients, counterparties or Barclays and its employees because of inappropriate judgement in the execution of our business activities.	▪ Conduct risk overview	120	n/a
	▪ Reputation risk	120	n/
	▪ Summary of performance	120	n/
	▪ Salz recommendations	121	n/
	▪ Conduct reputation measure	122	n/
Supervision and regulation: The Group's operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business.	▪ Supervision of the Group	123	n/a
	▪ Global regulatory developments	123	8
	▪ Influence of European legislation	124	n/a
	▪ EU developments	124	n/a
	▪ Regulation in the UK	126	n/a
	▪ Resolution of UK banking groups	126	n/a
	▪ Structural reform of banking groups	127	8
	▪ Compensation schemes	127	159
	▪ Regulation in the US	127	n/a
	▪ Regulation in Africa	130	n/a
Pillar 3 Report			
Contains extensive information on risk as well as capital management.	▪ High level summary of risk and capital profile	n/a	3
	▪ Notes on basis of preparation	n/a	5
	▪ Scope of application of Basel rules	n/a	6
Risk and capital position review: Provides a detailed breakdown of Barclays' regulatory capital adequacy and how this relates to Barclays' risk management.	▪ Group capital resources, requirements and CRD IV comparatives	n/a	15
	▪ Analysis of credit risk	n/a	27
	▪ Analysis of counterparty credit risk	n/a	63
	▪ Analysis of credit value adjustment	n/a	71
	▪ Analysis of market risk	n/a	81
	▪ Analysis of securitisation exposures	n/a	82
	▪ Analysis of operational risk	n/a	92

Risk review

Material existing and emerging risks

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

For more information about the major risk policies which underlie risk exposures, see the consolidated policy-based qualitative information in the Barclays PLC 2015 Pillar 3 Report. A summary of this information may also be found in this report in the Risk management section between pages 47 to 63.

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

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

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

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

More information on the management of risks may be found in Barclays' Approach to Managing Risk in the Barclays PLC 2015 Pillar 3 Report.

Material existing and emerging risks by Principal Risk

Credit risk

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

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

i) Deterioration in political and economic environment

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

a) Specific regions

Political instability, economic uncertainty or deflation in regions in which the Group operates could weaken growth prospects and have an adverse impact on customers' ability to service debt and so result in higher impairment charges for the Group. These include:

China (emerging risk)

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

South Africa

The negative economic outlook in South Africa continues, with a challenging domestic and external environment. Recent political events including changes to leaders in the Finance Ministry have added to the domestic challenges. Real GDP growth remains low as a result of declining global demand, in particular China, prices for key mineral exports, a downturn in tourism, persistent power shortages and slowing house price growth. In the retail sector, concerns remain over the level of consumer indebtedness and affordability as the slow-down in China impacts the mining sector with job losses increasing. Emerging market turmoil has added further pressure on the Rand, which has continued to depreciate against major currencies. The decline in the economic outlook may impact a range of industry sectors in the corporate portfolio, with clients with higher leverage being impacted most.

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

To the extent that central banks increase interest rates in certain developed markets, particularly in our main markets, the UK and the US, they are expected to be small and gradual in scale during 2016, albeit following differing timetables. The first of these occurred in the US with a quarter point rise in December 2015. While an increase may support Group income, any sharper than expected changes could cause stress in the loan portfolio and underwriting activity of the Group, particularly in relation to non-investment grade lending, leading to the possibility of the Group incurring higher impairment. Higher credit losses and a requirement to increase the Group's level of impairment allowance would most notably occur in the Group's retail unsecured and secured portfolios as a result of a reduction in recoverability and value of the Group's assets, coupled with a decline in collateral values.

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

ii) Specific sectors

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

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

a) UK Property

With UK property representing the most significant portion of the overall PCB credit exposure, the Group is at risk from a fall in property prices in both the residential and commercial sectors in the UK. Strong house price growth in London and the South East of the UK, fuelled by foreign investment, strong buy to let (BTL) demand and subdued housing supply, has resulted in affordability levels reaching record levels; average house prices as at the end of 2015 were more than seven times average earnings. A fall in house prices, particularly in London and the South East of the UK, would lead to higher impairment and negative capital impact as loss given default (LGD) rates increase. Potential losses would likely be most pronounced in the higher loan to value (LTV) segments.

The proposal on BTL properties announced by the UK Chancellor of the Exchequer in 2015, changing both the level of tax relief on rental income and increasing levels of stamp duty from April 2016, may cause some dislocation in the BTL market. Possible impacts include a reduced appetite in the BTL market and an influx of properties for sale causing downward pricing pressure, as well as reduced affordability as increased tax liabilities reduce net retail yields. As a consequence this may lead to an increase in BTL defaults at a time when market values may be suppressed, with the potential that, while the Group carefully manages such exposures, it may experience increased credit losses and impairment from loans with high LTV ratios.

b) Natural Resources (emerging risk)

The risk of losses and increased impairment is more pronounced where leverage is higher, or in sectors currently subject to strain, notably oil and gas, mining and metals and commodities. Sustained oil price depression continues and is driven by ongoing global excess supply. While the positioning of these portfolios is relatively defensive and focuses on investment grade customers or collateralised positions, very severe stress in this market does have the potential to significantly increase credit losses and impairment.

c) Large single name losses

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

d) Leverage Finance underwriting

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

Market risk

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

i) Concerns of major unexpected changes in monetary policy and quantitative easing programmes, foreign exchange movements or slowdown in emerging market economies spilling over to global markets (emerging risk)

The trading business model is focused on client facilitation in wholesale markets, involving market making activities, risk management solutions and execution.

The Group's trading business is exposed to a rapid unwinding of quantitative easing programmes and deterioration in the macro environment driven by concerns in global growth. An extremely high level of volatility in asset prices could affect market liquidity and cause excess market volatility, impacting the Group's ability to execute client trades and may also result in lower income or portfolio losses.

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

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

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

ii) Adverse movements in the pension fund

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

Funding risk

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

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

i) Inability to maintain appropriate prudential ratios

Should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: an inability to support business activity; a failure to meet regulatory capital requirements including the requirements of regulator set stress tests; increased cost of funding due to deterioration in credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen the Group's capital or leverage position. While the requirements in CRD IV are now in force in the UK, further changes to capital requirements could occur, whether as a result of (i) further changes to EU legislation by EU legislators (for example, implementation of Bank of International Settlements (BIS) regulatory update recommendations), (ii) relevant binding regulatory technical standards updates by the European Banking Authority (EBA), (iii) changes to UK legislation by the UK government, (iv) changes to PRA rules by the PRA, or (v) additional capital requirements through Financial Policy Committee (FPC) recommendations. Such changes, either individually and/or in aggregate, may lead to further unexpected additional requirements in relation to the Group's regulatory capital.

Additional prudential requirements may also arise from other regulatory reforms, including UK, EU and the US proposals on bank structural reform and current proposals for 'Minimum Requirement for own funds and Eligible Liabilities (MREL) under the EU Bank Recovery and Resolution Directive (BRRD). Included within these reforms are the BoE proposals on MREL requirements for UK banks which were published in December 2015. The BoE stated its intentions to communicate to UK banks during 2016. Many of the proposals are still subject to finalisation and implementation and may have a different impact when in final form. The impact of these proposals is still being assessed. Overall, it is likely that these changes in law and regulation will have an impact on the Group as they are likely, when implemented, to require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased prudential requirements may also constrain the Group's planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group's costs, impact on the Group's earnings and restrict the Group's ability to pay dividends. Moreover, during periods of market dislocation, as currently seen, or when there is significant competition for the type of funding that the Group needs, increasing the Group's capital resources in order to meet targets may prove more difficult and/or costly.

ii) Inability to manage liquidity and funding risk effectively

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

iii) Credit rating changes and the impact on funding costs

A credit rating assesses the creditworthiness of the Group, its subsidiaries and branches and is based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance. Any adverse event to one or more of these attributes may lead to downgrade, which in turn could result in contractual outflows to meet contractual requirements on existing contracts. Furthermore, outflows related to a multiple notch credit rating downgrade are included in the LRA stress scenarios and a portion of the liquidity pool held against this risk. There is a risk that any potential downgrades could impact the Group's performance should borrowing costs and liquidity change significantly versus expectations.

For further information, please refer to Credit Ratings in the Liquidity Risk Performance section on page 199 of Barclays PLC Annual report.

iv) Adverse changes in foreign exchange rates on capital ratios

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

Operational risk

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

The Group is exposed to many types of operational risk. This includes: fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group's business); systems failures or an attempt, by an external party, to make a service or supporting infrastructure unavailable to its intended users, and the risk of geopolitical cyber threat activity which destabilises or destroys the Group's information technology, or critical infrastructure the Group depends upon but does not control. The Group is also subject to the risk of business disruption arising from events wholly or partially beyond its control, for example, natural disasters, acts of terrorism, epidemics and transport or utility failures, which may give rise to losses or reductions in service to customers and/or economic loss to the Group. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers. The operational risks that the Group is exposed to could change rapidly and there is no guarantee that the Group's processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks to avoid the risk of loss.

i) Cyber attacks (emerging risk)

The risk posed by cyber attacks continues to grow. The proliferation of online marketplaces trading criminal services and stolen data has reduced barriers of entry for criminals to perpetrate cyber attacks, while at the same time increasing motivation.

Attacker capabilities continue to evolve as demonstrated by a marked increase in denial of service attacks, and increased sophistication of targeted fraud attacks by organised criminal networks. We face a growing threat to our information (whether it is held by us or in our supply chain), to the integrity of our financial transactions, and to the availability of our services. All of these necessitate a broad intelligence and response capability.

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

Given the level of increasing global sophistication and scope of potential cyber attacks, future attacks may lead to significant breaches of security which jeopardise the sensitive information and financial transactions of the Group, its clients, counterparties, or customers, or cause disruption to systems performing critical functions. Failure to adequately manage cyber threats and to continually review and update processes in response to new threats could result in increased fraud losses, inability to perform critical economic functions, customer detriment, regulatory censure and penalty, legal liability and reputational damage.

ii) Infrastructure and technology resilience

As the dependency on digital channels and other technologies grows, the impact of technology issues can become more material and immediate. This is also the case in many other industries and organisations but particularly impactful in the banking sector.

The Group's technology, real-estate and supplier infrastructure is critical to the operation of its businesses and to the delivery of products and services to customers and clients and to meet our market integrity obligations. Sustained disruption to services provided by Barclays, either directly or through third parties, could have a significant impact to customers and to the Group's reputation and may also lead to potentially large costs to rectify the issue and reimburse losses incurred by customers, as well as possible regulatory censure and penalties.

iii) Ability to hire and retain appropriately qualified employees

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

External regulatory changes such as the introduction of the Individual Accountability Regime and the required deferral and claw back provisions of our compensation arrangements may make Barclays a less attractive proposition relative to both our international competitors and other industries. Similarly, meeting the requirements of structural reform may increase the competitiveness in the market for talent. Internally, restructuring of our businesses and functions, and an increased focus on costs may all have an impact on employee engagement and retention.

Failure to attract or prevent the departure of appropriately qualified employees who are dedicated to overseeing and managing current and future regulatory standards and expectations, or who have the necessary skills required to deliver the Group strategy, could negatively impact our financial performance, control environment and level of employee engagement.

iv) Losses due to additional tax charges

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at the EU level, and is impacted by a number of double taxation agreements between countries. There is risk that the Group could suffer losses due to additional tax charges, other financial costs or reputational damage due to a range of possible factors. This includes a failure to comply with, or correctly assess the application of, relevant tax law, a failure to deal with tax authorities in a timely and effective manner or an incorrect calculation of tax estimates for reported and forecast tax numbers. Such charges, or the conduct of any dispute with a relevant tax authority, could lead to adverse publicity, reputational damage and potentially to costs materially exceeding current provisions, which could have an adverse effect on the Group's operations, financial conditions and prospects.

v) Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements include provisions for conduct and legal, competition and regulatory matters, fair value of financial statements, credit impairment charges for amortised cost assets, impairment and valuation of available for sale investments, calculation of current and deferred tax and accounting for pensions and post-retirements benefits. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in significant loss to the Group, beyond what was anticipated or provided for.

As part of the assets in the Non-Core business, the Group holds a UK portfolio of generally longer term loans to counterparties in ESHLA sectors, which are measured on a fair value basis. The valuation of this portfolio is subject to substantial uncertainty due to the long dated nature of the portfolios, the lack of a secondary market in the relevant loans and unobservable loan spreads. As a result of these factors, the Group may be required to revise the fair values of these portfolios to reflect, among other things, changes in valuation methodologies due to changes in industry valuation practices and as further market evidence is obtained in connection with the Non-Core asset run down and exit process. For further information refer to Note 17 Fair value of assets and liabilities of the Group's consolidated financial statements.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. The introduction of the impairment requirements of IFRS 9 Financial Instruments will result in impairment being recognised earlier than is the case under IAS 39 because it requires expected losses to be recognised before the loss event arises. Measurement will involve increased complexity and judgement including estimation of probabilities of defaults, losses given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is expected to have a material financial impact, but it will not be practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

For more information please refer to Note 1 Significant account policies on pages 165 169.

vi) Legal, competition and regulatory matters

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

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

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

The outcome of material, legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, it is likely that in connection with any such matters the Group will incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Group to any of the following: substantial monetary damages and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group's business operations including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Group's reputation; loss of investor confidence and/or dismissal or resignation of key individuals.

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

vii) Risks arising from regulation of the financial services industry

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies. For further information on regulations affecting the Group, including significant regulatory developments, see the section on Supervision and Regulation.

a) Regulatory change

The Group, in common with much of the financial services industry, remains subject to significant levels of regulatory change and increasing scrutiny in many of the countries in which it operates (including, in particular, the UK and the US). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements. As a result, regulatory risk will remain a focus for senior management and consume significant levels of business resources. Furthermore, this more intensive approach and the enhanced requirements, uncertainty and extent of international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect the Group's business, capital and risk management strategies and/or may result in the Group deciding to modify its legal entity structure, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

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

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

In July 2015, the Financial Policy Committee (FPC) of the Bank of England published a policy statement directing the PRA to require all major UK banks and building societies to hold enough Tier 1 capital to satisfy a minimum leverage ratio of 3% and a countercyclical leverage ratio buffer of 35% of the institution-specific countercyclical capital buffer rate. The FPC also directed that UK G-SIBs and domestically systemically important banks should meet a supplementary leverage buffer ratio of 35% of corresponding risk-weighted capital buffer rates. The PRA published a policy statement, finalised rules and a supervisory statement implementing the FPC's directions in December 2015 and the new leverage ratio framework that came into force on 1 January 2016.

In January 2016, the BCBS endorsed a new market risk framework, including rules made as a result of its fundamental review of the trading book, which will take effect in 2019. Barclays continues to monitor the potential effects on its capital position arising from these rules and from (i) revisions to the BCBS's standardised rules for credit risk, counterparty credit risk, CVA volatility risk and operational risk; and (ii) the BCBS considering the position regarding the limitation of the use of internal models in certain areas (for example, removing the Advanced Measurement Approach for operational risk) and applying RWA floors based on the standardised approaches.

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

c) Market infrastructure reforms

The derivatives markets are subject to extensive and increasing regulation in many of the Group's markets, including in particular Europe pursuant to the European Market Infrastructure Regulation (EMIR) and in the United States under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). Certain of these increased regulatory requirements have already come into force, with further provisions expected to become effective in stages, including through a new recast version of the Markets in Financial Instruments Directive and a new regulation (the Markets in Financial Instruments Regulation) in Europe.

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

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

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

d) Recovery and resolution planning
There continues to be a strong regulatory focus on 'resolvability' from regulators, particularly in the UK, the US and South Africa. The Group made its first formal Recovery and Resolution Plan (RRP) submissions to the UK and US regulators in mid-2012 and made its first Recovery Plan submission to the South African regulators in 2013. Barclays continues to work with the relevant authorities to identify and address potential impediments to the Group's 'resolvability'.

In the UK, RRP work is considered part of continuing supervision. Removal of potential impediments to an orderly resolution of the Group or one or more of its subsidiaries is considered as part of the BoE and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays provides the PRA with a Recovery Plan annually and with a Resolution Pack every other year.

In the US, Barclays is one of several systemically important banks required to file resolution plans with the Board of Governors of the Federal Reserve System (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Agencies) under provisions of the DFA. Pursuant to the resolution plan regulation in the US, a joint determination by the Agencies that a resolution plan is not credible or would not facilitate an orderly resolution under the US Bankruptcy Code may result in a bank being made subject to more stringent capital, leverage, or liquidity requirements, or restrictions on growth, activities or operations in the US.

Additionally, there are further resolution-related proposals in the US, such as the Federal Reserve's proposed regulation requiring internal total loss absorbing capital (TLAC) for Barclays' US Intermediate Holding Company (IHC) that will be established during July 2016, and increased record keeping and reporting requirements for obligations under qualified financial contracts (QFC proposal) that may, depending on final rules, materially increase the operational and financing costs of Barclays' US operations.

In South Africa, the South African Treasury and the South Africa Reserve Bank are considering material new legislation and regulation to adopt a resolution and depositor guarantee scheme in alignment with FSB principles. Barclays Africa Group Limited (BAGL) and its primary subsidiary Absa Bank Limited, will be subject to these schemes when they are adopted. It is not clear what shape these schemes will take or when the schemes will be adopted, but current proposals for a funded deposit insurance scheme and for operational continuity may result in material increases in operational and financing costs for the BAGL group.

While the Group believes that it is making good progress in reducing potential impediments to resolution, should the relevant authorities ultimately determine that the Group or any significant subsidiary could not be resolved in an orderly manner, the impact of potential structural changes that may be required to address such a determination (whether in connection with RRP or other structural reform initiatives) may impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example, due to duplicated infrastructure costs, lost cross-rate revenues and/or additional funding costs.

viii) Regulatory action in the event of a bank failure
The EU Bank Recovery and Resolution Directive (BRRD) contains provisions similar to the Banking Act on a European level, many of which augment and increase the powers which national regulators are required to have in the event of a bank failure.

The UK Banking Act 2009, as amended (the Banking Act) provides for a regime to allow the BoE (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers to make share transfer orders and property transfer orders. Amendments introduced by the Banking Reform Act gave the BoE a statutory bail-in power from 1 January 2015. This power enables the BoE to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors. It also allows the BoE to cancel liabilities or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution, and gives it the power to convert liabilities into another form (e.g. equity). In addition to the bail-in power, relevant UK resolution authorities are granted additional powers under the Banking Act including powers to direct the sale or transfer of a relevant financial institution or all or part of its business in certain circumstances. Further, parallel developments such as the implementation in the UK of the FSB's TLAC requirements may result in increased risks that a bank would become subject to resolution authority requirements by regulators seeking to comply with international standards in this area. Please see Funding risk, inability to maintain appropriate prudential ratios on page 41.

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

Conduct risk

Barclays is committed to Group-wide changes to business practices, governance and mind set and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates. Improving our reputation will demonstrate to customers that in Barclays they have a partner they can trust. Conduct risk is the risk that detriment is caused to the Groups customers, clients, counterparties or the Group itself because of inappropriate judgement in the execution of our business activities.

During 2015 potential customer impact and reputation risk inherent in varied emerging risks has been managed across the Group and escalated to senior management for discussion. These risks will remain prevalent in 2016 and beyond and the most significant of these include:

i) Organisational change
The Group is at risk of not being able to meet customer and regulatory expectations due to a failure to appropriately manage the: i) complexity in business practice, processes and systems; ii) challenges faced in product suitability, automation and portfolio-level risk monitoring; iii) resilience of its technology; and , iv) execution strategy, including the failure to fulfil the high level of operational precision required for effective execution in order to deliver positive customer outcomes.

ii) Legacy issues
Barclays remains at risk from the potential outcomes of a number of investigations relating to our past conduct. While we are continuing to embed cultural change and improved governance, many stakeholders will remain sceptical and so until there is clear and sustained evidence of consistent cultural and behavioural change the risk to Barclays' reputation will remain.

For Further information in respect of such investigations and related litigation and discussion of the associated uncertainties, please see Note 28 Legal, competition and regulatory matters on page 194.

iii) Market integrity
There are potential risks arising from conflicts of interest, including those related to the benchmark submission process. While primarily relevant to the Investment Bank, these potential risks may also impact the corporate and retail customer base. The Group may be adversely affected if it fails to mitigate the risk of individuals making such inappropriate judgement by enhancing of operating models and effective identification and management of conflicts of interest controls and supervisory oversight.

iv) Financial crime
The Group, as a global financial services firm, is exposed to the risks associated with money laundering, terrorist financing, bribery and corruption and sanctions. As a result, the Group may be adversely affected if it fails to effectively mitigate the risk that its employees or third-parties facilitate, or that its products and services are used to facilitate financial crime.

Any one, or combination, of the above risks could have significant impact on the Group's reputation and may also lead to potentially large costs to both rectify this issue and reimburse losses incurred by customers and regulatory censure and penalties.

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

i) Structural reform (emerging risk)

The UK Financial Services (Banking Reform) Act 2013 (the UK Banking Reform Act) and associated secondary legislation and regulatory rules, require the separation of the Group's UK and EEA retail and SME deposit taking activities into a legally, operationally and economically separate and independent entity and restrict the types of activity such an entity may conduct (so-called 'ring fencing').

The PRA issued a policy statement (PS10/15) in May 2015 setting up legal structures and governance requirements that the UK regulator considers as 'near-final'. A PRA Consultation was issued in October 2015 relating to post ring fencing prudential requirements and intra-group arrangements among other matters. PRA final rules are expected in 2016. UK ring fencing rules will become binding from January 2019 and Barclays has an internal structural reform programme to implement the changes required by these new regulations (alongside other group structural requirements applicable to or in the course of development for the Group both in the UK and other jurisdictions in which the Group has operations – such as the proposed move towards a single point of entry (Holding Company) resolution model under the BoE preferred resolution strategy and the requirement under section 165 of the DFA to create a US intermediate holding company (IHC) to hold the Group's US banking and non-banking subsidiaries) and to evaluate the Group's strategic options in light of all current and proposed global structural reform initiatives. Changes resulting from this work will have a material impact in the way the Group operates in the future through increased cost and complexity associated with changes required by ring fencing laws and regulations. Specifically, in order to comply with the UK Banking Reform Act and the DFA, it is proposed that:

- Barclays will create a new UK banking entity which will serve as the ring fenced bank (RFB). It is expected to serve retail and small business customers as well as UK Wealth and credit card customers
- Barclays Bank PLC (BBPLC) is expected to serve corporate, institutional and investment banking clients and will also serve international Wealth and credit card customers; it is also expected to house both the Corporate Banking payments and Barclaycard merchant acquiring businesses
- many of the Group's US businesses (including Barclays Bank Delaware and Barclays Capital Inc., the Group's US broker-dealer subsidiary) will be organised under an IHC;
- the Group will establish a number of service companies in order to support its revised operating entity structure.

Implementation of these changes involves a number of risks related to both the revised Group entity structure and also the process of transition to that revised Group structure. Those risks include the following:

- the establishment and ongoing management of the RFB and BBPLC as separate entities will require the Group to evaluate and restructure its intra-group and external capital, funding and liquidity arrangements to ensure they continue to meet regulatory requirements and support business needs. The changes required by ring fencing will in particular impact the sources of funding available to the different entities, including restricting BBPLC's access to certain categories of deposit funding
- while the Group will seek to manage the changes to business mix and capital, funding and liquidity resources so as to maintain robust credit ratings for each of its key operating entities, the restructuring required by ring fencing is complex and untested, and there is a risk that the changes may negatively impact the assessment made by credit rating agencies, creditors and other stakeholders of the credit strength of the different entities on a standalone basis. Adverse changes to the credit assessment, including the potential for ratings downgrades, could in turn make it more difficult and costly for the Group's entities to obtain certain sources of funding
- the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015 provide that, after 1 January 2026, ring fence banks cannot be or become liable for pension schemes outside of the ring fence. To comply with the regulations, the Group will need to decide which Group entities will participate in the Barclays Bank UK Retirement Fund (UKRF) from 2026, and reach a mutually satisfactory position with the UKRF Trustee regarding past service liabilities. The Group is currently discussing a variety of options with the UKRF Trustee, and engaging with the PRA and the UK Pensions Regulator
- execution risk associated with moving a material number of customer accounts and contracts from one legal entity to another and in particular the risk of legal challenge to the ring-fenced transfer scheme that will be used in order to transfer certain assets and liabilities from BBPLC to the RFB
- customer impacts derived from operational changes related to, for example, the reorganisation of sort codes. In addition, uncertain and potentially varying customer preference in terms of being served by the RFB or BBPLC may increase the execution risk associated with ring fencing; customers may also be impacted by reduced flexibility to provide products through a single entity interface
- at the European level, the draft Bank Structural Reform Regulation contains powers restricting proprietary trading and, if certain conditions are met, for the mandated separation of core retail banking activity from certain trading activities save where a bank is already subject to a national regime which provides for the separation of such activities in a manner compatible with the regulation. The regulation is currently in draft form and no single version (including the scope of any national derogation) has yet been agreed by the Council of Ministers, the European Commission and the European Parliament. The implementation date for these proposals will depend on the date on which any final

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

legislation is agreed. Accordingly, the potential impact on the Group remains unclear.

These, and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends, credit ratings, and/or financial condition.

ii) Business conditions, general economy and geopolitical issues

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

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

Global growth is expected to remain modest, with low single digit growth in advanced economies alongside a slowdown in emerging markets. This moderate economic performance, lower commodity prices and increased geopolitical tensions mean that the distribution of risks to global economic activity continues to be biased to the downside.

As the US Federal Reserve embarks on monetary policy tightening, the increasing divergence of policies between major advanced economies risks triggering further financial market volatility. The sharp change in value of the US dollar during 2015 reflected this and, has played a major role in driving asset price volatility and capital reallocation as markets adjusted. Changes to interest rate expectations risk igniting further volatility and US dollar appreciation, particularly if the US Federal Reserve were to increase rates faster than markets currently expect.

Emerging markets have already seen growth slow following increased capital outflows, but a deeper slowdown in growth could emerge if tighter US interest rate policy drives further reallocation of capital. Moreover, sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is significant concern around the ability of authorities to manage the growth transition towards services. A stronger than expected slowdown could result if authorities fail to appropriately manage the end of the investment and credit-led boom, while the consequences from a faster slowdown would flow through both financial and trade channels into other economies, and affect commodity markets.

Commodity prices, particularly oil prices, have already fallen significantly, but could fall further if demand growth remains weak or supply takes longer than expected to adjust. At the same time, countries with high reliance on commodity related earnings have already experienced a tightening of financial conditions. A sustained period of low prices risks triggering further financial distress, default and contagion.

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

While in Europe, risks of stagnation, entrenched deflation and a Eurozone break-up have diminished, they remain a risk.

In the UK, the referendum on EU membership gives rise to some political uncertainty and raises the possibility of a disruptive and uncertain exit from the EU, with attendant consequences for investment and confidence. Following the referendum in June 2016, in the event that there is a vote in favour of leaving the EU, a period of negotiation is likely, widely anticipated to be around two years, with unpredictable implications on market conditions.

A drop in business or consumer confidence related to the aforementioned risks may have a material impact on GDP growth in one or more significant markets and therefore Group performance. At the same time, even if output in most advanced economies does grow, it would also be likely to advance at a slower pace than seen in the pre-crisis period. Growth potential could be further eroded by the low levels of fixed asset investment and productivity growth.

For the Group, a deterioration of conditions in its key markets could affect performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity; (ii) higher levels of default rates and impairment; and (iii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties.

iii) Business change/execution (emerging risk)

As Barclays moves towards a single point of entry (Holding Company) resolution model and implementation of the structural reform programme execution, the expected level of structural and strategic change to be implemented over the medium term will be disruptive and is likely to increase funding and operational risks for the Group and could impact its revenues and businesses. These changes will include: the creation and run down of Non-Core; the delivery against an extensive agenda of operational and technology control and infrastructure improvements; and, planned cost reductions. Execution may be adversely impacted by external factors (such as a significant global macroeconomic downturn or further significant and unexpected regulatory change in countries in which the Group operates) and/or internal factors (such as availability of appropriately skilled resources or resolution of legacy issues). Moreover, progress in regard to Barclays' strategic plans is unlikely to be uniform or linear and progress on certain targets may be achieved more slowly than others.

If any of the risks outlined above were to occur, singly or in aggregate, they could have a material adverse effect on the Group's business, results of operations and financial condition.

Risk review
Contents

An overview of Barclays' approach to risk management

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

There are no differences in the manner in which risks are managed and measured between the Barclays Bank PLC Group and the Barclays PLC Group. Therefore the risk management for Barclays PLC which includes the Barclays Bank PLC Group is disclosed within this section.

A more comprehensive overview, together with more specific information on Group policies, can be found in Barclays PLC 2015 Pillar 3 Report or at home.barclays/annualreport

Introduction

This section outlines the Group's strategy for managing risk and how risk culture has been developed to ensure that there is a set of objectives and practices which are shared across the Group. It provides details of the Group's governance, specific information on policies that the Group determines to be of particular significance in the current operating environment, committee structures and how responsibilities are assigned.

Risk management strategy

The Group has clear risk management objectives and a well established strategy to deliver them through core risk management processes.
At a strategic level, the Group's risk management objectives are to:

- identify the Group's significant risks;
- formulate the Group's risk appetite and ensure that the business profile and plans are consistent with it;
- optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- ensure that business growth plans are properly supported by effective risk infrastructure ;
- manage the risk profile to ensure that specific financial deliverables remain achievable under a range of adverse business conditions;
- help executives improve the control and coordination of risk taking across the business.

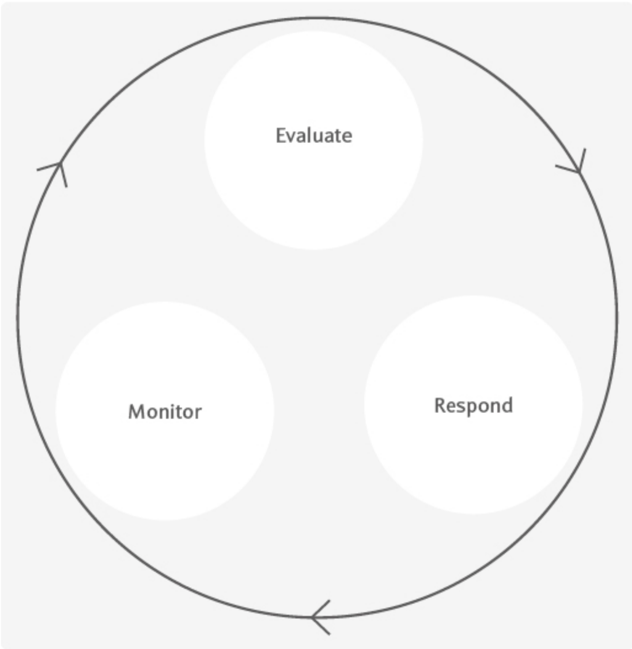
A key element in the setting of clear management objectives is the ERMF, which sets out key activities, tools, techniques and organisational arrangements so that material risks facing the Group are identified and understood, and that appropriate responses are in place to protect Barclays and prevent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

The ERMF covers those risks incurred by the Group that were foreseeable, continuous and material enough to merit establishing specific Group-wide control frameworks. These are known as Principal and Key Risks. See Principal and Key Risks on page 51 for more information.

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

1. **Evaluate**: risk evaluation must be carried out by those individuals, teams and departments who manage the underlying operational or business process, and so are best placed to identify and assess the potential risks, and also include those responsible for delivering the objectives under review.

Barclays risk management strategy



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

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

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

- can be applied to every objective at every level in the bank, both top-down or bottom-up;
- is embedded into the business decision making process;
- guides the Group's response to changes in the external or internal environment in which existing activities are conducted;
- involves all staff and all three lines of defence (see page 51).

Board oversight and flow of risk related information

Governance structure

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

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

All employees must play their part in the Group's risk management, regardless of position, function or location. All employees are required to be familiar with risk management policies that are relevant to their activities, know how to escalate actual or potential risk issues, and have a role appropriate level of awareness of the ERMF (see Risk governance and assigning responsibilities for more information on page 50 risk management process and governance arrangements.

Furthermore, from March 2016 members of the Board, Executive Committee and a limited number of specified senior individuals will be subject to additional rules included within the Senior Managers Regime (SMR), which clarifies their accountability and responsibilities. Members of the SMR are held to four additional specific rules of conduct in which they must:

1. take reasonable steps to ensure that the Group is effectively controlled
2. take reasonable steps to ensure that the Group complies with relevant regulatory requirements and standards
3. take reasonable steps to ensure that any delegated responsibilities are to the appropriate individual and that the delegated responsibilities are effectively discharged
4. disclose appropriately any information to the FCA or PRA, which they would reasonably expect to be made aware of.

There are three key board-level forums which review and monitor risk across the Group. These are: the Board itself; the Board Risk Committee and the Board Reputation Committee.

The Board

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

The Board Risk Committee (BRC)

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

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

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

The Board Reputation Committee (RepCo)

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

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

The Board Audit Committee (BAC)
The BAC receives regular reports on the effectiveness of internal control systems, quarterly reports on material control issues of significance, quarterly papers on accounting judgements (including impairment). It also receives a half yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group's policies and methodologies and the performance trends of peer banks. The Chairman of the BAC also sits on the BRC.

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

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are presented in the Board of Directors section on page 36 in Barclays PLC Annual Report. The terms of reference and additional details on membership and activities for each of the principal Board Committees are available from the Corporate Governance section at: home.barclays/corporate governance

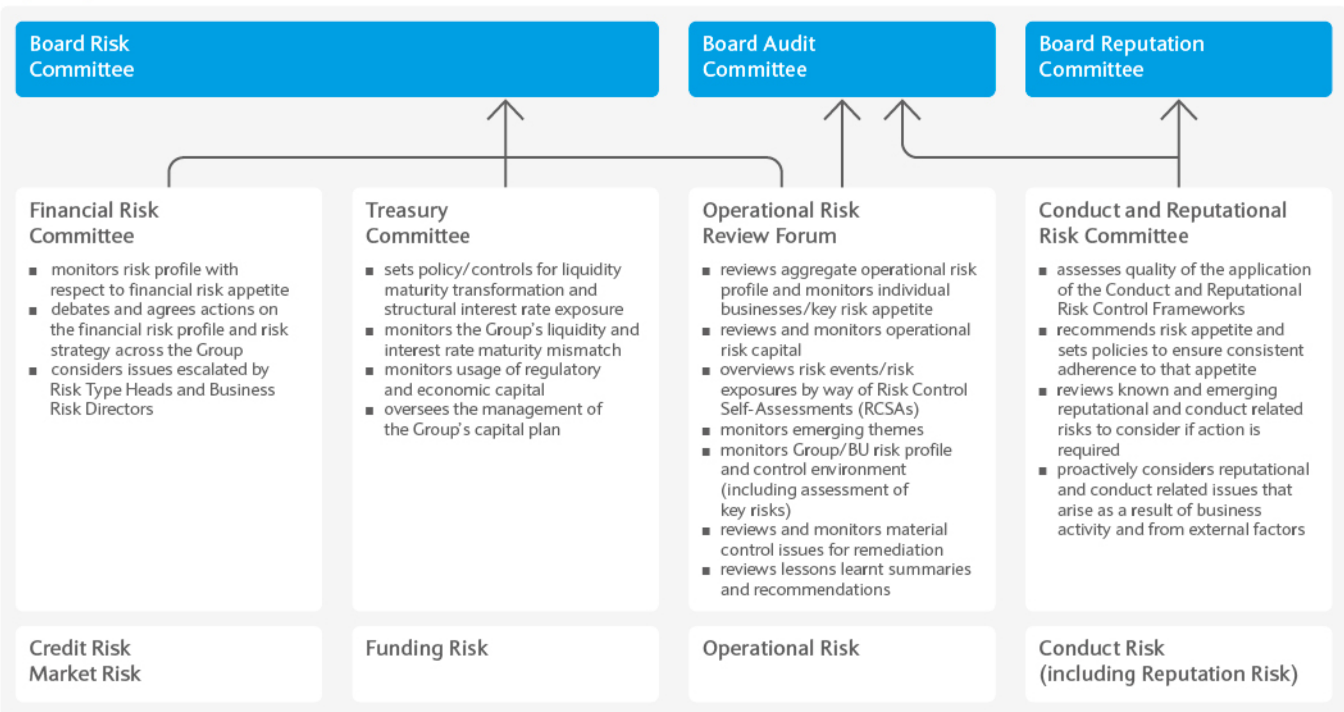
The CRO manages the independent Risk function and chairs the Financial Risk Committees (FRC) and the Operational Risk Review Forum (ORRF), which monitor the Group's financial and non-financial risk profile relative to agreed risk appetite.

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

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

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

Reporting and control



The ERMF articulates a clear, consistent, comprehensive and effective approach for the management of all risks in the Group and creates the context for setting standards and establishing the right practices throughout the Group. The ERMF sets out a philosophy and approach that is applicable to the whole bank, all colleagues and to all types of risk. It sets out the key activities required for all employees to operate Barclays risk and control environment, with specific requirements for key individuals, including the CRO and CEO, and the overall governance framework designed to support its effective operation. See Risk Culture in Barclays PLC 2015 Pillar 3 Report for more information.

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

- sustainable and consistent implementation of the three lines of defence across all businesses and functions
- clear segregation of activities and duties performed by colleagues across the Group
- framework for the management of Principal Risks
- consistent application of Barclays' risk appetite across all Principal Risks
- clear and simple policy hierarchy.

Three lines of defence

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

First line: **manage operational and business processes; design, implement, operate, test and remediate controls.**

First line activities are characterised by:

- ownership of and direct responsibility for the Group's returns or elements of Barclays' results
- ownership of major operations, systems and processes fundamental to the operation of the bank
- direct linkage of objective setting, performance assessment and reward to financial performance.

Second line: **oversee and challenge the first line and provide second line risk management activity.**

Second line activities are characterised by:

- oversight, monitoring and challenge of the first line of defence activities
- design, ownership or operation of Key Risk Control Frameworks impacting the activities of the first line of defence
- operation of certain second line risk management activities (e.g. financial rescue of a firm)
- no direct linkage of objective setting, performance assessment and reward to revenue (measures related to mitigation of losses and balancing risk and reward are permissible).

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

Third line activities are characterised by:

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

Following the annual review, in 2016, we have further refined the three lines of defence model by clarifying that responsibilities for risk management and control are defined in relation to the activities individuals undertake as part of their role. The three key activities are: 'Setting Policy and Conformance' (second line); 'Managing Operational or Business Process' (first and second line); and 'Providing Independent Assurance' (third line). Second and third line activities have not changed, however we have emphasised the key responsibilities of the first line, which includes colleagues' responsibility for understanding and owning the process end to end, and designing, operating, testing and remediating appropriate controls to manage those risks. Performed appropriately and by all colleagues, together these responsibilities will drive a stronger risk and control environment at Barclays, benefitting our customers, clients, shareholders and regulators.

Principal and Key Risks

Principal Risks comprise individual Key Risks to allow for more granular analysis. As at 31 December 2015 the five Principal Risks were: i) Credit; ii) Market; iii) Funding; iv) Operational; and v) Conduct. Since the beginning of 2015, Reputation Risk has been recognised as a Key Risk within Conduct Risk given their close alignment and the fact that as separate Principal Risks they had a common Principal Risk Officer.

Risk management responsibilities for Principal and Key Risks are set out in the ERMF. The ERMF creates clear ownership and accountability; ensures the Group's most significant risk exposures are understood and managed in accordance with agreed risk appetite and risk tolerances; and ensures regular reporting of risk exposures and control effectiveness.

For each Key Risk, the Key Risk Officer is responsible for developing a risk appetite statement and overseeing and managing the risk in line with the ERMF. This includes the documentation, communication and maintenance of a Key Risk Control Framework which sets out, for every business across the firm, the mandated control requirements in managing exposures to that Key Risk. These control requirements are given further specification, according to the business or risk type, to provide a complete and appropriate system of internal control.

Business and Function Heads are responsible for obtaining ongoing assurance that the key controls they have put in place to manage the risks to their business objectives are operating effectively. Reviews are undertaken on a six-monthly basis and support the regulatory requirement for the Group to make an annual statement about its system of internal controls. At the business level, executive management hold specific Business Risk Oversight Meetings to monitor all Principal Risks.

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

Board Risk Committee:

- Financial Risk Committee has oversight of Credit and Market Risks;
- Treasury Committee has oversight of Funding Risk;
- Operational Risk Review Forum has oversight of the risk profile of all Operational Risk types.

Board Reputation Committee:

- Conduct and Reputation Risk Committee has oversight of Conduct and Reputation Risks.

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

Credit risk

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

Overview

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

Credit risk management objectives are to:

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

More information of the reporting of credit risk can be found in Barclays PLC 2015 Pillar 3 Report.

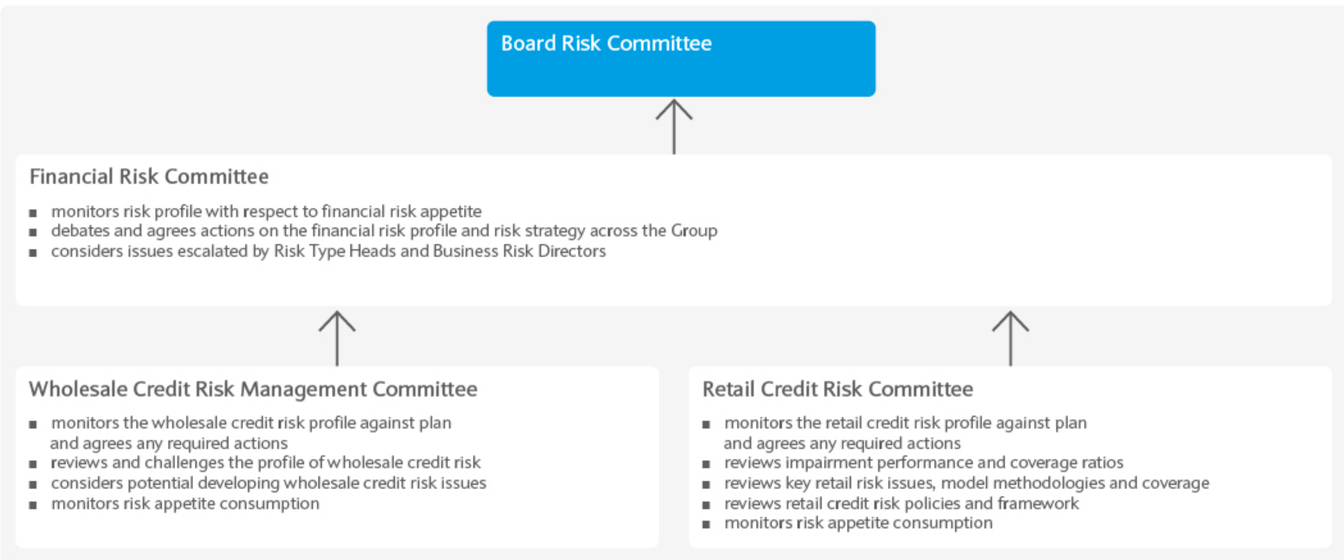
Organisation and structure

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

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

Board oversight and flow of risk related information

Organisation and structure



Roles and responsibilities

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

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority require the support of the Group Senior Credit Officer (GSCO), the Group's most senior credit risk sanctioner. For exposures in excess of the GSCO's authority, approval by Group CRO is required. In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

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

Credit risk mitigation

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

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

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

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

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

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

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

Detailed policies are in place to ensure that credit risk mitigation is appropriately recognised and recorded and more information can be found in the Barclays PLC 2015 Pillar 3 Report.

Market risk

The risk of a reduction to earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pools.

Overview

Traded market risk

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

Non-traded market risk

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

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

Pension risk

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

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

Insurance risk

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

Insurance risk arises when:

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

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

Organisation and structure

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

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

Organisation and structure

Board Risk Committee

Financial Risk Committee

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

Market Risk Committee

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

Group Market Risk

Risk type

Traded	Non-traded	Pension	Insurance
■ Interest rate risk ■ Spread risk ■ Foreign exchange risk ■ Equity risk ■ Commodity risk ■ Inflation risk ■ Traded credit risk ■ Basis risk	■ Interest rate risk ■ Foreign exchange risk ■ Structural interest rate risk ■ Direct interest rate risk ■ Prepayment risk ■ Recruitment risk ■ Lag risk ■ Funding spread risk	■ Discount rate risk ■ Inflation risk ■ Asset value risk ■ Longevity ■ Member choices	■ Underwriting ■ Re-insurance ■ Reserving ■ Asset liquidity management ■ Investment management

…managed by

■ Investment Bank ■ Treasury ■ Africa Banking ■ Barclays Non-Core	■ Personal and Corporate Banking ■ Barclaycard ■ Africa Banking ■ Barclays Non-Core ■ Head Office	■ Pension Fund ■ Trustees and Barclays central functions	■ Africa Banking

…with oversight and challenge provided by Market Risk Committee and…

■ Market Risk Management Forum in the businesses ■ Investment Committee ■ Conformance reviews	■ Africa Market Risk Committee ■ Treasury Committee ■ Treasury Hedge Committee ■ Asset and Liability ■ New product sign-off process ■ Conformance reviews	■ Pension management group ■ Pension Executive Board	■ Investment Risk Committee ■ Underwriting Review Committee ■ Actuarial Review Committee

Roles and responsibilities

The objectives of market risk management are to:

- understand and control market risk by robust measurement, limit setting, reporting and oversight
- facilitate business growth within a controlled and transparent risk management framework
- ensure that traded market risk in the businesses is controlled according to the allocated appetite
- control non-traded market risk in line with approved appetite
- control insurance risk in line with approved appetite
- support the Non-Core strategy of asset reductions by ensuring that market risk remains within agreed risk appetite.

To ensure the above objectives are met, a well-established governance structure is in place to manage these risks consistent with the ERMF (evaluate-respond-monitor). See page 49 to 52 on risk management strategy, governance and risk culture.More information on market risk management can be found in Barclays PLC 2015 Pillar 3 Report.

Funding and capital risk management

Funding Risk

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

Organisation and structure

Board Risk Committee

↑

Group Treasury Committee

- Chaired by Group Treasurer
- Oversees the management of the Group's Capital Plan and Internal Capital Adequacy Assessment Process (ICAAP)
- Sets policy/controls for liquidity, maturity transformation and structural interest rate exposure
- Monitors the Group's liquidity and interest rate maturity mismatch
- Monitors key risks and early warning indicators on-balance sheet metrics, including capital, funding and liquidity

Capital risk

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

- meet minimum regulatory requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources at each level where prudential capital resources are applied
- support its credit rating. A weaker credit rating would increase the Group's cost of funds
- support its growth and strategic options.

Overview

Organisation and structure

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

Roles and responsibilities

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

Capital planning

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

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

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

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

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

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

Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. Capital requirements are set in accordance with the firms's level of risk.

Governance
The Group and legal entity capital plans are underpinned by the Capital Risk Framework, which includes capital management policies and practices approved by the Treasury Committee. These plans are implemented consistently in order to deliver on the Group objectives.

The Board approves the Group capital plan, stress tests and recovery plan. The Treasury Committee manages compliance with the Group's capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis. The Board Risk Committee annually reviews risk appetite and then analyses the impacts of stress scenarios on the Group capital forecast in order to understand and manage the Group's projected capital adequacy.

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

Stress testing: internal stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios, arising stressed macroeconomic conditions. Actual recent economic, market and peer institution stresses are used to inform the assumptions of the stress tests and assess the effectiveness of mitigation strategies.

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

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

As an additional layer of protection, the Barclays Recovery Plan defines the actions and implementation strategies available for the Group to increase or preserve capital resources in the event that stress events are more extreme than anticipated.

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

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

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

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

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

More information on capital risk management can be found in Barclays PLC 2015 Pillar 3 Report pages 136 to 137.

Risk review
Risk management
Funding risk - Liquidity

Liquidity risk

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

Overview

The Board has formally recognised a series of risks that are continuously present in Barclays and materially impact the achievement of Barclays objectives, one of which is Funding risk. Liquidity risk is recognised as a key risk within Funding risk. The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business sustainable. Liquidity risk is managed through the Liquidity Risk Management Framework (the Liquidity Framework) which is designed to meet the following objectives:

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

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

Organisation and structure

Barclays Treasury operates a centralised governance control process that covers all of the Group's liquidity risk management activities. As per the ERMF, the Key Risk Officer (KRO) approves the Key Risk Control Framework for Liquidity Risk (Key Risk Control Framework) under which the Treasury function operates. The KRO is in the Risk Function. The key Risk Control Framework is subject to annual review. The Key Risk Control Framework describes liquidity polices and controls that the Group has implemented to mange liquidity risks within in the LRA and is subject to annual review.

The Board sets the Group's LRA, over Groups stress tests, being the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The approved LRA is implemented and managed by the Treasury Committee through the Key Risk Control Framework.

Liquidity risk management

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

Liquidity is monitored and managed on an ongoing basis through:

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

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

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

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

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

RRP: In accordance with the requirements of the PRA Rulebook: Recovery and Resolution, Barclays has developed a Group Recovery Plan. The key objectives are to provide the Group with a range of options to ensure the viability of the firm in a stress, set consistent early warning indicators and to enable the Group to be adequately prepared to respond to stressed conditions. The Group continues to work with the authorities on RRP, including identifying and addressing any impediments to resolvability.

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

Risk review

Risk management

Operational risk management

Operational risk

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

Overview

The management of operational risk has two key objectives:

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

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

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

Organisation and structure

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

- external supplier: inadequate selection and ongoing management of external suppliers
- financial crime: failure to comply with anti-money laundering, anti-bribery, anti-corruption and sanctions policies. In early January 2016, the oversight of financial crime was transferred to Group Compliance
- financial reporting: reporting misstatement or omission within external financial or regulatory reporting;
- fraud: dishonest behaviour with the intent to make a gain or cause a loss to others
- information: inadequate protection of the Group's information in accordance with its value and sensitivity
- legal: failure to identify and manage legal risks
- payments process: failure in operation of payments processes
- people: inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours
- premises and security: unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats
- taxation: failure to comply with tax laws and practice which could lead to financial penalties, additional tax charges or reputational damage
- technology (including cyber security): failure to develop and deploy secure, stable and reliable technology solutions which includes risk of loss or detriment to Barclays business and customers as a result of actions committed or facilitated through the use of networked information systems
- transaction operations: failure in the management of critical transaction processes.

In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk. For more information on conduct risk please see pages 60 to 63.

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches on reputation damage.

Reporting and control

Roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business unit management through specific meetings which cover governance, risk and control. Businesses are required to report their operational risks on both a regular and an event driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, material control issues, operational risk events and a review of scenarios.

The Group Head of Operational Risk, as Principal Risk Officer, is responsible for establishing, owning and maintaining an appropriate Group- wide Operational Risk Framework and for overseeing the portfolio of operational risk across the Group.

Operational risk management acts in a second line of defence capacity, and is responsible for implementation of the framework and monitoring operational risk events, risk exposures and material control issues. Through attendance at Business Unit Governance Risk and Controls meetings, it provides specific risk input into the issues highlighted and the overall risk profile of the business. Operational risk issues escalated from these meetings are considered by the Group Principal Risk Officer through the second line of defence review meetings, which also consider material control issues and their effective remediation. Depending on their nature, the outputs of these meetings are presented to the BRC or the BAC.

Specific reports are prepared by businesses, Key Risk Officers and Group Operational Risk on a regular basis for ORRF, BRC and BAC.

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

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

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Conduct risk

The risk that detriment is caused to customers, clients, counterparties or the Group because of inappropriate judgement in the execution of our business activities.

Overview

The Group defines, manages and mitigates conduct risk with the goal of providing good customer outcomes and protecting market integrity.

The Group has defined seven Key Risks that are the main sub risk types to Conduct Risk:

- our products or services do not meet customers' needs or have the potential to cause customer detriment
- the way we design and undertake transaction services has the potential to cause customer detriment
- the way we design or undertake customer servicing has the potential to cause customer detriment
- our strategy or business model has the potential to cause customer detriment
- our governance arrangements or culture has the potential to cause customer detriment
- we fail to obtain and maintain relevant regulatory authorisations, permissions and licence requirements
- damage to Barclays' reputation is caused during the conduct of our business.

Organisation and structure

The Conduct and Reputation Risk Committee (CRRC) derives its authority from the Barclays Global Head of Compliance. The purpose of the CRRC is to review and monitor the effectiveness of Barclays' management of Conduct and Reputation Risk. In addition, specific committees monitor conduct risk and the control environment at the business level.

Roles and responsibilities

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

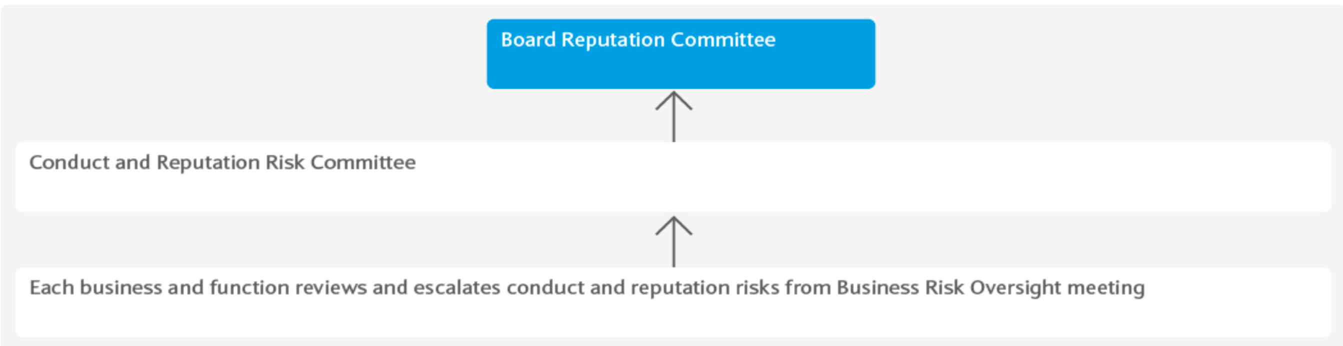
The PRF is implemented across the Group:

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

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

The Conduct Principal Risk Office is responsible for owning and maintaining an appropriate Group-wide Conduct Risk PRF and for overseeing Group-wide Conduct Risk management. Businesses are required to report their conduct risks on both a quarterly and an event driven basis. The quarterly reports detail conduct risks inherent within the business strategy and include forward looking horizon scanning analysis as well as backwardlooking evidence-based indicators from both internal and external sources. For details please refer to the Risk Review, Conduct Risk Performance section of this report page 119.

Organisation and structure



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

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

In 2015 Reputation Risk was re-designated as a Key Risk under the Conduct Risk Principal Risk. The Reputation Key Risk Framework outlines the processes and actions required of the business. These include regular and forward looking reviews of current and emerging reputation risks so that a topical and comprehensive reputation risk profile of the organisation can be maintained.

Reputation risk is the risk of damage to the Group's brand arising from any association, action or inaction which is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion formers) to be inappropriate or unethical. Damage to the Group's brand and consequent erosion of our reputation reduces the attractiveness of the Group to stakeholders and may lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

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

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

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

Reputation risk may also arise and cause damage to the Group's image, through association with clients, their transactions or their projects if these are perceived by external stakeholders to be environmentally damaging. Where the Group is financing infrastructure projects which have potentially adverse environmental impacts, the Group's Client Assessment and Aggregation policy and supporting Environmental and Social Risk Standard will apply. This policy identifies the circumstances in which the Group requires due diligence to include assessment of specialist environmental reports. These reports will include consideration of a wide range of the project's potential impacts including on air, water and land quality, on biodiversity issues, on locally affected communities, including any material upstream and downstream impacts, and working conditions together with employee and community health and safety. Adherence to the Environmental and Social Risk Standard is the mechanism by which Barclays fulfils the requirements of the Equator Principles. These Principles are an internationally recognised framework for environmental due diligence in project finance. Barclays was one of four banks which collaborated in developing the Principles, ahead of their launch in 2003 with 10 adopting banks. There are now more than 80 banks worldwide which have adopted the Equator Principles (see www.equator-principles.com).

Risk performance

Maintaining our risk profile at an acceptable and appropriate level is essential to ensure our continued performance. This section provides a review of the performance of the Group in 2015 for each five Principal risks, which are credit, market, funding, operational, and conduct risk.

For a more detailed breakdown on our Risk review and Risk management contents please see pages 47 to 63.

Analysis of credit risk

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

This section details the Group's credit risk profile and provides information on the Group's exposure to loans and advances to customer and banks, maximum exposures with collateral held, net impairment charges raised in the year and balances that are categorised as credit risk loans.

Key metrics

- Credit impairment charges in 2015 were 2% lower than 2014

+£32m Group Core

Loan impairment broadly stable reflecting benign economic conditions in the UK and US

+£30m Retail Core

Performance across key portfolios has remained stable and within expectations

+£2m Wholesale Core

Performance benefiting from economic conditions in the UK and US markets offset by impact of stress in Oil and Gas portfolios

-£139m Non-Core

Lower charge reflects sale of Spanish business and higher recoveries in Portugal

- Net Loans and advances to customers and banks decreased by 6% in 2015
- The loan loss rate was stable at 47bp

The disclosures found within the Barclays Bank PLC credit risk section have been prepared to satisfy legal and regulatory requirements. Where additional disclosures exist in the Barclays PLC Annual Report, a reference has been provided to the relevant pages of the Barclays PLC Annual Report, found at home.barclays/annualreport:.

Credit risk

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

All disclosures in this section (pages 66 to 86) are unaudited unless otherwise stated

Overview

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

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

The topics covered in this section may be found in the credit risk section of the contents on page 36. Please see risk management section on pages 48 to 52 for details of governance, policies and procedures.

Summary of performance in the period

Credit impairment charges in 2015 fell 2% to £2.1bn which principally reflected the benign economic conditions in the UK and US and effective risk management, including the strengthening of the Retail Impairment Policy. These supported generally stable delinquency rates in retail and lower default rates in wholesale where large single names were limited in number and focused on the Oil and Gas sector.

The level of CRL reduced to £7.8bn principally due to a reduction in Non-Core and Personal and Corporate Banking. The coverage ratios for home loans, unsecured retail portfolios and corporate loans remain broadly in line with expected severity rates for these types of portfolios.

Net loans and advances to customers and banks reduced 6% to £440.6bn reflecting a decrease in Non-Core businesses, Investment Bank and Africa Banking offset by increases in Personal and Corporate Banking.

The loan loss rate was broadly stable at 47bps (2014: 46bps).

Analysis of the balance sheet

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

Basis of preparation

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

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

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

The Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on the Group's policies to each of these forms of credit enhancement is presented on pages 67 to 71.

Overview

As at 31 December 2015, the Group's net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer decreased 6% to £702.1bn, reflecting a decrease in maximum exposure of 14% and a reduction in the level of mitigation held by 21%. Overall, the extent to which the Group holds mitigation against its total exposure reduced slightly to 48% (2014: 53%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, available for sale debt securities issued by governments, cash collateral and settlement balances, all of which are considered lower risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis above. The credit quality of counterparties to derivative, available for sale and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 72 to 75.

Where collateral has been obtained in the event of default, the Group does not, as a rule, use such assets for its own operations and usually sold on a timely basis. The carrying value of assets held by The Group and the Bank as at 31 December 2015, as a result of the enforcement of collateral, was £69m (2014: £161m) and Nil (2014: £40m).

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

The Group As at 31 December 2015	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	49,711	-	-	-	-	49,711
Items in the course of collection from other banks	1,011	-	-	-	-	1,011
Trading portfolio assets:						
Debt securities	45,626	-	-	-	-	45,626
Traded loans	2,474	-	-	(607)	(1)	1,866
Total trading portfolio assets	48,100	-	-	(607)	(1)	47,492
Financial assets designated at fair value:						
Loans and advances	17,913	-	(21)	(5,850)	(515)	11,527
Debt securities	1,383	-	-	-	-	1,383
Reverse repurchase agreements[a]	49,513	-	(315)	(49,027)	-	171
Other financial assets	375	-	-	-	-	375
Total financial assets designated at fair value	69,184	-	(336)	(54,877)	(515)	13,456
Derivative financial instruments	327,870	(259,582)	(34,918)	(7,484)	(5,529)	20,357
Loans and advances to banks	41,829	-	(4)	(4,072)	(64)	37,689
Loans and advances to customers:						
Home loans	155,863	-	(221)	(154,355)	(634)	653
Credit cards, unsecured and other retail lending	67,840	(12)	(1,076)	(14,512)	(1,761)	50,479
Corporate loans	175,514	(8,399)	(593)	(45,788)	(4,401)	116,333
Total loans and advances to customers	399,217	(8,411)	(1,890)	(214,655)	(6,796)	167,465
Reverse repurchase agreements and other similar secured lending	28,187	-	(166)	(27,619)	-	402
Available for sale debt securities	89,278	-	-	(832)	(811)	87,635
Other assets	1,410	-	-	-	-	1,410
Total on-balance sheet	1,055,797	(267,993)	(37,314)	(310,146)	(13,716)	426,628
Off-balance sheet:						
Contingent liabilities	20,576	-	(604)	(1,408)	(104)	18,460
Documentary credits and other short-term trade-related transactions	845	-	(33)	(57)	(3)	752
Forward starting reverse repurchase agreements[b]	93	-	-	(91)	-	2
Standby facilities, credit lines and other commitments	281,369	-	(313)	(24,156)	(662)	256,238
Total off-balance sheet	302,883	-	(950)	(25,712)	(769)	275,452
Total	1,358,680	(267,993)	(38,264)	(335,858)	(14,485)	702,080

Note
a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.
b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

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

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

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

The Bank As at 31 December 2015	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	43,669	-	-	-	-	43,669
Items in the course of collection from other banks	596	-	-	-	-	596
Trading portfolio assets:						
Debt securities	24,878	-	-	-	-	24,878
Traded loans	2,469	-	-	(604)	(1)	1,864
Total trading portfolio assets	27,347	-	-	(604)	(1)	26,742
Financial assets designated at fair value:						
Loans and advances	20,558	-	(21)	(5,796)	(515)	14,226
Debt securities	8,648	(6,396)	-	-	-	2,252
Reverse repurchase agreements[a]	42,582	-	(196)	(41,803)	-	583
Other financial assets	195	-	-	-	-	195
Total financial assets designated at fair value	71,983	(6,396)	(217)	(47,599)	(515)	17,256
Derivative financial instruments	316,252	(241,295)	(34,818)	(7,475)	(4,915)	27,749
Loans and advances to banks	62,201	(24,609)	(1)	(2)	(30)	37,559
Loans and advances to customers:						
Home loans	142,623	-	(195)	(141,751)	(536)	141
Credit cards, unsecured and other retail lending	39,610	-	(729)	(8,969)	(1,492)	28,420
Corporate loans	212,974	(8,398)	(628)	(33,624)	(10,099)	160,225
Total loans and advances to customers	395,207	(8,398)	(1,552)	(184,344)	(12,127)	188,786
Reverse repurchase agreements and other similar secured lending	28,803	-	(166)	(27,677)	-	960
Available for sale debt securities	82,968	-	-	(124)	(811)	82,033
Other assets	8,165	-	-	-	-	8,165
Total on-balance sheet	1,037,191	(280,698)	(36,754)	(267,825)	(18,399)	433,515
Off-balance sheet:						
Contingent liabilities	24,596	-	(581)	(1,346)	(68)	22,601
Documentary credits and other short-term trade-related transactions	693	-	(33)	(57)	(3)	600
Forward starting reverse repurchase agreements[b]	14	-	-	(13)	-	1
Standby facilities, credit lines and other commitments	222,141	-	(304)	(20,857)	(654)	200,326
Total off-balance sheet	247,444	-	(918)	(22,273)	(725)	223,528
Total	1,284,635	(280,698)	(37,672)	(290,098)	(19,124)	657,043

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

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

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

The Group's approach to managing and representing credit quality

Asset credit quality
All loans and advances are categorised as either 'neither past due nor impaired', 'past due but not impaired', or 'past due and impaired', which includes restructured loans. For the purposes of the disclosures in the balance sheet credit quality section below and the analysis of loans and advances and impairment section page 85:

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

Home loans, unsecured loans and credit card receivables that are subject to forbearance in the retail portfolios are included in the collectively assessed impaired loans column in the tables in the analysis of loans and advances and impairment section page 85. Included within wholesale loans that are designated as neither past due nor impaired is a portion of loans that have been subject to forbearance or similar strategies as part of the Group's ongoing relationship with clients. The loans will have an internal rating reflective of the level of risk to which the Group is exposed, bearing in mind the circumstances of the forbearance, the overall performance and prospects of the client. Loans on forbearance programmes will typically, but not always, attract a higher risk rating than similar loans which are not. A portion of wholesale loans under forbearance is included in the past due but not impaired column, although not all loans subject to forbearance are necessarily impaired or past due. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

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

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

For loans that are performing, these descriptions can be summarised as follows:
Strong: there is a very high likelihood of the asset being recovered in full.
Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.
Higher risk: there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

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

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

Balance sheet credit quality

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

Overview

As at 31 December 2015, the ratio of the Group's assets classified as strong remained broadly stable at 85% (2014: 84%) of total assets exposed to credit risk.

Traded assets remained mostly investment grade with the following proportions being categorised as strong: 96% (2014: 94%) of total derivative financial instruments, 94% (2014: 91%) of debt securities held for trading and 99% (2014: 98%) of debt securities held as available for sale. The credit quality of counterparties to reverse repurchase agreements held at amortised cost, and designated at fair value categorised as strong was 82% (2014: 78%). The credit risk of these assets is significantly reduced as balances are largely collateralised.

In the loan portfolios, 89% of home loans (2014: 86%) to customers are measured as strong. The majority of credit card, unsecured and other retail lending remained satisfactory, reflecting the unsecured nature of a significant proportion of the balance, comprising 76% (2014: 71%) of the total. The credit quality profile of the Group's wholesale lending remained stable with counterparties rated strong at 72% (2014: 72 %).

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented on pages 162 to 163 respectively of Barclays PLC Annual Report.

Balance sheet credit quality (audited)

As at 31 December 2015	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Group								
Cash and balances at central banks	49,711	-	-	49,711	100	0	0	100
Items in the course of collection from other banks	923	61	27	1,011	91	6	3	100
Trading portfolio assets:								
Debt securities	43,168	2,217	241	45,626	94	5	1	100
Traded loans	329	1,880	265	2,474	13	76	11	100
Total trading portfolio assets	43,497	4,097	506	48,100	90	9	1	100
Financial assets designated at fair value:								
Loans and advances	16,751	790	372	17,913	94	4	2	100
Debt securities	1,378	3	2	1,383	100	0	0	100
Reverse repurchase agreements and other similar secured lending[a]	41,145	8,352	16	49,513	83	17	0	100
Other financial assets	313	62	-	375	83	17	0	100
Total financial assets designated at fair value	59,587	9,207	390	69,184	86	13	1	100
Derivative financial instruments	313,275	13,270	1,325	327,870	96	4	-	100
Loans and advances to banks	39,539	1,163	1,127	41,829	95	3	2	100
Loans and advances to customers:								
Home loans	139,252	9,704	6,907	155,863	89	6	5	100
Credit cards, unsecured and other retail lending	12,347	51,294	4,199	67,840	18	76	6	100
Corporate loans	125,743	39,600	10,171	175,514	72	23	5	100
Total loans and advances to customers	277,342	100,598	21,277	399,217	70	25	5	100
Reverse repurchase agreements and other similar secured lending	22,907	5,226	54	28,187	81	19	0	100
Available for sale debt securities	88,536	632	110	89,278	99	1	0	100
Other assets	1,143	232	35	1,410	82	16	2	100
Total assets	896,460	134,486	24,851	1,055,797	85	13	2	100

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

Balance sheet credit quality (audited)

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

Balance sheet credit quality (audited)								
As at 31 December 2015	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment Grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
The Bank								
Cash and balances at central banks	43,669	-	-	43,669	100	0	0	100
Items in the course of collection from other banks	570	7	19	596	96	1	3	100
Trading portfolio assets:								
Debt securities	23,111	1,568	199	24,878	93	6	1	100
Traded loans	328	1,880	261	2,469	13	76	11	100
Total trading portfolio assets	23,439	3,448	460	27,347	85	13	2	100
Financial assets designated at fair value:								
Loans and advances	19,497	694	367	20,558	95	3	2	100
Debt securities	8,648	-	-	8,648	100	0	0	100
Reverse repurchase agreements[a]	37,278	5,298	6	42,582	88	12	0	100
Other financial assets	175	20	-	195	90	10	0	100
Total financial assets designated at fair value	65,598	6,012	373	71,983	91	8	1	100
Derivative financial instruments	304,711	10,216	1,325	316,252	96	3	1	100
Loans and advances to banks	59,511	729	1,961	62,201	96	1	3	100
Loans and advances to customers:								
Home loans	133,085	3,941	5,597	142,623	93	3	4	100
Credit cards, unsecured and other retail lending	9,597	27,725	2,288	39,610	24	70	6	100
Corporate loans	177,294	28,349	7,331	212,974	84	13	3	100
Total loans and advances to customers	319,976	60,015	15,216	395,207	81	15	4	100
Reverse repurchase agreements and other similar secured lending	25,301	3,502	-	28,803	88	12	0	100
Available for sale debt securities	82,947	20	1	82,968	100	0	0	100
Other assets	8,087	64	14	8,165	99	1	0	100
Total assets	933,809	84,013	19,369	1,037,191	90	8	2	100

Note
a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

Balance sheet credit quality (audited)

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

Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group implements limits on concentrations in order to mitigate the risk. The analysis of credit risk concentrations presented below is based on the location of the counterparty or customer or the industry in which they are engaged. Further detail on the Group's policies with regard to managing concentration risk is presented on page 126 of the Barclays PLC 2015 Pillar 3 Report.

Geographic concentrations

As at 31 December 2015, the geographic concentration of the Group's assets remained broadly consistent with 2014. 40% (2014: 38%) of the exposure is concentrated in the UK, 31% (2014: 31%) in the Americas and 20% (2014: 22%) in Europe.

Information on exposures to selected Eurozone countries is presented on pages 78 to 79.

Credit risk concentrations by geography (audited)

As at 31 December 2015	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Group						
On-balance sheet:						
Cash and balances at central banks	14,061	19,094	13,288	2,055	1,213	49,711
Items in the course of collection from other banks	543	72	-	396	-	1,011
Trading portfolio assets	7,199	10,012	23,642	2,111	5,136	48,100
Financial assets designated at fair value	22,991	5,562	35,910	3,039	1,682	69,184
Derivative financial instruments	99,818	103,498	101,592	3,055	19,907	327,870
Loans and advances to banks	11,213	9,918	13,078	2,900	4,720	41,829
Loans and advances to customers	239,140	47,372	69,803	33,461	9,441	399,217
Reverse repurchase agreements and other similar secured lending[a]	5,905	4,361	15,684	915	1,322	28,187
Available for sale debt securities	20,508	40,345	20,520	3,999	3,906	89,278
Other assets	868	4	131	314	93	1,410
Total on-balance sheet	422,246	240,238	293,648	52,245	47,420	1,055,797
Off-balance sheet:						
Contingent liabilities	9,543	3,020	5,047	2,505	461	20,576
Documentary credits and other short-term trade-related transactions	594	58	-	193	-	845
Forward starting reverse repurchase agreements[b]	9	5	65	-	14	93
Standby facilities, credit lines and other commitments	104,797	34,370	125,456	13,600	3,146	281,369
Total off-balance sheet	114,943	37,453	130,568	16,298	3,621	302,883
Total	537,189	277,691	424,216	68,543	51,041	1,358,680

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

Credit risk concentrations by geography (audited)

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

As at 31 December 2015	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Bank						
On-balance sheet:						
Cash and balances at central banks	5,034	26,560	11,036	142	897	43,669
Items in the course of collection from other banks	542	54	-	-	-	596
Trading portfolio assets	7,027	9,974	6,752	166	3,428	27,347
Financial assets designated at fair value	36,085	4,562	21,338	572	9,426	71,983
Derivative financial instruments	99,905	102,989	92,075	2,410	18,873	316,252
Loans and advances to banks	32,779	18,816	4,760	1,641	4,205	62,201
Loans and advances to customers	275,785	64,881	40,357	3,825	10,359	395,207
Reverse repurchase agreements and other similar secured lending[a]	9,572	7,509	9,746	916	1,060	28,803
Available for sale debt securities	19,586	39,021	20,354	127	3,880	82,968
Other assets	6,276	1,803	-	8	78	8,165
Total on-balance sheet	492,591	276,169	206,418	9,807	52,206	1,037,191
Off-balance sheet:						
Contingent liabilities	13,012	3,784	6,850	474	476	24,596
Documentary credits and other short-term trade-related transactions	594	58	-	41	-	693
Forward starting reverse repurchase agreements[b]	-	-	-	-	14	14
Standby facilities, credit lines and other commitments	104,730	31,736	80,830	1,699	3,146	222,141
Total off-balance sheet	118,336	35,578	87,680	2,214	3,636	247,444
Total	610,927	311,747	294,098	12,021	55,842	1,284,635

Note
a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.
b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

Credit risk concentrations by geography (audited)

As at 31 December 2014	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
The Bank						
On-balance sheet:						
Cash and balances at central banks	13,691	11,963	7,705	139	1,971	35,469
Items in the course of collection from other banks	643	158	-	-	-	801
Trading portfolio assets	12,744	15,222	10,300	218	3,614	42,098
Financial assets designated at fair value	35,870	1,425	2,723	331	515	40,864
Derivative financial instruments	136,156	148,931	113,084	2,401	25,993	426,565
Loans and advances to banks	6,629	14,157	29,363	2,016	5,273	57,438
Loans and advances to customers	290,318	79,476	43,685	4,734	11,601	429,814
Reverse repurchase agreements and other similar secured lending	23,295	21,996	38,297	1,301	17,935	102,824
Available for sale debt securities	22,024	31,913	22,699	98	1,630	78,364
Other assets	13,337	1,978	-	120	123	15,558
Total on-balance sheet	554,707	327,219	267,856	11,358	68,655	1,229,795
Off-balance sheet:						
Contingent liabilities	10,157	2,425	4,528	283	198	17,591
Documentary credits and other short-term trade-related transactions	851	36	-	50	18	955
Forward starting reverse repurchase agreements	4,446	5,931	375	-	4	10,756
Standby facilities, credit lines and other commitments	107,745	32,712	76,556	1,433	2,745	221,191
Total off-balance sheet	123,199	41,104	81,459	1,766	2,965	250,493
Total	677,906	368,323	349,315	13,124	71,620	1,480,288

Group exposures to specific countries (audited)

The Group recognises the credit and market risk resulting from the ongoing volatility in the Eurozone and continues to monitor events closely while taking coordinated steps to mitigate the risks associated with the challenging economic environment. These contingency plans have been reviewed and refreshed to ensure they remain effective.

The following table shows Barclays' exposure to specific Eurozone countries monitored internally as being higher risk and thus being the subject of particular management focus. The basis of preparation is consistent with that described in the 2014 Annual Report.

The net exposure provides the most appropriate measure of the credit risk to which the Group is exposed. The gross exposure is also presented below, alongside off-balance sheet contingent liabilities and commitments.

During 2015 the Group's net on-balance sheet exposures to Spain, Italy, Portugal, Ireland, Cyprus and Greece decreased by £17.2bn to £26.1bn primarily due to a £13.4bn reduction in Spain following the sale of the Spanish business. The £7.0bn decrease in residential mortgages relates predominantly to Portuguese and Italian loans reclassified to held for sale within the Financial institutions category.

As at 31 December 2015, the local net funding deficit in Italy was €3.8bn (2014: €9.9bn) and the deficit in Portugal was €1.4bn (2014: €1.9bn). The net funding surplus in Spain was €0.2bn (2014: €4.3bn).

Net exposure by country and counterparty (audited)

	Sovereign	Financial institutions	Corporate	Residential mortgages	Other retail lending	Net on-balance sheet exposure	Gross on-balance sheet exposure	Contingent liabilities and commitments
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2015								
Spain	**90**	**623**	**1,176**	**7**	**311**	**2,207**	**7,944**	**2,073**
Italy	**1,708**	**2,283**	**1,039**	**9,505**	**675**	**15,210**	**20,586**	**2,701**
Portugal	**87**	**3,346**	**152**	**6**	**700**	**4,291**	**4,555**	**1,299**
Ireland	**9**	**2,824**	**1,282**	**37**	**51**	**4,203**	**7,454**	**2,673**
Cyprus	**29**	**6**	**59**	**16**	**46**	**156**	**391**	**1**
Greece	**1**	**3**	**14**	**4**	**3**	**25**	**975**	**-**
Total	**1,924**	**9,085**	**3,722**	**9,575**	**1,786**	**26,092**	**41,905**	**8,747**

Net exposure by country and counterparty (audited)

	Sovereign	Financial institutions	Corporate	Residential mortgages	Other retail lending	Net on-balance sheet exposure	Gross on-balance sheet exposure	Contingent liabilities and commitments
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2014								
Spain	108	14,043	1,149	12	248	15,560	24,873	2,863
Italy	1,716	485	1,128	13,530	1,114	17,973	25,967	3,033
Portugal	105	7	531	2,995	1,207	4,845	5,050	1,631
Ireland	37	3,175	1,453	43	50	4,758	9,445	2,070
Cyprus	28	12	61	6	16	123	707	26
Greece	1	11	15	-	-	27	1,279	-
Total	1,995	17,733	4,337	16,586	2,635	43,286	67,321	9,623

Other country risks being closely monitored include exposures to Russia and China.

Net exposure to Russia of £1.4bn (2014: £1.9bn) largely consists of retail loans and advances of £1.0bn (2014: £0.6bn). The retail loans and advances are predominantly secured against property purchases in the UK and south of France. Gross exposure to Russia was £2.5bn (2014: £3.8bn) including derivative assets with financial institutions. The gross exposure is mitigated by offsetting derivative liabilities.

Net exposure to China of £3.7bn (2014: £4.8bn) largely consists of loans and advances (mainly cash collateral and settlement balances) to sovereign of £1.4bn (2014: £1.7bn) and financial institutions of £1.1bn (2014: £1.4bn). The gross exposure to China excluding offsetting derivative liabilities was £3.9bn (2014: £5.0bn).

Industrial concentrations (audited)

As at 31 December 2015, the industrial concentration of the Group's assets remained broadly consistent year on year. 42% (2014: 49%) of total assets were concentrated towards banks and other financial institutions, predominantly within derivative financial instruments which decreased during the year. The proportion of the overall balance concentrated towards governments and central banks remained stable at 12% (2014: 11%) and home loans at 12% (2014: 12%).

Credit risk concentrations by industry (audited)

As at 31 December 2015	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Group												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	49,711	-	-	-	-	-	-	49,711
Items in the course of collection from other banks	1,011	-	-	-	-	-	-	-	-	-	-	1,011
Trading portfolio assets	1,947	11,826	970	538	25,797	2,554	315	2,727	550	-	876	48,100
Financial assets designated at fair value	14,015	35,109	104	8,642	7,380	33	191	3,402	229	-	79	69,184
Derivative financial instruments	185,943	114,727	2,701	2,940	6,113	4,538	1,063	5,346	-	-	4,499	327,870
Loans and advances to banks	37,309	-	-	-	4,520	-	-	-	-	-	-	41,829
Loans and advances to customers	-	80,729	12,297	23,519	5,940	7,743	13,830	25,728	155,863	60,162	13,406	399,217
Reverse repurchase agreements and other similar secured lending[a]	8,676	18,022	-	1,011	305	-	35	138	-	-	-	28,187
Available for sale debt securities	9,745	6,114	68	43	67,645	182	107	5,134	-	-	240	89,278
Other assets	312	1,077	-	-	20	-	-	-	-	-	1	1,410
Total on-balance sheet	258,958	267,604	16,140	36,693	167,431	15,050	15,541	42,475	156,642	60,162	19,101	1,055,797
Off-balance sheet:												
Contingent liabilities	1,152	4,698	3,142	958	9	3,073	1,301	4,645	100	548	950	20,576
Documentary credits and other short-term trade-related transactions	378	17	142	1	-	3	129	50	-	123	2	845
Forward starting reverse repurchase agreements[a,b]	78	15	-	-	-	-	-	-	-	-	-	93
Standby facilities, credit lines and other commitments	946	31,152	35,865	11,337	871	26,217	15,054	23,180	11,708	111,988	13,051	281,369
Total off-balance sheet	2,554	35,882	39,149	12,296	880	29,293	16,484	27,875	11,808	112,659	14,003	302,883
Total	261,512	303,486	55,289	48,989	168,311	44,343	32,025	70,350	168,450	172,821	33,104	1,358,680

Net on-balance sheet exposure to the Oil and Gas sector was £4.4bn (2014: £5.8bn), with contingent liabilities and commitments to this sector of £13.8bn (2014: £12.5bn). Impairment charges were £106m (2014: £1m). The ratio of the Group's total net exposures classified as strong or satisfactory was 97% (2014: 99%) of the total net exposure to credit risk in this sector.

If average oil prices remained at $30 per barrel throughout 2016, estimated additional impairment of approximately £250m would result. If average oil prices were to reduce to $25 per barrel throughout 2016, estimated additional impairment of approximately £450m would result.

Note

a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Group												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	39,695	-	-	-	-	-	-	39,695
Items in the course of collection from other banks	1,210	-	-	-	-	-	-	-	-	-	-	1,210
Trading portfolio assets	2,932	17,718	1,466	593	39,201	2,745	385	2,751	-	-	937	68,728
Financial assets designated at fair value	5,113	1,548	70	9,358	10,378	73	207	3,127	393	-	84	30,351
Derivative financial instruments	257,630	149,050	2,519	3,454	7,691	7,794	1,510	6,227	-	-	4,201	440,076
Loans and advances to banks	40,811	-	-	-	1,846	-	-	-	-	-	-	42,657
Loans and advances to customers	-	103,388	11,647	22,842	7,115	8,536	13,339	22,372	166,974	58,914	12,640	427,767
Reverse repurchase agreements and other similar secured lending	38,946	86,588	-	4,845	739	-	24	611	-	-	-	131,753
Available for sale debt securities	11,135	8,365	68	45	61,341	194	27	4,084	-	-	293	85,552
Other assets	634	996	-	14	24	-	-	12	-	-	-	1,680
Total on-balance sheet	358,411	367,653	15,770	41,151	168,030	19,342	15,492	39,184	167,367	58,914	18,155	1,269,469
Off-balance sheet:												
Contingent liabilities	1,159	5,177	2,709	698	-	2,757	1,157	6,496	45	191	874	21,263
Documentary credits and other short-term trade-related transactions	470	12	197	14	-	1	218	62	55	28	34	1,091
Forward starting reverse repurchase agreements	2,128	11,724	-	-	4	-	-	-	-	-	-	13,856
Standby facilities, credit lines and other commitments	2,643	29,645	28,589	11,449	2,400	24,830	12,771	24,534	16,119	110,091	13,244	276,315
Total off-balance sheet	6,400	46,558	31,495	12,161	2,404	27,588	14,146	31,092	16,219	110,310	14,152	312,525
Total	364,811	414,211	47,265	53,312	170,434	46,930	29,638	70,276	183,586	169,224	32,307	1,581,994

Credit risk concentrations by industry (audited)

As at 31 December 2015	Banks £m	Other financial insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Bank												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	43,669	-	-	-	-	-	-	43,669
Items in the course of collection from other banks	596	-	-	-	-	-	-	-	-	-	-	596
Trading portfolio assets	1,359	4,445	661	320	14,535	2,381	255	2,145	546	-	700	27,347
Financial assets designated at fair value	7,036	47,154	58	7,788	6,510	-	95	3,095	229	13	5	71,983
Derivative financial instruments	183,459	105,855	2,616	2,926	6,103	4,528	1,014	5,272	-	-	4,479	316,252
Loans and advances to banks	58,050	2	-	-	3,910	-	-	-	-	239	-	62,201
Loans and advances to customers	5,974	125,303	9,532	21,036	5,773	7,066	11,783	23,507	142,623	32,320	10,290	395,207
Reverse repurchase agreements and other similar secured lending[a]	4,801	23,560	-	248	27	-	35	132	-	-	-	28,803
Available for sale debt securities	9,379	5,267	7	-	63,056	-	53	5,062	-	-	144	82,968
Other assets	1,845	6,198	-	-	7	-	-	-	-	114	1	8,165
Total on-balance sheet	272,499	317,784	12,874	32,318	143,590	13,975	13,235	39,213	143,398	32,686	15,619	1,037,191
Off-balance sheet:												
Contingent liabilities	1,294	6,253	3,910	927	5	3,696	1,430	5,206	-	708	1,167	24,596
Documentary credits and other short-term trade-related transactions	293	-	134	-	-	2	128	15	-	119	2	693
Forward starting reverse repurchase agreements[a,b]	-	14	-	-	-	-	-	-	-	-	-	14
Standby facilities, credit lines and other commitments	1,687	23,627	34,943	10,521	761	26,068	14,118	21,917	9,699	57,816	20,984	222,141
Total off-balance sheet	3,274	29,894	38,987	11,448	766	29,766	15,676	27,138	9,699	58,643	22,153	247,444
Total	275,773	347,678	51,861	43,766	144,356	43,741	28,911	66,351	153,097	91,329	37,772	1,284,635

Note
a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.
b. Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward starting repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Bank												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	35,469	-	-	-	-	-	-	35,469
Items in the course of collection from other banks	801	-	-	-	-	-	-	-	-	-	-	801
Trading portfolio assets	1,982	8,214	1,108	451	25,036	2,347	314	1,814	-	-	832	42,098
Financial assets designated at fair value	3,108	15,649	35	9,104	9,416	55	134	2,975	383	-	5	40,864
Derivative financial instruments	255,744	137,763	2,532	3,453	7,690	7,792	1,508	5,895	-	-	4,188	426,565
Loans and advances to banks	56,008	-	-	-	1,430	-	-	-	-	-	-	57,438
Loans and advances to customers	204	161,978	9,693	20,408	6,866	8,055	11,561	17,002	150,896	33,234	9,917	429,814
Reverse repurchase agreements and other similar secured lending	21,471	80,264	-	164	607	-	23	295	-	-	-	102,824
Available for sale debt securities	10,793	7,402	6	3	55,918	-	9	4,057	-	-	176	78,364
Other assets	62	15,044	-	5	21	-	5	308	-	113	-	15,558
Total on-balance sheet	350,173	426,314	13,374	33,588	142,453	18,249	13,554	32,346	151,279	33,347	15,118	1,229,795
Off-balance sheet:												
Contingent liabilities	977	4,169	2,665	654	-	2,737	1,062	4,274	45	190	818	17,591
Documentary credits and other short-term trade-related activities	465	12	155	12	-	-	193	35	55	28	-	955
Forward Starting Reverse Repurchase Agreements	444	10,964	-	-	4	-	-	-	-	-	-	11,412
Standby facilities, credit lines and other commitments	1,813	33,775	27,162	10,088	2,400	24,229	12,052	21,773	16,107	58,685	12,451	220,535
Total off-balance sheet	3,699	48,920	29,982	10,754	2,404	26,966	13,307	26,082	16,207	58,903	13,269	250,493
Total	353,872	475,234	43,356	44,342	144,857	45,215	26,861	58,428	167,486	92,250	28,387	1,480,288

Analysis of problem loans

Impaired loans and loans past due within this section are reflected in the balance sheet credit quality tables on pages 72 to 75 as being Higher Risk.

Age analysis of loans and advances that are past due but not impaired (audited)
The following table presents an age analysis of loans and advances that are past due but not impaired.

Loans and advances past due but not impaired (audited)

As at 31 December 2015	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
The Group						
Loans and advances designated at fair value	70	14	-	-	209	293
Home loans	22	8	6	24	80	140
Credit cards, unsecured and other retail lending	288	14	15	93	120	530
Corporate loans	5,862	897	207	226	280	7,472
Total	6,242	933	228	343	689	8,435
The Bank						
Loans and advances designated at fair value	70	14	-	-	209	293
Home loans	20	7	2	9	51	89
Credit cards, unsecured and other retail lending	260	11	13	73	64	421
Corporate loans	3,689	869	198	188	263	5,207
Total	4,039	901	213	270	587	6,010

Loans and advances past due but not impaired (audited)

As at 31 December 2014	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
The Group						
Loans and advances designated at fair value	594	48	1	-	33	676
Home loans	46	6	17	135	230	434
Credit cards, unsecured and other retail lending	64	29	14	139	194	440
Corporate loans	5,251	630	874	190	387	7,332
Total	5,955	713	906	464	844	8,882
The Bank						
Loans and advances designated at fair value	479	48	1	-	26	554
Home loans	23	6	12	72	204	317
Credit cards, unsecured and other retail lending	56	28	6	81	174	345
Corporate loans[a]	3,752	592	883	123	463	5,813
Total	4,310	674	902	276	867	7,029

Note
a Corporate loan balances past due up to 1 month have been revised down by £1,953m to better reflect the ageing of the loans.

Analysis of loans and advances assessed as impaired (audited)
The following table presents an age analysis of loans and advances collectively impaired and total individually impaired loans.

Loans and advances assessed as impaired

As at 31 December 2015	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individually assessed for impairment £m	Total £m
The Group								
Home loans	3,672	1,036	278	364	812	6,162	648	6,810
Credit cards, unsecured and other retail lending	1,241	691	284	541	1,792	4,549	964	5,513
Corporate loans	251	76	45	76	96	544	1,786	2,330
Total	5,164	1,803	607	981	2,700	11,255	3,398	14,653
The Bank								
Home loans	3,075	941	224	305	519	5,064	558	5,622
Credit cards, unsecured and other retail lending	751	510	150	298	1,351	3,060	296	3,356
Corporate loans	132	48	31	63	42	316	1,345	1,661
Total	3,958	1,499	405	666	1,912	8,440	2,199	10,639

Loans and advances assessed as impaired

As at 31 December 2014	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individually assessed for impairment £m	Total £m
The Group								
Home loans	5,155	1,424	335	470	1,050	8,434	455	8,889
Credit cards, unsecured and other retail lending	1,196	738	299	532	2,225	4,990	800	5,790
Corporate loans	284	30	24	25	148	511	2,679	3,190
Total	6,635	2,192	658	1,027	3,423	13,935	3,934	17,869
The Bank								
Home loans	4,444	1,320	274	406	591	7,035	412	7,447
Credit cards, unsecured and other retail lending	571	541	161	314	1,750	3,337	265	3,602
Corporate loans	278	27	23	25	113	466	2,123	2,589
Total	5,293	1,888	458	745	2,454	10,838	2,800	13,638

The decrease in collectively impaired loans to £11.3bn (2014: £13.9bn) predominantly relates to home loans within the past due up to 1 month category. MCA forbearance balances previously allocated into this category (2014 MCA balances: £1.3bn) no longer form part of the forbearance programme nor collectively assessed for impairment.

For further analysis of loans and advances showing different management analysis please refer to the Barclays PLC Annual Report:

- Retail and wholesale loan portfolio analysis pages 155 to 162
- Analysis by industry and geography pages 150 to 151
- Analysis by business pages 228 to 230
- Analysis by asset class pages 160 to 162
- Potential credit risk loans pages 167
- Forbearance pages 164 to 167

Impairment

Impairment allowances
Impairment allowances decreased 10% to £4,921m primarily within Non-Core as a result of the reclassification of impairments held against the Portuguese loans now held for sale.

Movements in allowance for impairment by asset class (audited)

2015	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments[a] £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
The Group								
Home loans	547	-	(32)	(64)	(94)	7	154	518
Credit cards, unsecured and other retail lending	3,345	-	(105)	(170)	(1,848)	301	1,871	3,394
Corporate loans	1,563	-	(12)	(383)	(335)	92	84	1,009
Total impairment allowance	5,455	-	(149)	(617)	(2,277)	400	2,109	4,921
The Bank								
Home loans	394	-	(5)	(68)	(35)	(2)	84	368
Credit cards, unsecured and other retail lending	2,269	-	(79)	(120)	(1,227)	211	1,057	2,111
Corporate loans	1,201	-	-	(242)	(245)	83	5	802
Total impairment allowance	3,864	-	(84)	(430)	(1,507)	292	1,146	3,281

Movements in allowance for impairment by asset class (audited)

2014	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments[a] £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
The Group								
Home loans	788	-	(23)	(200)	(191)	17	156	547
Credit cards, unsecured and other retail lending	3,603	13	(116)	(307)	(1,679)	126	1,705	3,345
Corporate loans	2,867	-	(14)	(540)	(1,167)	78	339	1,563
Total impairment allowance	7,258	13	(153)	(1,047)	(3,037)	221	2,200	5,455
The Bank								
Home loans	355	-	(7)	(15)	(40)	3	98	394
Credit cards, unsecured and other retail lending	2,355	16	(99)	(37)	(1,091)	92	1,033	2,269
Corporate loans	1,863	-	(5)	(48)	(840)	72	159	1,201
Total impairment allowance	4,573	16	(111)	(100)	(1,971)	167	1,290	3,864

Note
a Exchange and other adjustments includes the reclassification of impairments held against the Portuguese loans held for sale and the Spanish loans held for sale in 2014.

Market risk

Analysis of market risk

Market risk is the risk of a reduction in earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pools.

This section contains key disclosures describing the Group's market risk profile, highlighting regulatory as well as management measures.

Key metrics

Measures of traded market risk, such as Value at Risk (VaR), decreased in the year primarily due to the removal of certain banking book assets from VaR, reduced client activity, and risk reduction in Non-Core businesses.

We saw a reduction in associated risk measures and lower income from reduced activity

85%

of days generated positive trading revenue

-23%

reduction in management VaR

10%

increase in average daily trading revenue

The disclosures within the Barclays Bank PLC market risk section have been prepared to satisfy legal and regulatory requirements. Where additional disclosures exist in the Barclays PLC Annual Report, a reference has been provided to the relevant pages of the Barclays PLC Annual Report, found at: home.barclays/annualreport

Market risk is the risk of a reduction in earnings or capital due to volatility of trading book positions or as a consequence of running a banking book balance sheet and liquidity pool.

All disclosures in this section (page 87 to 93) are unaudited unless otherwise stated

Overview of market risk

This section contains key statistics describing the market risk profile of the Group. This includes risk weighted assets by major business line, as well as Value at Risk (VaR) measures. A distinction is made between regulatory and management measures within the section. The market risk management section on pages 96 to 154 in Barclays PLC 2015 Pillar 3 Report provides full descriptions of these metrics:

- page 73 provides a view of market risk in the context of the Group's balance sheet
- pages 131 to 136 cover the management of traded market risk. Management measures are shown from page 131 and regulatory equivalent measures are shown from page 133
- non-traded market risk, arising from our banking books, is reviewed from page 136.

Measures of market risk in the Group and accounting measures

Traded market risk measures such as VaR and balance sheet exposure measures have fundamental differences:

- balance sheet measures show accruals-based balances or marked to market values as at the reporting date; considered; and
- VaR measures also take account of current marked to market values but in addition hedging effects between positions are considered
- market risk measures are expressed in terms of changes in value or volatilities as opposed to static values.

For these reasons, it is not possible to present direct reconciliations of traded market risk and accounting measures. The table 'Balance sheet view of trading and banking books' on page 173 in Barclays PLC Annual Report, helps the reader understand the main categories of assets and liabilities subject to regulatory market risk measures.

Summary of performance in the period

The Group has seen a decrease in market risk from reduced risk positions notably in equities and interest rates, in addition to risk reduction in Non-Core businesses:

- measures of traded market risk, such as VaR, decreased in the year mainly due to the removal of certain banking book assets from the measure (now reported as non-traded market risks), reduced client activity, and risk reduction in Non-Core businesses
- average trading revenue, in contrast, increased 10% compared with the previous year
- market risk RWAs fell from 2014 levels due to the implementation of diversification of the general and specific market risk VaR charges, partially offset by the inclusion of cost of funding RNIV into VaR
- Annual Earnings at Risk (AEaR), a key measure of interest rate risk volatility in the banking book (IRRBB), decreased in 2015, primarily driven by PCB due to increased hedging; and in Treasury driven by increased exposure in the short dated available for sale bond portfolio, partially offset by reduced mismatch between assets and liabilities in the wholesale funding portfolio
- other market risks, such as pension risk and insurance risk, are disclosed from page 179 to 180 onwards in the 2015 Barclays PLC Annual Report.

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk. See the risk management section on page 128 in Barclays PLC 2015 Pillar 3 Report for more detail on management measures and the differences when compared to regulatory measures.

The table below shows the Total management VaR on a diversified basis by risk factor. Total management VaR includes all trading positions in the Investment Bank, Non-Core, Africa Banking and Head Office.

Limits are applied against each risk factor VaR as well as Total management VaR, which are then cascaded further by risk managers to each business.

The daily average, maximum and minimum values of management VaR (audited)

Management VaR (95%)	2015			2014		
	Average	High[a]	Low[a]	Average	High[a]	Low[a]
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Credit risk	11	17	8	11	15	9
Interest rate risk	6	14	4	11	17	6
Equity risk	8	18	4	10	16	6
Basis risk	3	4	2	4	8	2
Spread risk	3	6	2	4	8	3
Foreign exchange risk	3	6	1	4	23	1
Commodity risk	2	3	1	2	8	1
Inflation risk	3	5	2	2	4	2
Diversification effect[a]	(22)	n/a	n/a	(26)	n/a	n/a
Total management VaR	17	25	12	22	36	17

Average interest rate VaR decreased by £5m to £6m (Dec 14: £11m) during 2015 as certain banking book positions were transferred from the Investment Bank to Head Office Treasury, reflecting the operational transfer of responsibility (see page 176 in the 2015 Barclays PLC Annual Report. These positions are high quality and liquid banking book assets and are now reported as non-traded market risk exposures. Similarly, lower spread risk and basis risk VaR in 2015 reflect reduced risk taking.

Average equities risk VaR reduced by 20% to £8m, reflecting reduced cash portfolio activities and a more conservative risk profile maintained in the derivatives portfolio.

Average foreign exchange risk VaR decreased by 25% to £3m as a result of lower activity in the first half of the year, partially offset by higher volatility in the global foreign exchange market seen in the second half of the year.

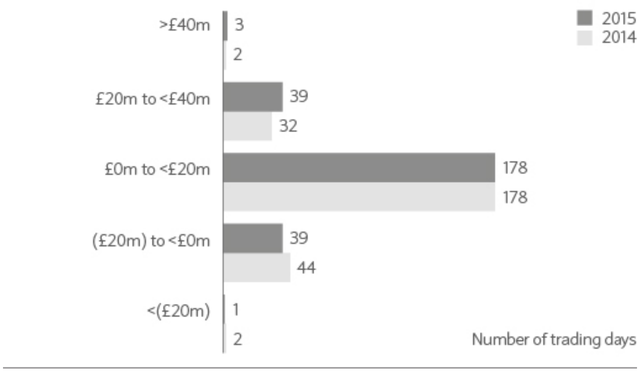
Inflation risk VaR increased by £1m to £3m, primarily due to increased volatility in the inflation market.

Average commodity risk VaR remained stable at £2m, but the high levels reduced significantly year-on-year due to the portfolio having been largely divested, and reduced client flows impacted by lower oil price

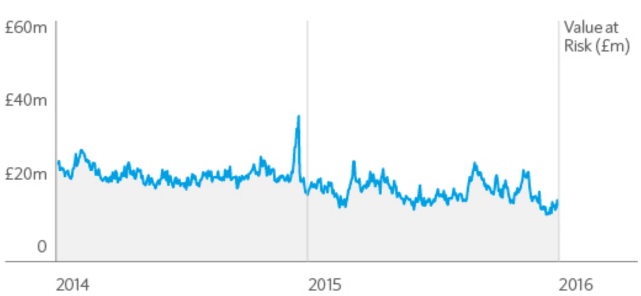
Note

a Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each risk factor area. Historic correlations between losses are taken into account in making these assessments. The high and low VaR reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently, diversification effect balances for the high and low VaR would not be meaningful and are therefore omitted from the above table.

Daily trading revenue



Group Management VaR



The chart above presents the frequency distribution of our daily trading revenues for all material positions included in VaR for 2015. This includes daily trading revenue generated in the Investment Bank (except for Private Equity and Principal Investments), Treasury, Africa Banking and Non-Core.

The basis of preparation for trading revenue was changed in 2015 to align better with and reflect the portfolio structure included in Group Management VaR. 2014 figures have been presented on a comparable basis. Disclosed trading revenue includes realised and unrealised mark to market gains and losses from intraday market moves but excludes commission and advisory fees. The trading revenue measure is based on actual trading results and holding periods. In contrast, the VaR shows the volatility of a hypothetical measure. To construct this measure, positions are assumed to be held for one day, and the aggregate unrealised gain or loss is the measure . VaR and the actual revenue figure are not directly comparable. VaR informs risk managers of the risk implications of current portfolio decisions.

The average daily net revenue increased by 10% to £10.1m; there were more positive trading revenue days in 2015 than in 2014, with 85% (2014: 82%) of days generating positive trading revenue.

The daily VaR chart illustrates an average declining trend in 2015. Intermittent VaR increases were due to increased client flow in periods of heightened volatility in specific markets and susbsequent risk management of the position.

Business scenario stresses

As part of the Group's risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to six global scenarios are modelled on a regular basis, for example, including a sharp deterioration in liquidity, a slowdown in the global economy, terrorist attacks and a sovereign peripheral crisis.

Throughout 2015, the scenario analyses showed the biggest market risk related impact would be due to a severe deterioration in market liquidity and a sovereign peripheral crisis.

Non-traded market risk

Overview

The non-traded market risk framework covers exposures in the banking book, mostly consisting of exposures relating to accrual accounted and available for sale instruments. The potential volatility of the net interest income of the bank is measured by an Annual Earnings at Risk (AEaR) metric that is monitored regularly and reported to senior management and the Board Risk Committee as part of the limit monitoring framework.

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology as described on page 136 in Barclays PLC 2015 Pillar 3 Report. Note that this metric is simplistic in that it assumes a large parallel shock occurs instantaneously across all major currencies and ignores the impact of any management actions on customer products.

Net Interest Income Sensitivity (AEaR) by currency (audited)	31 December 2015		31 December 2014	
The Group	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
GBP	**94**	**(368)**	184	(406)
USD	**(15)**	**(30)**	(11)	(11)
EUR	**(6)**	**(8)**	21	3
ZAR	**6**	**(5)**	10	(8)
Other currencies	**24**	**(1)**	34	(17)
Total	**103**	**(412)**	238	(439)
As percentage of net interest income	**0.77%**	**(3.09%)**	1.96%	(3.62%)

Net Interest Income Sensitivity (AEaR) by currency (audited)	31 December 2015		31 December 2014	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
The Bank	£m	£m	£m	£m
GBP	69	(257)	147	(307)
USD	(6)	(12)	(4)	(4)
EUR	(5)	(7)	13	2
ZAR	-	-	-	-
Other currencies	11	-	16	(8)
Total	**69**	**(276)**	**172**	**(317)**
As percentage of net interest income	**0.77%**	**(3.10%)**	**1.96%**	**(3.62%)**

For net interest income sensitivity by business unit and analysis of non-traded market risk using economic capital please refer to pages 177 of the Barclays PLC Annual Report.

Analysis of equity sensitivity

The table below measures the overall impact of a +/- 100bps movement in interest rates on available for sale and cash flow hedge reserves. This data is captured using PV01 which is an indicator of the shift in asset value for a 1 basis point shift in the yield curve. Note that the methodology used to estimate the impact of the negative movement applied a 0% floor to interest rates.

Analysis of equity sensitivity	31 December 2015		31 December 2014	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
The Group	£m	£m	£m	£m
Net Interest Income	103	(412)	238	(439)
Taxation effects on the above	(31)	124	(57)	105
Effect on profit for the year	**72**	**(288)**	**181**	**(334)**
As percentage of net profit after tax	**5.82%**	**(23.26%)**	**21.19%**	**(39.11%)**
Effect on profit for the year (per above)	72	(288)	181	(334)
Available for sale reserve	(751)	1,052	(698)	845
Cash flow hedge reserve	(1,963)	867	(3,058)	2,048
Taxation effects on the above	814	(576)	901	(694)
Effect on equity	**(1,828)**	**1,055**	**(2,674)**	**1,865**
As percentage of equity	**(2.77%)**	**1.60%**	**(4.05%)**	**2.82%**

Analysis of equity sensitivity	31 December 2015		31 December 2014	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
The Bank	£m	£m	£m	£m
Net Interest Income	69	(276)	172	(317)
Taxation effects on the above	(21)	83	(41)	76
Effect on profit for the year	**48**	**(193)**	**131**	**(241)**
As percentage of net profit after tax	**5.99%**	**(24.06%)**	**8.80%**	**(16.20%)**
Effect on profit for the year (per above)	48	(193)	131	(241)
Available for sale reserve	(732)	1,033	(658)	805
Cash flow hedge reserve	(1,873)	777	(2,936)	1,926
Taxation effects on the above	782	(543)	863	(655)
Effect on equity	**(1,775)**	**1,074**	**(2,600)**	**1,835**
As percentage of equity	**(3.09%)**	**1.87%**	**(4.58%)**	**3.24%**

The available for sale reserve change in sensitivity was mainly driven by changes in portfolio composition, primarily due to an increase in available for sale assets held on a shorter dated outright basis. Note that the movement in the available for sale reserve would impact CRD IV fully loaded Common Equity Tier 1(CET1) capital but the movement in the cash flow hedge reserve would not impact CET1 capital.

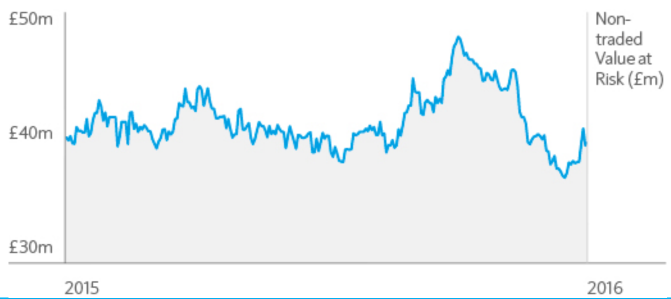
For analysis of net interest margins and balances please refer to pages 241 of the Barclays PLC Annual Report.

Volatility of the available for sale portfolio in the liquidity pool
Changes in value of the available for sale exposures ow directly through capital via the equity reserve. The volatility of the value of the available for sale investments in the liquidity pool is captured and managed through a value measure rather than an earning measure, i.e. the non-traded market risk VaR.

Although the underlying methodology to calculate the non-traded VaR is the same as the one used to calculate traded management VaR, the two measures are not directly comparable. The non-traded VaR represents the volatility to capital driven by the available for sale exposures. This is used for internal management purposes and although it is not formally backtested like the regulatory VaR (as shown on page 89, it is reviewed on a regular basis by risk managers to ensure it remains adequate for risk appetite and monitoring purposes.

These exposures are in the banking book and do not meet the criteria for trading book treatment. As such available for sale volatility is a risk which is taken into account in the IRRBB internal capital assessment, which is covered by the Pillar 2 capital framework.

Volatility of the available for sale portfolio in liquidity pool



	2015		
	Average	High	Low[a]
For the year ended 31 December	£m	£m	£m
Non Traded Market Risk DVaR(daily, 95%)	41.6	48.5	37.0

The non-traded VaR is mainly driven by volatility of interest rates in developed markets in the chart above.

The increase in VaR seen in H215 is due to the volatility in the government and swap rate markets observed in that period, particularly in the US and the UK. The subsequent decrease was due to subsiding market volatility in combination with a reduction in exposure.

Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk.

a) Transactional foreign currency exposure
Transactional foreign exchange exposure represents exposure on banking assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Investment Bank which is monitored through VaR.

Banking book transactional foreign exchange risk outside of the Investment Bank is monitored on a daily basis by the market risk functions and minimised by the businesses.

b) Translational foreign exchange exposure
The Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD,EUR and ZAR. Changes in the GBP value of the net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital.

The Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by ensuring that the CET1 capital movements broadly match the revaluation of the Group's foreign currency RWA exposures.

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier1 (AT1) instruments that are held as equity, which are accounted for at historic cost under IFRS, and do not qualify as hedges for accounting purposes.

Functional currency of operations (audited)

As at 31 December 2015	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre- economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
USD	24,712	8,839	1,158	14,715	7,008	7,707
EUR	2,002	630	14	1,358	1,764	(406)
ZAR	3,201	4	99	3,098	-	3,098
JPY	383	168	205	10	-	10
Other	2,927	-	1,294	1,633	-	1,633
Total	33,225	9,641	2,770	20,814	8,772	12,042
As at 31 December 2014						
USD	23,728	5,270	1,012	17,446	6,655	10,791
EUR	3,056	328	238	2,490	1,871	619
ZAR	3,863	-	103	3,760	-	3,760
JPY	364	164	208	(8)	-	(8)
Other	2,739	-	1,198	1,541	-	1,541
Total	33,750	5,762	2,759	25,229	8,526	16,703

During 2015, total structural currency exposure net of hedging instruments decreased by £4.7bn to £12.0bn (2014: £16.7bn). The decrease is broadly in line with the overall RWA currency profile, with a reduction in USD RWAs in the year. Foreign currency net investments remained stable at £33.2bn (2014: £33.8bn).

For analysis of The Group's exposure to pension risk and insurance risk please refer to pages 179 to 180 of the Barclays PLC Annual Report.

Funding risk - Capital

Analysis of capital risk

Capital risk is the risk that the Group has insufficient capital resources, which could lead to: (i) a failure to meet regulatory requirements; (ii) a change to credit rating; or (iii) an inability to support business activity and growth.

This section details Barclays Bank PLC's capital position providing information on both capital resources and capital requirements. It also provides details of the leverage ratio and exposures.

Key metrics

11.4% fully loaded Common Equity Tier 1 ratio

RWAs decreased by £44bn to £358bn. Non-Core RWAs decreased £29bn to £47bn as a result of the sale of the Spanish business and the rundown of legacy structured and credit products. Investment Bank RWAs decreased by £14bn to £108bn mainly due to a reduction in securities and derivatives, and improved RWA efficiency.

Barclays Bank PLC CET1 capital decreased £0.6bn to £40.9bn after absorbing adjusting items and dividends paid and foreseen.

4.5% leverage ratio

The leverage ratio increased significantly to 4.5% (2014: 3.7%) driven by a reduction in the leverage exposure of £205bn to £1,028bn predominantly due to the rundown in Non-Core of £156bn to £121bn.

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

- meet minimum regulatory requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources at each level where prudential capital requirements are applied
- support its credit rating. A weaker credit rating would increase the Group's cost of funds and
- support its growth and strategic options.

More details on monitoring and managing capital risk may be found in the Risk Management sections on pages 57 to 58

All disclosures in this section (pages 94 to 97) are unaudited unless otherwise stated

Overview

This section provides a summary of Barclays Bank PLC capital resources. The capital and leverage position of Barclays Bank PLC is broadly equivalent to Barclays PLC, details of which may be found in the capital risk performance section of the Barclays PLC Annual Report.

Summary of Barclays PLC's performance in the period

Barclays continues to be in excess of minimum CRD IV transitional and fully loaded capital ratios and PRA capital and leverage ratios.

The fully loaded CRD IV CET1 ratio increased to 11.4% (2014: 10.3%) driven by a £43.5bn reduction in RWAs to £358.4bn partially offset by a decrease in fully loaded CRD IV CET1 capital of £0.7bn to £40.7bn.

The RWA reduction was primarily driven by a £29bn decrease in the Non-Core RWAs to £47bn as a result of the sale of the Spanish business and a rundown of legacy structured and credit products. Investment Bank RWAs decreased £14bn to £108bn mainly due to a reduction in securities and derivatives, and improved RWA efficiency.

CET1 capital decreased £0.7bn to £40.7bn after absorbing adjusting items and dividends paid and foreseen.

The leverage ratio increased significantly to 4.5% (2014: 3.7%), driven by a reduction in the leverage exposure to £1,028bn (2014: £1,233bn). This was predominantly due to the rundown of the Non-Core business of £156bn to £121bn.

Regulatory minimum capital and leverage requirements

Capital - Fully loaded

Barclays PLC's current regulatory requirement is to meet a fully loaded CRD IV CET1 ratio of 9% by 2019, plus a Pillar 2A add-on.

The 9% comprises the required 4.5% minimum CET1 ratio and phased in from 2016, a Combined Buffer Requirement made up of a Capital Conservation Buffer (CCB) of 2.5% and a Globally Systemically Important Institution (G-SII) buffer of 2%.

Barclays PLC's Pillar 2A requirement as per the PRA's Individual Capital Guidance (ICG) is subject to review at least annually. Under current PRA guidance, the Pillar 2A add-on for 2016, will be 3.9% of which 56% will need to be met in CET1 form, equating to approximately 2.2% of RWAs. Basel Committee consultations and reviews might further impact the Pillar 2A requirement in the future.

In addition, a Counter-Cyclical Capital Buffer (CCCB) and/or additional Sectoral Capital Requirements (SCR) may be required by the BoE to protect against perceived threats to financial stability. These buffers could be applied at the Group level or at a legal entity, sub-consolidated or portfolio level. No SCR has been set to date by the BoE, while the CCCB is currently 0% for UK exposures. Other national authorities determine the appropriate CCCBs that should be applied to exposures in their jurisdiction. During 2016, CCCBs will start to apply for our exposures in Hong Kong, Norway and Sweden. Based on current exposures we do not expect this to be material.

Capital - Transitional

On a transitional basis, the PRA has implemented a minimum requirement CET1 ratio of 4%, Tier 1 ratio of 5.5% and Total Capital ratio of 8%.

From 1 January 2015, the transitional capital ratios are equal to the fully loaded ratios following the PRA's acceleration of transitional provisions relating to CET1 deductions and filters. The adjustment relating to unrealised gains on available for sale debt and equity that was applied throughout 2014 as an exception no longer applies.

Grandfathering limits on capital instruments, previously qualifying as Tier 1 and Tier 2, are unchanged under the PRA transitional rules.

Leverage

In addition to the Group's capital requirements, minimum ratios have also been set in respect of leverage. The leverage ratio applicable to the Group has been calculated in accordance with the requirements of the EU Capital Requirements Regulation (CRR) which was amended effective from January 2015. The leverage calculation uses the end-point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure. During 2015 Barclays was measured against the PRA leverage ratio requirement of 3%.

In December 2015, the PRA finalised the UK leverage ratio framework in which it adopted the FPC's recommendations on leverage ratio requirements. These recommendations have been finalised in the Supervisory Statement SS45/15 and have been incorporated as part of the updated PRA rulebook, effective January 2016. This would result in a fully phased in leverage ratio requirement of 3.7% for Barclays. The minimum requirement would increase in the event that Barclays was subject to (i) an increased CCCB; and/or (ii) Barclays was reclassified into a higher G-SII category. Furthermore from January 2016, firms are required to report quarterly leverage ratio information, including an average ratio.

Capital resources

The CRR and Capital Requirements Directive (CRD) implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA's rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted by the European Commission and the PRA. All capital, RWA and leverage calculations reflect Barclays' interpretation of the current rules.

The capital composition of Barclays Bank Plc Group is broadly equivalent to Barclays Plc Group shown in the table below:

Regulatory Capital

	Barclays PLC Group 2015 £m	Barclays Bank Plc Group 2015 £m
Fully Loaded Common Equity Tier 1	40,741	40,908
PRA Transitional Tier 1	52,634	53,038
PRA Transitional Total Capital Resources	**66,527**	**67,574**

Key capital ratios

As at 31 December	2015	2014
Fully Loaded CET1	11.4%	10.3%
PRA Transitional CET1[a]	11.4%	10.2%
PRA Transitional Tier 1[b,c]	14.7%	13.0%
PRA Transitional Total Capital[b,c]	18.6%	16.5%

Capital resources (audited)

As at 31 December	2015 £m	2014 £m
Shareholders' equity (excluding non-controlling interests) per the balance sheet	59,810	59,567
Less: other equity instruments (recognised as AT1 capital)	(5,305)	(4,322)
Adjustment to retained earnings for foreseeable dividends	(631)	(615)
Minority interests (amount allowed in consolidated CET1)	950	1,227
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	(1,602)	(2,199)
Goodwill and intangible assets	(8,234)	(8,127)
Deferred tax assets that rely on future profitability excluding temporary differences	(855)	(1,080)
Fair value reserves related to gains or losses on cash flow hedges	(1,231)	(1,814)
Excess of expected losses over impairment	(1,365)	(1,772)
Gains or losses on liabilities at fair value resulting from own credit	127	658
Defined benefit pension fund assets	(689)	-
Direct and indirect holdings by an institution of own CET1 instruments	(57)	(25)
Other regulatory adjustments	(177)	(45)
Fully loaded CET1 capital	40,741	41,453
Regulatory adjustments relating to unrealised gains	-	(583)
PRA transitional CET1 capital	40,741	40,870
Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	5,305	4,322
Qualifying AT1 capital (including minority interests) issued by subsidiaries	6,718	6,870
Other regulatory adjustments and deductions	(130)	-
Transitional AT1 capital[d]	11,893	11,192
PRA transitional Tier 1 capital	52,634	52,062
Tier 2 capital		
Capital instruments and the related share premium accounts	1,757	800
Qualifying Tier 2 capital (including minority interests) issued by subsidiaries	12,389	13,529
Other regulatory adjustments and deductions	(253)	(48)
PRA transitional total regulatory capital	66,527	66,343
Risk weighted assets	358,376	401,900

For CRD IV RWA by risk type and business please refer to page 185 of the Barclays PLC Annual Report.

For leverage ratio and underlying exposures please refer to page 186 of the Barclays PLC Annual Report.

Notes

a The CRD IV CET1 ratio (FSA October 2012 transitional statement) as applicable to Barclays' Tier 2 Contingent Capital Notes was 13.1% based on £46.8bn of transitional CRD IV CET 1 capital and £358bn RWAs.

b The PRA transitional capital is based on the PRA Rulebook and accompanying supervisory statements.

c As at 31 December 2015, Barclays' fully loaded Tier 1 capital was £46,173m, and the fully loaded Tier 1 ratio was 12.9%. Fully loaded total regulatory capital was £62,103m and the fully loaded total capital ratio was 17.3%. The fully loaded Tier 1 capital and total capital measures are calculated without applying the transitional provisions set out in CRD IV and assessing compliance of AT1 and T2 instruments against the relevant criteria in CRD IV .

d Of the £11.9bn transitional AT1 capital, fully loaded AT1 capital used for the leverage ratio comprises the £5.3bn capital instruments and related share premium accounts, £0.3bn qualifying minority interests and £0.1bn capital deductions. It excludes legacy Tier 1 capital instruments issued by subsidiaries that are subject to grandfathering.

Funding risk - Liquidity

Analysis of liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

This section details the Group's liquidity risk profile and provides information on the way the Group manages that risk.

Key Metrics

133% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements.

£9bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt.

The disclosures within the Barclays Bank PLC funding risk – liquidity section are materially the same as those found in the Barclays PLC Annual Report, pages 187to 204, found at: home.barclays/annualreport

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

All disclosures in this section (pages 99 to 115) are unaudited and exclude BAGL unless otherwise stated.

Overview

The Group has a comprehensive Key Risk Control Framework for managing the Group's liquidity risk. The Liquidity Framework meets the PRA's standards and is designed to ensure the Group maintains liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Liquidity risk is managed separately at Barclays Africa Group Limited (BAGL) due to local currency and funding requirements. Unless stated otherwise, all disclosures in this section exclude BAGL and they are reported on a stand-alone basis. Adjusting for local requirements, BAGL liquidity risk is managed on a consistent basis to the Group.

This section provides an analysis of the Group's: i) liquidity risk stress testing; ii) internal and regulatory stress tests; iii) liquidity pool; iv) funding structure and funding relationships; v) wholesale funding; vi) term financing; vii) encumbrance; viii) repurchase agreements; ix) credit ratings; x) liquidity management at BAGL and xi) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework see page 59.

Summary of performance in the period

The Group maintained a surplus to its internal and regulatory requirements in 2015. The liquidity pool was £145bn (2014: £149bn) and Liquidity Coverage Ratio (LCR) was 133% (2014: 124%), equivalent to a surplus of £37bn (2014: £30bn). While the liquidity pool may reduce in future, the Group intends to continue to maintain a prudent surplus to regulatory requirements.

Wholesale funding outstanding excluding repurchase agreements reduced to £142bn (2014: £171bn). The Group issued £9bn of term funding net of early redemptions during 2015, of which £4bn was in public and private senior unsecured debt issued by the holding company, Barclays PLC. During Q415, Barclays PLC also issued EUR Tier 2 securities of £1bn equivalent. All the capital and debt proceeds raised by Barclays PLC have been used to subscribe for instruments at Barclays Bank PLC, the operating company with a ranking corresponding to the securities issued by Barclays PLC.

Liquidity risk stress testing

Under the Liquidity Framework, the Group has established a Liquidity Risk Appetite (LRA) together with the appropriate limits for the management of the liquidity risk. This is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The key expression of the liquidity risk is through internal stress tests. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for each of three stress scenarios.

Liquidity Risk Appetite

As part of the LRA, the Group runs three primary liquidity stress scenarios, aligned to the PRA's prescribed stresses:

- a 90-day market-wide stress event
- a 30-day Barclays-specific stress event
- a combined 30-day market-wide and Barclays-specific stress event.

Under normal market conditions, the liquidity pool is managed to be at a target of at least 100% of anticipated outflows under each of these stress scenarios. The 30-day Barclays-specific stress scenario, results in the greatest net outflows of each of the liquidity stress tests .The combined 30-day scenario assumes outflows consistent with a firm specific stress for the first two weeks of the stress period, followed by relatively lower outflows consistent with a market-wide stress for the remainder of the stress period.

Key LRA assumptions include:

For the year ended 31 December 2015

Liquidity risk driver	Barclays-specific stress
Wholesale secured and unsecured funding	▪ Zero rollover of wholesale unsecured liabilities maturing, senior unsecured debt and conduit commercial paper. ▪ No benefit assumed from reverse repos covering firm short positions. ▪ Rollover of trades secured on extremely liquid collateral. ▪ Varying rollover of trades secured on liquid collateral, subject to haircut widening. ▪ Zero rollover of trades secured on less-liquid collateral. ▪ 100% of contractual buybacks will occur. ▪ Haircuts applied to the market value of marketable assets held in the liquidity buffer.
Deposit outflow	▪ Substantial deposit outflows in PCB and Barclaycard as the Group is seen as greater credit risk than competitors.
Funding concentration	▪ Additional outflows recognised against concentration of providers of wholesale financing (largest unsecured counterparty unwilling to roll).
Intra-day liquidity	▪ Anticipated liquidity required to support additional intra-day requirements at cash payment and securities settlement venues based on historical peak usage and triparty settlement based on forward maturities of trades.
Intra-group	▪ Anticipated liquidity required to support material subsidiaries, based on stand-alone stress tests. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group.
Off-balance sheet	▪ Drawdown on committed facilities based on facility type, counterparty type and counterparty creditworthiness. ▪ Outflow of all collateral owed to counterparties but not yet called. ▪ Collateral outflows based on Monte Carlo simulation and historical stress outflows. ▪ Increase in the Group's initial margin requirement across all major exchanges. ▪ Outflows as a result of a multi-notch downgrade in credit rating.
Franchise viability	▪ Liquidity required in order to meet outflows that are non-contractual in nature but necessary in order to support the Group's ongoing franchise (for example, market-making activities and non contractual debt buyback).
Cross currency risk	▪ Net settlement cash flows at contractual maturity for physically settled FX forwards and cross currency swaps are reflected. ▪ No benefit assumed from surplus net inflows in non-G10 currencies.
Mitigating actions	▪ Monetisation of unencumbered assets that are of known liquidity value to the firm but held outside the liquidity pool (subject to haircut/valuation adjustment).
Internalisation Risk	▪ Loss of internal sources of funding within the Prime Brokerage Synthetic Business. ▪ Acceleration of term profile associated with Prime Brokerage Clients deleveraging their portfolios asymmetrically by closing short positions.

Liquidity regulation
Since October 2015, the Group manages its liquidity profile against the new CRDIV liquidity regime implemented by PRA. The CRDIV regime defines the liquidity risk ratio, liquidity pool asset eligibility and net stress outflow applied against Barclays reported balances.

The Group monitors its position against the CRDIV Interim LCR and the Basel III Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of at least six months and has been developed to promote a sustainable maturity structure of assets and liabilities.

The PRA regime requires phased compliance with the LCR standard from 1 October 2015 at a minimum of 80% increasing to 100% by January 2018. The methodology for the LCR is based off the final published Delegated Act which became EU law in October 2015.

In October 2014, the BCBS published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100% on an ongoing basis. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRDIV.

Based on the CRDIV and Basel III standards respectively, as at 31 December 2015, the Group had a surplus to both of these metrics with a CRDIV Interim LCR of 133% (2014: 124%) and a Basel III NSFR of 106% (2014: 102%).

Comparing internal and regulatory liquidity stress tests
The LRA stress scenarios and the CRDIV Interim LCR are all broadly comparable short-term stress scenarios in which the adequacy of defined liquidity resources is assessed against contractual and contingent stress outflows. The CRDIV Interim LCR stress tests provide an independent assessment of the Group's liquidity risk profile.

Stress Test	Barclays LRA	CRDIV Interim LCR	Basel III NSFR
Time Horizon	30 - 90 days	30 days	6+ months
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

As at 31 December 2015, the Group held eligible liquid assets in excess of 100% of stress requirements for all three LRA scenarios and the CRDIV Interim LCR requirement.

Compliance with internal and regulatory stress tests

As at 31 December 2015	Barclays' LRA (one month Barclays specific requirement)[a] £bn	CRDIV Interim LCR[b] £bn
Total eligible liquidity pool	**145**	**147**
Asset inflows	**1**	**18**
Stress outflows		
Retail and commercial deposit outflows	(50)	(72)
Wholesale funding	(15)	(12)
Net secured funding	(12)	(1)
Derivatives	(8)	(6)
Contractual credit rating downgrade exposure	(6)	(5)
Drawdowns of loan commitments	(7)	(32)
Intraday	(13)	-
Total stress net cash flows	**(110)**	**(110)**
Surplus	**35**	**37**
Liquidity pool as a percentage of anticipated net cash flows	**131%**	**133%**
As at 31 December 2014	**124%**	**124%**

In 2015, the Group strengthened its liquidity position, building a larger surplus to its internal and regulatory requirements. The Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while considering risks to market funding conditions and its liquidity position. The continuous reassessment of these risks may lead to appropriate actions being taken with respect to sizing of the liquidity pool.

Note
a Of the three stress scenarios monitored as part of the LRA, the 30-day Barclays specific scenario results in the lowest ratio at 131% (2014: 124%). This compares to 144% (2014: 135%) under the 90-day market-wide scenario, and 133% (2014: 127%) under the 30-day combined scenario.
b. Includes BAGL

Liquidity Pool

The Group liquidity pool as at 31 December 2015 was £145bn (2014: £149bn). During 2015, the month-end liquidity pool ranged from £142bn to £168bn (2014: £134bn to £156bn), and the month-end average balance was £155bn (2014: £145bn). The liquidity pool is held unencumbered and is not used to support payment or clearing requirements. Such requirements are treated as part of our regular business funding. The liquidity pool is intended to offset stress outflows, and comprises the following cash and unencumbered assets.

Composition of the Group liquidity pool as at 31 December 2015

	Liquidity pool	Liquidity pool of which CRDIV LCR eligible			2014 Liquidity pool
		Cash	Level 1	Level 2A	
	£bn	£bn	£bn	£bn	
Cash and deposits with central banks[a]	48	45	1	-	37
Government bonds[b]					
AAA rated	63	-	63	-	73
AA+ to AA- rated	11	-	7	4	12
Other government bonds	1	-	1	-	-
Total government bonds	75	-	71	4	85
Other	-	-	-	-	-
Supranational bonds and multilateral development banks	7	-	7	-	9
Agencies and agency mortgage-backed securities	8	-	6	2	11
Covered bonds (rated AA- and above)	4	-	2	2	3
Other	3	-	-	-	4
Total Other	22	-	15	4	27
Total as at 31 December 2015	145	45	87	8	
Total as at 31 December 2014	149	37	99	7	

The Group liquidity pool is well diversified by major currency and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD	EUR	GBP	Other	Total
	£bn	£bn	£bn	£bn	£bn
Liquidity pool as at 31 December 2015	41	33	46	25	145
Liquidity pool as at 31 December 2014	46	27	54	22	149

Management of the Group liquidity pool

The composition of the Group liquidity pool is efficiently managed. The maintenance of the liquidity pool increases the Group's costs as the interest expense paid on the liabilities used to fund the liquidity pool is greater than the interest income received on liquidity pool assets. This cost can be reduced by investing a greater portion of the Group liquidity pool in highly liquid assets other than cash and deposits with central banks while maintaining a minimum level of cash in the liquidity pool to meet cash outflows on the first day of a Barclays-specific stress and enough cash and same day settlement securities to meet all outflows in the first three days of the stress. These assets in the liquidity pool primarily comprise highly rated government bonds, and their inclusion in the liquidity pool does not compromise the liquidity position of the Group.

The composition of the liquidity pool is subject to limits set by the Board, Treasury Committee and the independent Credit risk and Market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency and asset type. Given the incremental returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

The Group manages the liquidity pool on a centralised basis. As at 31 December 2015, 94% of the liquidity pool was located in Barclays Bank PLC (2014: 92%) and was available to meet liquidity needs across the Group. The residual liquidity pool is held predominantly within Barclays Capital Inc. (BCI). The portion of the liquidity pool outside of Barclays Bank PLC is held against entity-specific stressed outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Group.

Contingent liquidity

In addition to the Group liquidity pool, the Group has access to other unencumbered assets which provide a source of contingent liquidity. While these are not relied on in the Group's LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

Notes
a Of which over 97% (2014: over 95%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
b Of which over 92% (2014: over 95%) are the UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

In either a Barclays-specific or market-wide liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Group could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral pre-positioned at central banks and available to raise funding.

Funding structure and funding relationships

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Group's overall funding strategy is to develop a diversified funding base (geographically, by type and by counterparty) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Group aims to align the sources and uses of funding. As such, retail and commercial customer loans and advances are largely funded by customer deposits, with the surplus funding the liquidity pool. Other assets, together with other loans and advances and unencumbered assets are funded by long-term wholesale debt and equity.

The majority of reverse repurchase agreements are matched by repurchase agreements. The liquidity pool is predominantly funded through wholesale markets. These funding relationships are summarised below:

Assets	2015 £bn	2014 £bn
Loans and advances to customers[a]	336	346
Group liquidity pool	145	149
Other assets [b]	135	153
Reverse repurchase agreements and other similar secured lending[c]	178	271
Derivative financial instruments	326	439
Total assets	1,120	1,358

Liabilities	2015 £bn	2014 £bn
Customer accounts[a]	374	366
< 1 Year wholesale funding	54	75
> 1 Year wholesale funding	88	96
Equity and other liabilities[b]	104	112
Repurchase agreements and other similar secured borrowing[c]	178	271
Derivative financial instruments	322	438
Total liabilities and equity	1,120	1,358

Deposit funding (Includes BAGL) (audited)

Funding of loans and advances to customers **As at 31 December 2015**	2015 Loans and advances to customers £bn	Customer deposits £bn	Loan to deposit ratio %	2014 Loan to deposit ratio %
Personal and Corporate Banking	218	305		
Barclaycard	40	10		
Africa Banking	30	31		
Non-Core (retail)	12	2		
Total retail and corporate funding	300	348	86	89
Investment Bank, Non-Core (wholesale) and Other	99	70		
Total	399	418	95	100

PCB, Barclaycard, Non-Core (Retail) and Africa Banking activities are largely funded with customer deposits. As at 31 December 2015, the loan to deposit ratio for these businesses was 86% (2014: 89%). The Group loan to deposit ratio as at 31 December 2015 was 95% (2014: 100%).

The excess of the Investment Bank's loans and advances over customer deposits is funded with long-term debt and equity. The Investment Bank does not rely on customer retail deposit funding from PCB.

As at 31 December 2015, £129bn (2014: £128bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits, there were £4bn (2014: £4bn) of other liabilities insured by governments.

Notes
a. Excluding cash collateral and settlement balances.
b. Absa Group balances other than customer loans and advances of £35bn and customer deposits of £34bn are included in other assets and liabilities.
c. Comprised of reverse repurchase that provide financing to customers collateralised by highly liquid securities on a short-term basis or are used to settle short-term inventory positions and repo financing of trading portfolio assets.

Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers, numerically and by depositor type, helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group's operations and liquidity needs. The Group assesses the behavioural maturity of both customer assets and liabilities to identify structural balance sheet funding gaps. Customer behaviour is determined by quantitative modelling combined with qualitative assessment taking into account for historical experience, current customer composition, and macroeconomic projections. These behavioural profiles represent our forward looking expectation of the run-off profile. The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched with customer assets from a behavioural perspective.

Behavioural maturity profile (Includes BAGL)

				Behavioural maturity profile cash outflow/(inflow)			
As at 31 December 2015	Loans and advances to customers £bn	Customer deposits £bn	Customer funding surplus/(deficit) £bn	Not more than one year £bn	Over one year but not more than five years £bn	More than five years £bn	Total £bn
Personal and Corporate Banking	**218**	**305**	**87**	**18**	**3**	**66**	**87**
Barclaycard	**40**	**10**	**(30)**	**(10)**	**(10)**	**(10)**	**(30)**
Africa Banking	**30**	**31**	**1)**	**2**	**1)**	**(2)**	**1**
Non-Core (Retail)	**12**	**2**	**(10)**	**(1)**	**(2)**	**(7)**	**(10)**
Total	**300**	**348**	**48**	**9**	**(8)**	**47**	**48**
As at 31 December 2014							
Personal and Corporate Banking	217	299	82	19	3	60	82
Barclaycard	37	7	(30)	(10)	(10)	(10)	(30)
Africa Banking	35	35	-	2	(2)	-	-
Non-Core (Retail)	20	8	(12)	-	(2)	(10)	(12)
Total	309	349	40	11	(11)	40	40

Wholesale funding

Wholesale funding relationships are summarised below:

Assets

	2015 £bn	2014 £bn
Trading portfolio assets	**28**	37
Reverse repurchase agreements	**42**	87
Reverse repurchase agreements	**34**	45
Derivative financial instruments	**326**	440
Liquidity pool	**97**	109
Other assets[a]	**103**	122

Liabilities

	2015 £bn	2014 £bn
Repurchase agreements	**70**	124
Trading portfolio liabilities	**34**	45
Derivative financial instruments	**322**	439
Less than one year wholesale debt	**54**	75
Greater than one year wholesale debt and equity	**150**	157

Repurchase agreements fund reverse repurchase agreements and trading portfolio assets. Trading portfolio liabilities are settled by the remainder of reverse repurchase agreements (see Note 18 Offsetting financial assets and liabilities for further detail on netting).

Derivative liabilities and assets are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

Wholesale debt, along with the surplus of customer deposits to loans and advances to customers, is used to fund the liquidity pool. Term wholesale debt and equity largely fund other assets.

Note
a Predominantly available for sale investments, financial assets designated at fair value and loans and advances to banks funded by greater than one year wholesale debt and equity and trading portfolio assets.

Composition of wholesale funding

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a variety of distribution channels and geographies, money markets, and repo markets. The Group has direct access to US, European and Asian capital markets through its global investment banking operations and long-term investors through its clients worldwide, and is an active participant in money markets. As a result, wholesale funding is well diversified by product, maturity, geography and major currency.

As at 31 December 2015, the Group's total wholesale funding outstanding (excluding repurchase agreements) was £142bn (2014: £171bn). £54bn (2014: £75bn) of wholesale funding matures in less than one year, of which £14bn (2014: £22bn)[a] relates to term funding.

As at 31 December 2015, outstanding wholesale funding comprised £25bn (2014: £33bn) of secured funding and £117bn (2014: £138bn) of unsecured funding.

In preparation for a Single Point of Entry resolution model, Barclays continues to issue debt capital and term senior unsecured funding out of Barclays PLC, the holding company, replacing maturing debt in Barclays Bank PLC.

Maturity profile of wholesale funding[b]

	Not more than one month £bn	Over one month but not more than three months £bn	Over three months but not more than six months £bn	Over six months but not more than one year £bn	Sub-total less than one year £bn	Over one year but not more than two years £bn	Over two years but not more than three years £bn	Over three years but not more than four years £bn	Over four years but not more than five years £bn	More than five years £bn	Total £bn
Barclays PLC											
Senior unsecured (public benchmark)	-	-	-	-	-	-	0.8	1.3	0.9	3.1	6.1
Senior unsecured (privately placed)	-	-	-	-	-	-	0.1	-	-	-	0.1
Subordinated liabilities	-	-	-	-	-	-	-	-	0.9	0.9	1.8
Barclays Bank PLC											
Deposits from banks	9.5	3.1	1.3	0.8	14.7	0.1	-	-	-	0.3	15.1
Certificates of deposit and commercial paper	0.5	4.9	3.4	5.3	14.1	1.0	0.6	0.9	0.4	0.5	17.5
Asset backed commercial paper	2.2	3.3	0.2	-	5.7	-	-	-	-	-	5.7
Senior unsecured (public benchmark)	-	1.3	-	1.4	2.7	3.6	-	4.3	1.3	3.9	15.8
Senior unsecured (privately placed)[c]	0.6	1.6	2.3	4.8	9.3	5.1	5.4	3.7	3.0	8.5	35.0
Covered bonds	-	-	1.1	-	1.1	4.4	1.0	1.6	-	4.2	12.3
Asset backed securities	0.7	-	-	-	0.7	0.5	1.4	1.3	0.5	0.3	4.7
Subordinated liabilities	-	-	-	-	-	1.1	3.0	0.2	0.9	14.0	19.2
Other[d]	2.3	1.1	0.3	1.5	5.2	0.7	0.3	0.4	0.4	1.6	8.6
Total as at 31 December 2015	**15.8**	**15.3**	**8.6**	**13.8**	**53.5**	**16.5**	**12.6**	**13.7**	**8.3**	**37.3**	**141.9**
Of which secured	**4.2**	**3.9**	**1.6**	**0.3**	**10.0**	**5.1**	**2.4**	**2.8**	**0.5**	**4.5**	**25.3**
Of which unsecured	**11.6**	**11.4**	**7.0**	**13.5**	**43.5**	**11.4**	**10.2**	**10.9**	**7.8**	**32.8**	**116.6**
Total as at 31 December 2014	16.8	23.2	14.4	21.0	75.4	14.0	16.1	6.5	14.0	45.4	171.4
Of which secured	5.3	7.8	1.7	2.2	17.0	2.7	5.1	0.1	2.4	6.0	33.3
Of which unsecured	11.5	15.4	12.7	18.8	58.4	11.3	11.0	6.4	11.6	39.4	138.1

Outstanding wholesale funding includes £35bn (2014: £45bn) of privately placed senior unsecured notes in issue. These notes are issued through a variety of distribution channels including intermediaries and private banks. Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £91bn (2014: £74bn).

Notes

a Term funding maturities comprise public benchmark and privately placed senior unsecured notes, covered bonds/asset-backed securities (ABS) and subordinated debt where the original maturity of the instrument was more than one year.

b The composition of wholesale funds comprises the balance sheet reported deposits from banks, financial liabilities at fair value, debt securities in issue and subordinated liabilities, excluding cash collateral and settlement balances. It does not include collateral swaps, including participation in the Bank of England's Funding for Lending Scheme. Included within deposits from banks are £6bn of liabilities drawn in the European Central Bank's facilities.

c Includes structured notes of £28bn, £8bn of which mature within one year.

d Primarily comprised of fair value deposits £5bn and secured financing of physical gold £3bn.

Currency composition of wholesale debt
As at 31 December 2015, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding

	USD %	EUR %	GBP %	Other %
Deposits from banks	25	51	19	5
Certificates of deposits and commercial paper	25	60	14	1
Asset backed commercial paper	92	8	-	-
Senior unsecured (public benchmark)	43	20	28	9
Senior unsecured (privately placed)	39	21	18	22
Covered bonds/ABS	27	41	31	1
Subordinated liabilities	44	19	37	-
Total as at 31 December 2015	**38**	**31**	**23**	**8**
Total as at 31 December 2014	35	32	25	8

To manage cross-currency refinancing risk the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities. Across wholesale funding, the composition of wholesale funding is materially unchanged.

Term financing

The Group issued £9bn (2014: £15bn) of term funding net of early redemptions during 2015. The Group has £14bn of term debt maturing in 2016 and £16bn maturing in 2017[a].

The Group expects to continue issuing public wholesale debt in 2016, in order to maintain a stable and diverse funding base by type, currency and distribution channel.

Liquidity management at BAGL(audited)

Liquidity risk is managed separately at BAGL Group due to local currency, funding and regulatory requirements.

In addition to the Group liquidity pool, as at 31 December 2015, BAGL Group held £6bn (2014: £7bn) of liquidity pool assets against BAGL specific anticipated stressed outflows. The liquidity pool consists of notes and coins, central bank deposits, government bonds and Treasury bills.

The BAGL loan to deposit ratio as at 31 December 2015 was 102% (2014: 102%).

As at 31 December 2015, BAGL had £9bn of wholesale funding outstanding, (2014: £9bn), of which £5bn (2014: £5bn) matures in less than 12 months.

Additional information on liquidity management at BAGL can be found in the Barclays Africa Group Annual Report.

Contractual maturity of financial assets and liabilities (audited)

The table on the next page provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in other assets and other liabilities as the Group is not exposed to liquidity risk arising from them; any further request for funds from creditors would be met by simultaneously liquidating or transferring the related investment.

Notes
a Inclcudes £0.6bn of bilateral secured funding in2016 and £0.4bn in 2017.

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2015	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
The Group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets											
Cash and balances at central banks	49,580	131	-	-	-	-	-	-	-	-	49,711
Items in the course of collection from other banks	631	380	-	-	-	-	-	-	-	-	1,011
Trading portfolio assets	77,398	-	-	-	-	-	-	-	-	-	77,398
Financial assets designated at fair value	5,692	46,941	1,722	1,372	583	1,021	587	424	867	16,172	75,381
Derivative financial instruments	326,930	28	3	1	53	331	61	257	147	59	327,870
Loans and advances to banks	5,354	32,019	1,954	366	468	588	991	43	12	34	41,829
Loans and advances to customers	29,117	76,337	13,935	7,084	12,332	27,616	27,318	48,707	50,737	106,034	399,217
Reverse repurchase agreements and other similar secured lending	2	24,258	3,296	292	205	74	35	1	24	-	28,187
Available for sale investments	465	2,396	1,792	4,936	2,088	11,537	14,659	17,937	21,445	13,049	90,304
Other financial assets	-	1,304	-	-	-	100	-	-	-	-	1,404
Total financial assets	495,169	183,794	22,702	14,051	15,729	41,267	43,651	67,369	73,232	135,348	1,092,312
Other assets[a]											28,415
Total assets											1,120,727
Liabilities											
Deposits from banks	5,717	38,720	1,355	540	335	97	9	67	236	4	47,080
Items in the course of collection due to other banks	1,013	-	-	-	-	-	-	-	-	-	1,013
Customer accounts	312,773	80,119	7,605	4,415	5,319	2,854	923	1,660	624	2,015	418,307
Repurchase agreements and other similar secured borrowing	66	17,346	3,479	1,975	876	843	52	-	398	-	25,035
Trading portfolio liabilities	33,967	-	-	-	-	-	-	-	-	-	33,967
Financial liabilities designated at fair value	319	52,185	3,152	3,470	2,317	6,093	5,458	7,446	4,139	5,533	90,112
Derivative financial instruments	323,786	80	92	49	49	42	13	57	70	14	324,252
Debt securities in issue	50	14,270	5,615	4,322	4,469	10,164	4,795	13,056	10,015	2,394	69,150
Subordinated liabilities	2	-	-	9	28	1,254	2,994	2,191	9,232	6,245	21,955
Other financial liabilities	-	2,664	-	-	-	1,075	-	-	-	-	3,739
Total financial liabilities	677,693	205,384	21,298	14,780	13,393	22,422	14,244	24,477	24,714	16,205	1,034,610
Other liabilities[a]											20,099
Total liabilities											1,054,709
Cumulative liquidity gap	(182,524)	(204,114)	(202,710)	(203,439)	(201,103)	(182,258)	(152,851)	(109,959)	(61,441)	57,702	66,018

Note

a Other assets includes balances of £7,364m (2014: £15,574m) and other liabilities includes balances of £5,997m (2014: £13,115m) relating to amounts held for sale. Please refer to Note 44 for details.

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2014 The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	39,466	229	-	-	-	-	-	-	-	-	39,695
Items in the course of collection from other banks	828	382	-	-	-	-	-	-	-	-	1,210
Trading portfolio assets	114,755	-	-	-	-	-	-	-	-	-	114,755
Financial assets designated at fair value	5,732	3,139	1,540	797	602	2,696	1,322	1,253	1,038	18,538	36,657
Derivative financial instruments	438,437	26	6	8	7	204	274	443	439	232	440,076
Loans and advances to banks	5,909	31,635	3,236	225	944	370	233	20	36	49	42,657
Loans and advances to customers	24,607	99,208	9,225	6,900	9,241	35,477	24,653	48,486	54,168	115,802	427,767
Reverse repurchase agreements and other similar secured lending	144	117,977	9,857	2,013	941	28	116	109	22	546	131,753
Available for sale investments	513	1,324	2,045	3,576	844	10,804	16,705	10,107	23,722	16,465	86,105
Other financial assets	-	1,500	-	-	-	180	-	-	-	-	1,680
Total financial assets	630,391	255,420	25,909	13,519	12,579	49,759	43,303	60,418	79,425	151,632	1,322,355
Other assets[a]											36,338
Total assets											1,358,693
Liabilities											
Deposits from banks	7,978	48,155	1,041	504	298	187	95	69	57	6	58,390
Items in the course of collection due to other banks	1,177	-	-	-	-	-	-	-	-	-	1,177
Customer accounts	317,598	86,626	7,284	5,442	3,245	4,208	494	1,228	719	1,024	427,868
Repurchase agreements and other similar secured borrowing	40	111,766	7,175	2,847	1,989	119	116	-	427	-	124,479
Trading portfolio liabilities	45,124	-	-	-	-	-	-	-	-	-	45,124
Financial liabilities designated at fair value	665	6,554	3,493	4,056	3,244	7,015	5,524	9,573	6,174	8,851	55,149
Derivative financial instruments	438,623	29	7	12	5	62	69	78	268	167	439,320
Debt securities in issue	10	19,075	11,146	9,712	4,791	7,568	10,560	10,350	11,376	1,511	86,099
Subordinated liabilities	-	236	48	15	-	37	1,259	1,947	11,469	6,674	21,685
Other financial liabilities	-	3,060	-	-	-	815	-	-	-	-	3,875
Total financial liabilities	811,215	275,501	30,194	22,588	13,572	20,011	18,117	23,245	30,490	18,233	1,263,166
Other liabilities[a]											29,482
Total liabilities											1,292,648
Cumulative liquidity gap	(180,824)	(200,905)	(205,190)	(214,259)	(215,252)	(185,504)	(160,318)	(123,145)	(74,210)	59,189	66,045

Notes

a Other assets includes balances of £7,364m (2014: £15,574m) and other liabilities includes balances of £5,997m (2014: £13,115m) relating to amounts held for sale. Please refer to Note 44 for details.

Contractual maturity of financial assets and liabilities (audited)

At 31 December 2015 The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more that one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	43,539	130	-	-	-	-	-	-	-	-	43,669
Items in the course of collection from other banks	596	-	-	-	-	-	-	-	-	-	596
Trading portfolio assets	33,057	-	-	-	-	-	-	-	-	-	33,057
Financial assets designated at fair value	24	43,523	2,695	1,893	986	1,803	540	2,115	1,975	16,433	71,987
Derivative financial instruments	315,565	56	2	1	53	118	61	257	90	49	316,252
Loans and advances to banks	3,897	31,143	2,933	2,504	3,069	4,955	4,340	3,793	5,515	52	62,201
Loans and advances to customers	28,925	89,526	15,132	7,887	11,268	29,489	21,824	47,517	42,474	101,165	395,207
Reverse repurchase agreements and other similar secured lending	-	22,305	4,962	743	121	329	250	69	24	-	28,803
Available for sale investments	12	2,038	892	4,807	1,837	10,829	14,221	16,967	20,357	11,648	83,608
Other financial assets	-	6,326	-	-	-	283	-	-	-	-	6,609
Total financial assets	425,615	195,047	26,616	17,835	17,334	47,806	41,236	70,718	70,435	129,347	1,041,989
Other assets[a]											35,619
Total assets											1,077,608
Liabilities											
Deposits from banks	21,161	39,830	1,288	503	331	97	9	118	345	-	63,682
Items in the course of collection due to other banks	758	-	-	-	-	-	-	-	-	-	758
Customer accounts	270,503	84,644	7,529	4,988	5,696	10,173	7,202	11,599	2,588	6,869	411,791
Repurchase agreements and other similar secured borrowing	-	18,401	3,467	2,135	588	1,109	66	-	398	-	26,164
Trading portfolio liabilities	23,567	-	-	-	-	-	-	-	-	-	23,567
Financial liabilities designated at fair value	271	48,122	4,101	4,501	3,065	6,608	5,098	7,725	4,703	6,004	90,198
Derivative financial instruments	309,740	35	46	4	3	42	13	58	70	14	310,025
Debt securities in issue	2	6,900	4,570	3,575	3,641	8,954	1,421	8,177	7,264	1,216	45,720
Subordinated liabilities	2	-	-	9	28	1,254	2,757	1,971	9,232	6,158	21,411
Other financial liabilities	-	14,297	-	-	-	1,288	-	-	-	-	15,585
Total financial liabilities	626,004	212,229	21,001	15,715	13,352	29,525	16,566	29,648	24,600	20,261	1,008,901
Other liabilities[a]											11,183
Total liabilities											1,020,084
Cumulative liquidity gap	(200,389)	(217,571)	(211,956)	(209,836)	(205,854)	(187,573)	(162,903)	(121,833)	(75,998)	33,088	57,524

Note

a Other assets includes balances of £5,180m (2014: £620m) and other liabilities includes balances of £4,103m (2014: £275m) relating to amounts held for sale. Please refer to Note 44 for details.

Contractual maturity of financial assets and liabilities (audited)

At 31 December 2014 The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more that one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	35,240	229	-	-	-	-	-	-	-	-	35,469
Items in the course of collection from other banks	801	-	-	-	-	-	-	-	-	-	801
Trading portfolio assets	49,076	-	-	-	-	-	-	-	-	-	49,076
Financial assets designated at fair value	138	4,995	1,378	745	956	6,372	2,208	2,351	3,071	18,653	40,867
Derivative financial instruments	424,979	37	7	7	3	193	279	431	430	199	426,565
Loans and advances to banks	5,219	29,435	5,369	3,017	2,899	4,197	3,380	3,831	69	22	57,438
Loans and advances to customers	40,675	112,588	10,395	7,915	9,703	23,913	19,552	51,546	43,794	109,733	429,814
Reverse repurchase agreements and other similar secured lending	7,037	82,912	8,230	1,745	1,265	14	387	473	215	546	102,824
Available for sale investments	16	1,007	1,089	3,341	599	10,395	15,733	9,327	22,102	14,981	78,590
Other financial assets	-	729	-	-	-	10	-	-	-	-	739
Total financial assets	563,181	231,932	26,468	16,770	15,425	45,094	41,539	67,959	69,681	144,134	1,222,183
Other assets[a]											43,573
Total assets											1,265,756
Liabilities											
Deposits from banks	21,639	45,818	1,404	763	342	83	95	146	52	-	70,342
Items in the course of collection due to other banks	911	-	-	-	-	-	-	-	-	-	911
Customer accounts	279,296	91,559	7,007	7,051	4,130	9,219	9,478	9,678	1,723	5,993	425,134
Repurchase agreements and other similar secured borrowing	5,482	78,510	6,112	1,746	2,854	48	194	-	427	-	95,373
Trading portfolio liabilities	25,910	-	-	-	-	-	-	-	-	-	25,910
Financial liabilities designated at fair value	551	6,624	3,769	4,361	3,643	11,066	6,127	9,632	7,590	9,353	62,716
Derivative financial instruments	419,048	24	-	11	4	50	43	61	226	138	419,605
Debt securities in issue	6	10,068	9,085	8,022	3,995	5,942	8,786	7,339	9,308	1,220	63,771
Subordinated liabilities	-	98	49	-	-	-	1,099	1,722	11,415	6,468	20,851
Other financial liabilities	-	16,950	-	-	-	-	-	-	-	-	16,950
Total financial liabilities	752,843	249,651	27,426	21,954	14,968	26,408	25,822	28,578	30,741	23,172	1,201,563
Other liabilities											7,481
Total liabilities[a]											1,209,044
Cumulative liquidity gap	(189,662)	(207,381)	(208,339)	(213,523)	(213,066)	(194,380)	(178,663)	(139,282)	(100,342)	20,620	56,712

Note

a Other assets includes balances of £5,180m (2014: £620m) and other liabilities includes balances of £4,103m (2014: £275m) relating to amounts held for sale. Please refer to Note 44 for details.

Expected maturity dates do not differ significantly from the contract dates, except for:

- trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of the Group's trading strategies
- retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group's operations and liquidity needs because of the broad base of customers, both numerically and by depositor type (see behavioural maturity profile on page 104
- financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities.

Contractual maturity of financial liabilities on an undiscounted basis (audited)

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

The balances in the below table do not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them.

Contractual maturity of financial liabilities - undiscounted (including BAGL Group) (audited)

As at 31 December 2015	On demand £m	Not more than three months £m	Over three months but not more than six months £m	over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
The Group									
Deposits from banks	5,717	38,721	1,357	877	108	70	239	10	47,099
Items in the course of collection due to other banks	1,013	-	-	-	-	-	-	-	1,013
Customer accounts	312,773	80,142	7,640	9,832	3,877	1,860	746	3,090	419,960
Repurchase agreements and other similar secured borrowing	66	17,349	3,482	2,853	898	-	491	-	25,139
Trading portfolio liabilities	33,967	-	-	-	-	-	-	-	33,967
Financial liabilities designated at fair value	319	52,202	3,165	5,830	11,851	7,840	4,690	8,694	94,591
Derivative financial instruments	323,786	81	94	102	57	59	80	16	324,275
Debt securities in issue	50	14,352	5,844	9,277	16,775	14,169	11,264	4,542	76,273
Subordinated liabilities	2	235	403	301	6,057	3,670	10,359	6,313	27,340
Other financial liabilities	-	2,664	-	-	1,075	-	-	-	3,739
Total financial liabilities	**677,693**	**205,746**	**21,985**	**29,072**	**40,698**	**27,668**	**27,869**	**22,665**	**1,053,396**
The Bank									
Deposits from banks	21,161	39,831	1,289	835	108	119	345	-	63,688
Items in the course of collection due to other banks	758	-	-	-	-	-	-	-	758
Customer accounts	270,503	84,660	7,542	10,720	17,767	12,083	3,012	7,799	414,086
Repurchase agreements and other similar secured borrowing	-	18,402	3,470	2,725	1,179	-	491	-	26,267
Trading portfolio liabilities	23,567	-	-	-	-	-	-	-	23,567
Financial liabilities designated at fair value	271	48,138	4,114	7,615	12,011	8,145	5,328	9,321	94,943
Derivative financial instruments	309,740	36	47	8	55	59	80	16	310,041
Debt securities in issue	2	6,905	4,737	7,527	11,560	8,686	7,757	2,386	49,560
Subordinated liabilities	2	235	403	300	5,773	3,362	10,287	6,217	26,579
Other financial liabilities	-	14,297	-	-	1,288	-	-	-	15,585
Total financial liabilities	**626,004**	**212,504**	**21,602**	**29,730**	**49,741**	**32,454**	**27,300**	**25,739**	**1,025,074**

Contractual maturity of financial liabilities - undiscounted (audited)

At 31 December 2014	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
The Group									
Deposits from banks	7,978	48,155	1,042	804	287	75	62	29	58,432
Items in the course of collection due to other banks	1,177	-	-	-	-	-	-	-	1,177
Customer accounts	317,598	86,660	7,364	8,854	4,851	1,408	1,052	2,218	430,005
Reverse repurchase agreements and other similar secured lending	40	111,769	7,178	4,837	236	-	428	-	124,488
Trading portfolio liabilities	45,124	-	-	-	-	-	-	-	45,124
Financial liabilities designated at fair value	665	6,561	3,508	7,378	12,854	10,285	7,170	14,273	62,694
Derivative financial instruments	438,623	30	7	17	137	85	314	341	439,554
Debt securities in issue	10	19,481	11,406	14,952	19,416	11,352	12,075	2,760	91,452
Subordinated liabilities	-	363	324	153	1,333	4,269	10,762	6,683	23,887
Other financial liabilities	-	3,060	-	-	815	-	-	-	3,875
Total financial liabilities	811,215	276,079	30,829	36,995	39,929	27,474	31,863	26,304	1,280,688
The Bank									
Deposits from banks	21,639	45,819	1,405	1,108	183	153	52	-	70,359
Items in the course of collection due to other banks	911	-	-	-	-	-	-	-	911
Customer accounts	279,296	91,563	7,012	11,203	18,739	11,229	1,831	6,488	427,361
Reverse repurchase agreements and other similar secured lending	5,482	78,514	6,115	4,601	243	-	427	-	95,382
Trading portfolio liabilities	25,910	-	-	-	-	-	-	-	25,910
Financial liabilities designated at fair value	551	6,632	3,780	8,078	17,588	10,323	8,607	14,619	70,178
Derivative financial instruments	419,048	24	-	15	94	61	237	194	419,673
Debt securities in issue	6	10,457	9,286	12,372	15,640	8,068	9,522	1,454	66,805
Subordinated liabilities	-	223	326	137	1,098	3,987	10,545	6,468	22,784
Other financial liabilities	-	16,950	-	-	-	-	-	-	16,950
Total financial liabilities	752,843	250,182	27,924	37,514	53,585	33,821	31,221	29,223	1,216,313

Maturity of off-balance sheet commitments received and given (audited)
The table below presents the maturity split of the Group's off-balance sheet commitments received and given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

Maturity analysis of off-balance sheet commitments received (including BAGL)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2015											
Guarantees, letters of credit and credit insurance	6,329	138	4	5	32	84	12	97	4	17	6,722
Forward starting repurchase agreements[a]	-	392	-	73	-	-	-	-	-	-	465
Total off-balance sheet commitments received	6,329	530	4	78	32	84	12	97	4	17	7,187
As at 31 December 2014											
Guarantees, letters of credit and credit insurance	6,571	60	37	38	39	152	138	203	65	-	7,303
Forward starting repurchase agreements[a]	-	10,778	-	-	-	-	-	-	-	-	10,778
Total off-balance sheet commitments received	6,571	10,838	37	38	39	152	138	203	65	-	18,081

Note
a Forward starting revers repurchase andrepurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss, new forward start repurchase and repurchase agreements are within the scope of IAS39 and are recognised as derivatives on the balance sheet.

Maturity analysis of off-balance sheet commitments given (including BAGL) (audited)

The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2015											
Contingent liabilities	17,421	933	493	140	590	423	158	161	164	138	20,621
Documentary credits and other short-term trade-related transactions	617	30	10	-	61	119	-	8	-	-	845
Forward starting reverse repurchase agreements[a]	-	93	-	-	-	-	-	-	-	-	93
Standby facilities, credit lines and other commitments	274,020	1,152	1,564	1,116	1,071	873	554	906	78	35	281,369
Total off-balance sheet commitments given	292,058	2,208	2,067	1,256	1,722	1,415	712	1,075	242	173	302,928
As at 31 December 2014											
Contingent liabilities	17,303	1,770	352	162	102	410	55	83	1,037	49	21,323
Documentary credits and other short-term trade-related transactions	869	75	13	-	19	115	-	-	-	-	1,091
Forward starting reverse repurchase agreements[a]	-	13,735	-	121	-	-	-	-	-	-	13,856
Standby facilities, credit lines and other commitments	262,539	4,045	1,722	844	646	3,638	877	1,846	137	20	276,314
Total off-balance sheet commitments given	280,711	19,625	2,087	1,127	767	4,163	932	1,929	1,174	69	312,584

Notes
a During 2015, new reverse repurchase agreements in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. Accordingly, fair value-accounted forward starting reverse repurchase agreements are classified as derivatives.

Maturity analysis of off-balance sheet commitments received

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2015									
Guarantees, letters of credit and credit insurance	5,878	28	2	7	24	16	2	7	5,964
Forward starting repurchase agreements[a]	–	291	–	–	–	–	–	–	291
Total off balance sheet commitments received	**5,878**	**319**	**2**	**7**	**24**	**16**	**2**	**7**	**6,255**
As at 31 December 2014									
Guarantees, letters of credit and credit insurance	15,512	42	35	70	266	186	58	–	16,169
Forward starting repurchase agreements[a]	–	10,087	–	–	–	–	–	–	10,087
Total off balance sheet commitments received	15,512	10,129	35	70	266	186	58	–	26,256

Maturity analysis of off-balance sheet commitments given (audited)

The Bank	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2015									
Contingent liabilities	22,320	431	429	418	580	160	164	137	24,639
Documentary credits and other short-term trade-related transactions	536	28	10	-	119	-	-	-	693
Forward starting reverse repurchase agreements[a]	-	14	-	-	-	-	-	-	14
Standby facilities, credit lines and other commitments	217,363	1,006	160	1,523	1,218	787	49	35	222,141
Total off balance sheet commitments given	**240,219**	**1,479**	**599**	**1,941**	**1,917**	**947**	**213**	**172**	**247,487**
As at 31 December 2014									
Contingent liabilities	20,149	1,457	265	209	422	79	65	28	22,674
Documentary credits and other short-term trade-related transactions	772	61	6	-	115	-	-	-	954
Forward starting reverse repurchase agreements[a]	-	11,291	-	121	-	-	-	-	11,412
Standby facilities, credit lines and other commitments	213,108	2,510	830	933	1,669	1,384	86	15	220,535
Total off balance sheet commitments given	234,029	15,319	1,101	1,263	2,206	1,463	151	43	255,575

Note
a During 2015, new repurchase agreements in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. Accordingly, fair value-accounted forward starting repurchase and reverse repurchase agreements are classified as derivatives.

Analysis of operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.

This section provides an analysis of the Group's operational risk profile, including events which have had a significant impact in 2015.

A small reduction in the number of recorded incidents ocurring during the period

83%

of the Group's net reportable operational risk events had a loss value of £50,000 or less

67%

of events are due to external fraud

The disclosures within the Barclays Bank PLC operational risk section are materially the same as those found in the Barclays PLC Annual Report, pages 206 to 2017, found at: home.barclays/annualreport

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

All disclosures in this section (pages 116 to 117) are unaudited.

Overview

Operational risks are inherent in all the Group's business activities and are typical of any large enterprise. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Small losses from operational risks are expected to occur and are accepted as part of the normal course of business. More material losses are less frequent and the Group seeks to reduce the likelihood of these in accordance with its risk appetite.

The Operational Principal Risk comprises the following Key Risks: External suppliers, Financial crime, Financial reporting, Fraud, Information, Legal, Payments process, People, Premises and security, Taxation, Technology (including Cyber security) and Transaction operations. For definitions of these key risks see page 60. In order to ensure complete coverage of the potential adverse impacts on the Group arising from Operational risk, the Operational risk taxonomy extends beyond the Operational key risks listed above to cover areas included within Conduct risk.

This section provides an analysis of the Group's operational risk profile, including events, those which are above the Bank's reportable threshold, which have had a financial impact in 2015.

For more information on Conduct risk events please see page 120.

Summary of performance in the period

During 2015, total operational risk losses[a] increased to £241.3m (2014: £143.9m) with a 3% reduction in number of recorded events as compared to last year driven by a limited number of events in execution, delivery and process management category.

Losses were mainly due to execution, delivery and process management impacts, external fraud and business disruption and system failures.

Operational risk profile

Within operational risk a high proportion of risk events have a low associated financial cost and a very small proportion of operational risk events will have a material impact on the financial results of the Group. In 2015, 82.6% (2014: 78.0%) of the Group's net reportable operational risk events had a value of £50,000 or less and accounted for 11.1% (2014: 30.5%) of the Group's total net loss impact.

The analysis below presents the Group's operational risk events by Basel event category:

- execution, delivery and process management impacts increased to £137.5m (2014: £81.3m) and accounted for 57.0% (2014: 56.5%) of overall operational risk losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. The increases in impacts were largely driven by limited number of events with higher loss values
- external fraud (66.6%) is the category with the highest frequency of events where high volume, low value events are also consistent with industry experience, driven by debit and credit card fraud. This accounted for 27.4% of overall operational risk losses in the year from 29.7% last year.

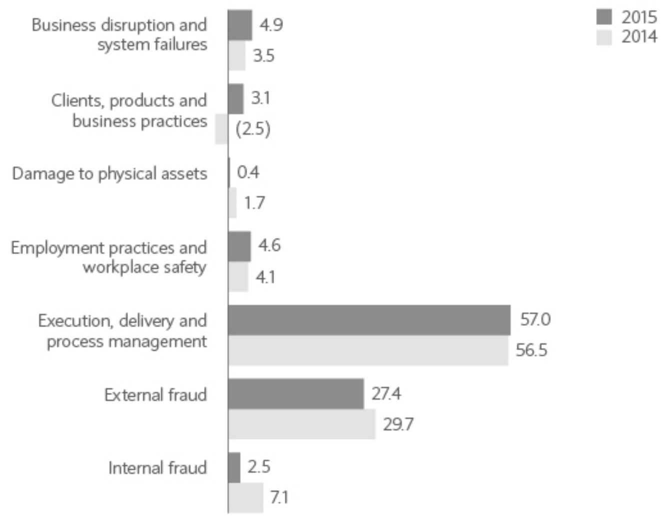
The Group's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review from the Governance Risk and Control Committees for each of the key risks. External fraud and technology are highlighted as key operational risk exposures. Developments of enhanced fraud prevention and transaction profiling tools underway to combat increasing external fraud frequency especially in the credit cards, digital banking, unauthorised trading and social engineering.

Cyber security risk continues to be an area of attention given the increasing sophistication and scope of potential cyber-attack. Risks to technology and Cyber security change rapidly and require continued focus and investment.

For further information see Risk management section pages 47 to 63.

Operational risk events by risk category
% of total risk events by count

Operational risk events by risk category
% of total risk events by value



Note
a Figures include operational risk losses for reportable events having impact of +/- £10,000 and exclude events that are conduct risk, aggregated and boundary events. A boundary event is an operational risk event that results in a credit risk impact.

Analysis of conduct risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

This section details Barclays' conduct risk profile and provides information on key 2015 risk events and risk mitigation actions Barclays has taken.

Conduct Risk

5.4/10 on the conduct Reputation Balanced Scorecard Measure

Driven by:improvements in the following components

- Operates openly and transparently
- Has high quality products and services
- Deliverys value for money for customers and clients

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

All disclosures in this section (page 120) are unaudited unless otherwise stated

Conduct risk

Doing the right thing in the right way and providing suitable products and services for customers and clients is central to Barclays' strategy. Barclays is committed to Group-wide changes to business practices, governance and mindset and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates. Improving our reputation in the market will demonstrate to customers that in Barclays they have a partner they can trust.

The FCA expects Barclays Board and Senior Management, supported by a governance structure and suitable management information to: have oversight of and mitigate conduct risks; consistently promote appropriate conduct outcomes; and drive the embedding of a conduct focused culture.

A key driver in delivering effective structural reform is balancing regulatory requirements and ensuring good outcomes for customers. The structural reform programme expects conduct risks to be managed through existing committees with escalation to the Structural Reform Programme Implementation Steering Committee as appropriate.

Furthermore, Barclays is working to implement new regulatory requirements related to Individual Accountability which apply to all UK banks and certain investment firms. The three new interlinking elements under the new rules on Strengthening Personal Accountability are: Senior Managers Regime, Certification Regime and a new set of Conduct Rules. These represent some of the most important regulatory changes in banking to date. At Barclays, we welcome these changes, and recognise the importance of how strengthening personal accountability will enhance the way we work, and will provide us with a framework to demonstrate our integrity and professionalism.

Reputation risk

Reputation risk is designated as a key risk by Barclays. It is defined as the risk of damage to the Group's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. While reputation risk can arise anywhere in the business, it is aligned with the Conduct Principal Risk due to the significant correlation between them as issues relating to conduct have material reputation impact.

The Reputation Key Risk Framework governs how Barclays' businesses and functions implement effective risk management in this area, including identification, evaluation, prioritisation, mitigation, escalation and reporting of current and emerging reputation risks. Forward looking reputation risk horizon scanning is undertaken centrally and validated via ongoing stakeholder dialogue with a variety of relevant opinion formers. This provides an informed and broad view of the external reputation environment and identifies issues and themes likely to impact the reputation of Barclays and the finance sector.

Summary of performance in the period

Throughout 2014, the Conduct Risk Programme designed relevant governance, reporting, training, and definition of roles and responsibilities, and from January 2015 conduct risk management was fully integrated within the businesses.

Following stakeholder feedback additional improvements have been made to enhance conduct risk management in 2015. The main aims have been to:

- simplify the governance processes
- improve the quality, completeness and reliability of Management information reported, including reporting against forward looking risk indicators
- improve the quality of Conduct Material Risk Assessment through more explanation of what good looks like and provision of targeted support to both the business and Compliance
- develop more productive relationships with internal stakeholders and other control functions, including colleagues across Compliance
- increase staff awareness of Conduct risk through e-learning
- align Conduct risk management more closely with HR colleagues
- build a relationship with Operational risk to leverage technology and in recognition of the high level of crossover between the two risks
- improve the consideration of Conduct risk in strategy setting and review processes.

Throughout 2015, conduct risks were raised by businesses for consideration by the RepCo. RepCo has reviewed the risks raised and whether the management actions proposed were appropriate to ensure conduct risks were managed effectively.
Below are general themes of conduct risk and control discussed by Senior Management at the RepCo in 2015.

- Barclays continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Details in respect of such investigations and related litigation are included in the Legal, competition and regulatory matters note 28 on page 221.
- The need to ensure that customers, and especially vulnerable customers, experiencing financial difficulty are treated appropriately and with due regard to their circumstances as a means to ensuring good customer outcomes
- There are potential risks arising from conflicts of interest, including those related to the benchmark submission process. While primarily relevant to the Investment Bank, these potential risks may also impact the corporate and retail customer base. Barclays seeks to mitigate these risks by the

maintaining of clear operating models and effective identification and management of conflicts of interest controls and supervisory oversight

- The risk of mismanagement of customer data
- Due to the volume and pace of strategic change, good customer outcomes are not sufficiently considered and achieved.
- Customers have degraded access to systems and information such as transaction delays, inability to access funds and incorrect information, increased risk of fraudulent activity and payment delays.
- The risk of digitisation that automated channels may not deliver the services that customers expect, the impact on vulnerable customers, fraud and cyber security risk. The need for strong and robust product design to ensure the minimisation or avoidance of adverse customer outcomes through the sale of products, services and advice inappropriate for a target market.
- Client assets sourcebook (CASS) - Due to the unprecedented level of change the firm is to implement over the next 12 months, the current stable environment relating to CASS is affected.

Such conduct related themes also carry material reputation risk implications. Another area of reputation risk that continues to intensify relates to public, regulatory and political concerns around the integration of climate change issues and impacts into finance sector operations and strategy.

- The intergovernmental conference on climate change in December 2015 agreed to keep global warming to within 2ºC, which will require significant and far reaching policy and regulation to constrain the combustion of fossil fuel reserves. This will impact many sectors, however, there has been significant activity during 2015 on furthering the finance sector's understanding of the potential financial, operational and strategic implications of climate change. In particular, the Financial Stability Board (FSB) recommended a proposal to the G20 for the creation of an industry-led disclosure task force on climate-related risks in November 2015. This taskforce has been established with the mandate to consider the physical, liability and transition risks associated with climate change; identify effective corporate financial disclosures and develop a set of recommendations for climate-related disclosures. Improving the quality and consistency of climate financial risk disclosures by companies will enable the effective disclosure and analysis of material information by lenders, insurers, investors and other stakeholders

  Barclays participates in a number of industry groups looking at these issues and is assessing the implications for our global business

Increasing the awareness of all staff of the importance of good customer outcomes and protecting market integrity has been a priority in 2015. Over 97% of Barclays staff have successfully completed training in this area.

The Group continued to incur significant costs of conduct in relation to litigation matters, please refer to Note 28 Legal, competition and regulatory matters and Note 26 Provisions for further detail.

Litigation and conduct charges include customer redress as well as expenses including damages, fines, remediation of affected customers or clients, other penalties or settlements in connection with legal, competition and regulatory matters.

Resolution of these matters remains a necessary and important part of delivering the Group's strategy, but there are early signs that we are driving better outcomes for customers from a more thoughtful consideration of our customers' needs.

As a result of increased awareness and early consideration of conduct risk in the business, a number of actions have been taken to improve customer outcomes including:

- proactive consideration and management of potential customer detriment associated with Barclays' strategy to simplify its business and product. For example, change programmes monitoring customers subject to multiple changes including platform and online migrations
- application of more stringent residential mortgage requirements to buy-to-let mortgage applicants, ensuring better lending decisions
- enhanced surveillance monitoring in the Investment Bank identifying and proactively managing activity which appeared to cause unusual market impact
- improvements in key areas such as bereavement and Power of Attorney and ongoing training to equip staff to support customers in vulnerable circumstances
- separation plans of Non-Core businesses to consider customer outcomes

Salz recommendations

The Board commissioned a review of Barclays' business practices in July 2012, led by Sir Anthony Salz. The report contained 34 recommendations that can be categorised broadly under Regulatory, Culture, Board Governance, People Pay and Management Oversight and Risk Management. Please refer to previous annual updates for further detail of past actions taken. All actions to implement the recommendations have been completed and independently validated. The Group continues to monitor the actions to ensure that they become fully embedded throughout the organisation.

Conduct reputation measure

To aid monitoring of progress in the management of conduct, a 'Conduct Reputation' measure is included within Barclays' Balanced Scorecard. The conduct measure is developed through a conduct and reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers across key geographies (the UK, Europe, Africa, the US and Asia).

In 2015 Barclays made progress on its Conduct measure recording a score of 5.4 (2014: 5.3). 'Operates openly and transparently', 'Has high quality products and services' and 'Delivers value for money for customers and clients' have all improved according to audience perception. Performance on two components, 'Treats staff well at all levels of the business' and 'it can be trusted' have declined slightly. In terms of target we are below where we would like to be for 2015, although overall progress on the measure is in line with our expectations and puts our 2018 target within reach.

The disclosures within the Barclays Bank PLC reputation risk section are the same as those found in the Barclays PLC Annual Report, pages 207 to 209, found at: home.barclays/annualreport

The disclosures within the Barclays Bank PLC supervision and regulation section are the same as those found in the Barclays PLC Annual Report, pages 210 to 215, found at: home.barclays/annualreport

Supervision of the Group

The Group's operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business. These apply to business operations, affect financial returns and include reserve and reporting requirements and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, among others, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions. They also reflect requirements imposed directly by, or derived from, EU legislation.

In the UK, the BoE has responsibility for monitoring the UK financial system as a whole. The day-to-day regulation and supervision of the Group is divided between the PRA – which is established as part of the BoE – and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has significant influence on the prudential requirements that may be imposed on the banking system through powers of direction and recommendation. The FPC has direction powers over leverage ratios and sectoral capital requirements, which it sets in relation to exposures to specific sectors judged to pose a risk to the financial system as a whole and which apply to all UK banks and building societies generally, rather than to the Group specifically. The government has also made the FPC responsible for the Basel III countercyclical capital buffer, introduced in the EU under the CRD and CRR (collectively known as CRD IV).

The Financial Services and Markets Act 2000 (as amended)(FSMA) remains the principal statute under which financial institutions are regulated in the UK. Barclays Bank PLC is authorised under FSMA to carry on a range of regulated activities within the UK. It is also authorised and subject to solo and consolidated prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA's continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The regulation and supervision of conduct matters is the responsibility of the FCA. FCA regulation of the Group is carried out through a combination of continuous assessment; regular thematic and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead; and responding to crystallised risks, seeking to ensure remediation as appropriate.

Global Regulatory developments

Regulatory change continues to affect all large financial institutions; globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), regionally through the European Union and nationally, especially in the UK and US. Further changes to prudential requirements and further refinements to the definitions of capital and liquid assets may affect the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings. Similarly, increased requirements in relation to capital markets activities and to market conduct requirements may affect the Group's planned activities and could increase costs and thereby contribute to adverse impacts on the Group's earnings.

The programme of reform of the global regulatory framework previously agreed by G20 Heads of Government in April 2009 has continued to be taken forward throughout 2015 and into 2016.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, G20 Heads of Government adopted FSB proposals to reform the regulation of Global Systematically Important Financial Institutions (G-SIFIs), including Global Systematically Important Banks (G-SIBs). A key element of this programme is that G-SIFIs should be capable of being resolved without recourse to taxpayer support. Barclays has been designated a G-SIB by the FSB. G-SIBs are subject to a number of requirements, including additional loss absorption capacity above that required by Basel III standards (see below). The surcharges rise in increments from 1% to 2.5% of risk weighted assets (with an empty category of 3.5% for institutions that increase the extent of the systemic risk they pose which is intended to discourage institutions from developing their business in a way that heightens their systemic nature). This additional buffer must be met with common equity.

In its November 2015 list of G-SIBs, the FSB confirmed Barclays position in a category that requires it to meet a 2% surcharge. The additional loss absorbency requirements apply to those financial institutions identified in November 2014 as G-SIBs will be phased in starting from January 2016, with full implementation due to have taken place by January 2019. G-SIBs have also been required to meet higher supervisory expectations for data aggregation capabilities since 1 January 2016. In the EU the requirements for a systemic risk buffer have been implemented through mechanisms under CRD IV.

The BCBS issued the final guidelines on Basel III capital and liquidity standards in June 2011, with revisions to counterparty credit risk in July and November 2011. Regulatory liquidity revisions were agreed in January 2013 to the definitions of high quality liquid assets and net cash outflows for the purpose of calculating the Liquidity Coverage Ratio, as well as establishing a timetable for phasing in the standard from January 2016. The requirements of Basel III as a whole are subject to a number of transitional provisions that run to the end of 2018. The Group is, however, primarily subject to the EU's implementation of the Basel III standard through CRD IV (see below)The BCBS also maintains a number of active workstreams that will affect the Group. In January 2016, the BCBS endorsed a new market risk framework, including rules made as a result of its fundamental review of the trading book, which will take effect in 2019. The Committee also continues to focus on the consistency of risk weighting of assets and explaining the variations between banks. This includes revisions to the standardised rules for credit risk, counterparty credit risk, CVA volatility risk and operational risk. The Committee is also considering whether to limit the use of internal models in certain areas (for example, removing the Advanced Measurement Approach for operational risk) and applying RWA floors based on the standardised approaches. The final standards for measuring and controlling large exposures were published by the Basel Committee in April 2014 to take effect in 2019. Also in April 2014, the Basel Committee published the final standard for calculating regulatory capital for banks' exposure to Central Counterparties (CCPs). In conjunction with the International Organization of Securities Commissions, the BCBS published a revised version of the framework for margin requirements for non-centrally cleared derivatives in March 2015, which recommends the phasing in of requirements for initial and variation margin from 1 September 2016.

In November 2015 the FSB finalised its proposals to enhance the loss absorbing capacity of G-SIBs to ensure that there is sufficient loss absorbing and recapitalisation capacity available in resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. To this end, the FSB has set a new minimum requirement for 'Total Loss Absorbing Capacity' (TLAC). From 1 January 2019, the FSB will expect Barclays and other G-SIBs to meet a minimum TLAC requirement of 16% of the risk weighted assets of their respective resolution groups, rising to 18% from 1 January 2022. From that time, G-SIBs will also be expected to hold TLAC equivalent to at least 6% of the Basel III leverage ratio denominator, rising to 6.75% from 1 January 2022. The BCBS is also consulting on the capital treatment of banks' TLAC holdings from other issuers.

Also in November 2015, Barclays re-adhered to a protocol which was developed by the International Swaps and Derivatives Association (ISDA) in coordination with the FSB to support cross-border resolution and reduce systemic risk. By re-adhering to this protocol Barclays is able, in ISDA Master Agreements and related credit support agreements, as well as certain repo and stock lending agreements, entered into with other adherents, to opt in to different resolution regimes such that cross-default and direct default rights that would otherwise arise under the terms of such agreements would be stayed temporarily (and in some circumstances overridden) on the resolution of one of the parties.

Influence of European legislation

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays' operations in Europe are authorised and regulated by a combination of both home and host regulators.

EU developments

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) has had responsibility for the supervision of the most significant credit institutions, financial holding companies or mixed financial holding companies within the Eurozone since November 2014. The ECB can also extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities.

Notwithstanding the new responsibilities of the ECB, the European Banking Authority (EBA), along with the other European Supervisory Authorities, remains charged with the development of a single rulebook for the EU as a whole and with enhancing co-operation between national supervisory authorities. The European Securities Markets Authority (ESMA) has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. The progressive reduction of national discretion on the part of national regulatory authorities within the EU may lead to the elimination of prudential arrangements that have been agreed with those authorities. This may serve to increase or decrease the amount of capital and other resources that the Group is required to hold. The overall effect is not clear and may only become evident over a number of years. The EBA and ESMA each have the power to mediate between and override national authorities under certain circumstances.

Responsibility for day-to-day supervision remains with national authorities and for banks, like Barclays Bank PLC, that are incorporated in countries that will not participate in the single supervisory mechanism, is expected to remain so. Barclays Bank PLC Italian and French branches are, however, also subject to direct supervision by the ECB.

Basel III and the capital surcharge for G SIB have been, or will be, implemented in the EU by CRD IV. The provisions of CRD IV either entered into force automatically on, or had to be implemented in member states by, 1 January 2014. Much of the ongoing and outstanding implementation is expected to be done through binding technical standards being developed by the EBA, that are intended to ensure a harmonised application of rules through the EU, some of which are still in the process of being developed and adopted.

A significant addition to the EU legislative framework for financial institutions has been the Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The BRRD is intended to implement many of the requirements of the FSB's 'Key Attributes of Effective Resolution Regimes for Financial Institutions'. The BRRD entered into force in July 2014. All of the provisions of the BRRD had to be implemented in the law of EU Member States by 1 January 2015 except for those relating to bail-in which had to be implemented in Member States by 1 January 2016.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also requires competent authorities to impose a 'Minimum Requirement for own funds and Eligible Liabilities' ('MREL') on financial institutions to facilitate the effective exercise of the bail-in tool referred to above. This will have to be co-ordinated with the FSB's TLAC standards mentioned above and, as set out in more detail below, the BoE has stated that MREL for UK G-SIBs will be set consistently with those standards. The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonised set of resolution tools across the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal envisages that national deposit guarantee schemes may be able to fulfil this function (see directly below). The UK Government uses the bank levy to meet the ex ante funding requirements set out in the BRRD.

The Directive on Deposit Guarantee Schemes provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme are to total 0.8% of the covered deposits of its members by the date 10 years after the entry into force of the recast directive. In the UK, the pre-funding requirements of the UK Financial Services Compensation Scheme are met through the bank levy.

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the group recommended the mandatory separation of proprietary trading and other high risk trading activities from other banking activities. The European Commission issued proposals to implement these recommendations in January 2014. These proposals would apply to institutions that have been identified as G-SIBs under CRD IV and envisage, among other things: (i) a ban on proprietary trading in financial instruments and commodities; and (ii) rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group.

Contemporaneously, the European Commission also adopted proposals to enhance the transparency of shadow banking, especially in relation to securities financing transactions. These proposals have still yet to be considered formally by the European Parliament and by the Council.

The European Market Infrastructure Regulation (EMIR) has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be brought in. When it is fully in force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives: to report specified details of every derivative contract that they enter to a trade repository (this requirement is already in force); implement risk management standards for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty (this requirement is also partly in force, but requirements relating to the mandatory provision of margin are to be phased in from 2016); and clear, through a central counterparty, over-the-counter derivatives, but only where those derivatives are subject to a mandatory clearing obligation. The obligation to clear derivatives will only apply to certain counterparties and specified types of derivative. EMIR has potential operational and financial impacts on the Group, including by imposing collateral requirements.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared over-the-counter derivative trades. Lower capital requirements for cleared derivatives trades are only available if the central counterparty through which the trade is cleared is recognised as a 'qualifying central counterparty' which has been authorised or recognised under EMIR (in accordance with binding technical standards).

Amendments to the Markets in Financial Instruments Directive (known as MiFID II) came into force in July 2014. These amendments take the form of a directive and a regulation, and will affect many of the investment markets in which the Group operates and the instruments in which it trades, and how it transacts with market counterparties and other customers. Changes to the MiFID regime include the introduction of a new type of trading venue (the organised trading facility), to capture non-equity trading that falls outside the current regime.

Investor protections have been strengthened, and new curbs imposed on high frequency and commodity trading. Pre and post-trade transparency has been increased, and a new regime for third-country firms introduced. The changes also include new requirements for non-discriminatory access to trading venues, central counterparties, and benchmarks, and harmonised supervisory powers and sanctions across the EU. While the final implementation date of MiFID II remains subject to discussions between various European bodies, member states will not have to apply the provisions of MiFID II until 3 January 2017 at the earliest, although recent communications by several European bodies has suggested that this date might be delayed by 12 months. Many of the provisions of MiFID II and its accompanying regulation will be implemented by means of technical standards to be drafted by ESMA. While ESMA has published its final report in respect of some of these technical standards, the impacts on the Group will not be clear until all of the relevant technical standards have been finalised and adopted.

Regulation in the UK

Recent developments in banking law and regulation in the UK have been dominated by legislation designed to ring-fence the retail and SME deposit-taking business of large banks. The content and the impact of this legislation are outlined above. The Banking Reform Act put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing rules have been consulted on by the PRA and the FCA and it is expected that final rules will be published during the first half of 2016 which will further determine how ring-fenced banks will be permitted to operate.

In addition to, and complementing an EU-wide stress testing exercise conducted on a sample of EU banks by the EBA, and in response to recommendations from the FPC, the BoE conducted a variant of the EU-wide stress test in 2014. The 'UK variant' test explored particular UK macroeconomic vulnerabilities facing the UK banking system. Key parameters of the test – including the design of the UK elements of the stress scenario – were designed by the BoE and approved by the FPC and the PRA. The BoE published key elements of its 2014 stress test in March 2015 and the results of its 2015 stress test on 1 December 2015. The FPC determined that no macroprudential actions on bank capital were required in response to the results of either test.

Both the PRA and the FCA have continued to develop and apply a more assertive approach to supervision and the application of existing standards. This may include application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution or matters of conduct. The PRA has implemented the European capital regime under CRD IV in the UK and has required banks to meet a 4.5% Pillar 1 CET requirement since 1 January 2015, which is up from 4% in 2014. The PRA has expected Barclays, in common with six other major UK banks and building societies, to meet a 7% CET1 ratio at the level of the consolidated Group since 1 January 2016.

The FCA has retained an approach to enforcement based on credible deterrence that has continued to see significant growth in the size of regulatory fines. The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. This may impact both the incidence of conduct costs and increase the cost of remediation.

On 1 April 2014 the FCA took over the regulation of consumer credit in the UK. This has led to a regulatory regime for consumer credit which is considerably more intensive and intrusive than was the case when consumer credit was regulated by the Office of Fair Trading.

In 2014 the PRA and the FCA consulted on new accountability mechanisms for individuals working in banks, including the introduction of a new 'Senior Managers Regime' (aimed at a limited number of individuals with senior management responsibilities within a firm) and a 'Certification Regime' (aimed at assessing and monitoring the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or any of its customers). This represents the implementation of recommendations made by the Parliamentary Committee on Banking Standards in this area. The FCA and PRA have published final rules on most aspects of the Senior Managers Regime and the regime will enter into force on 7 March 2016.

Resolution of UK banking groups

The Banking Act 2009 (the Banking Act) provides a regime to allow the BoE (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK, in consultation with the PRA and HM Treasury as appropriate. Under the Banking Act the BoE is given powers to: (i) make share transfer instruments pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser; (ii) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or a 'bridge bank', which is a company wholly owned by the BoE; and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. In addition, under the Banking Act, HM Treasury is given the power to take a bank into temporary public ownership by making one or more share transfer orders in which the transferee is a nominee of HM Treasury or a company wholly owned by HM Treasury. A share transfer instrument or share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. Certain of these powers also extend to companies within the same group as a UK bank.

The Banking Act also gives the authorities powers to override events of default or termination rights that might otherwise be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable in the context of both share transfer orders and property appropriation.

The resolution powers described above were supplemented with effect from 31 December 2014 by a 'bail-in' power introduced under the Banking Reform Act. This power allows for the cancellation or modification of one or more liabilities (with the exception of 'excluded liabilities').

Excluded liabilities include (among other things): deposits protected under a deposit insurance scheme, secured liabilities (to the extent that they are secured), client assets and assets with an original maturity of less than seven days which are owed to a credit institution or investment firm. The BoE's new bail-in powers were brought into force with effect from 1 January 2015.

In a consultation paper published in 2015, the BoE indicated that during 2016 it would notify banks of the final MREL requirements which would apply to them from 1 January 2020, when the regime will become fully effective. The Bank intends to apply MREL standards on a transitional basis from 2016 until that time. As noted above, during the consultation process, the BoE announced that it intends to set MREL for UK G-SIBs consistently with the FSB's TLAC standards, and will not set any TLAC requirement for a UK G-SIB which is separate from or different to its MREL.

Since 20 February 2015, UK banks and their parents have also been required to include in debt instruments, issued by them under the law of a non-EEA country, terms under which the relevant creditor recognises that the liability is subject to the exercise of bail-in powers by the BoE. Similar terms will be required in contracts governing other liabilities of UK banks and their parents if those liabilities are governed by the law of a non-EEA country, are not excluded liabilities under the Banking Act 2009 and are issued, entered into or arise after 31 December 2015. The PRA has made rules and will be consulting further in relation to contractual recognition of bail-in of liabilities governed by third-country laws.

The Banking Act also gives the BoE the power to override, vary, or impose conditions or contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

The Financial Services Act 2010, among other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management. The Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements, that may have created consumer detriment.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the authorised firm in question which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In addition to establishing the FPC, PRA and FCA, the Financial Services Act 2012 among other things clarifies responsibilities between HM Treasury and the BoE in the event of a financial crisis by giving the Chancellor of the Exchequer powers to direct the BoE where public funds are at risk and there is a serious threat to financial stability. The Financial Services Act 2012 also establishes the objectives and accountabilities of the FPC, PRA and FCA; amends the conditions which need to be met by a firm before it can be authorised; gives the FPC, PRA and FCA additional powers, including powers of direction over unregulated parent undertakings (such as Barclays PLC) where this is necessary to ensure effective consolidated supervision of the Group; and gives the FCA a power to make temporary product intervention rules for a maximum period of six months, if necessary without consultation. The Financial Services Act 2013 also created a new criminal offence relating to the making of a false or misleading statement, or the creation of a false or misleading impression, in connection with the setting of a benchmark.

Structural reform of banking groups

In addition to providing for the bail-in stabilisation power referred to above, the Banking Reform Act requires, among other things: (i) the separation of the retail and SME deposit-taking activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which will not be permitted to undertake a range of activities (so called ring-fencing); (ii) the increase of the loss absorbing capacity of ring-fenced banks and UK headquartered global systemically important banks to levels higher than required under CRD IV and (iii) preference to deposits protected under the Financial Services Compensation Scheme if a bank enters insolvency.

The Banking Reform Act also implements key recommendations of the Parliamentary Commission on Banking Standards. Recommendations that have been implemented include: (i) the establishment of a reserve power for the PRA to enforce full separation of UK banks under certain circumstances; (ii) the creation of a ‘senior manager’s’ regime for senior individuals in the banking and investment banking sectors to ensure better accountability for decisions made; (iii) the establishment of a criminal offence of causing a financial institution to fail; and (iv) the establishment of a regulator for payment systems.

The Banking Reform Act is primarily an enabling statute which provides HM Treasury with the requisite powers to implement the policy underlying the legislation through secondary legislation. Secondary legislation relating to the ring-fencing of banks has now been passed. Parts of the secondary legislation became effective on 1 January 2015 and the rest will come into effect on 1 January 2019 by which date UK banks will be required to be compliant with the structural reform requirements. The PRA published ‘near final’ rules on the legal structure and governance of ring-fenced banks in May 2015 and a consultation paper on post-ring-fencing prudential requirements and intra-group arrangements (among other things) in October 2015. PRA final rules are expected in 2016.

Compensation schemes

Banks, insurance companies and other financial institutions in the UK are subject to a single compensation scheme (the Financial Services Compensation Scheme – FSCS) which operates when an authorised firm is unable or is likely to be unable to meet claims made against it by its customers because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the EEA are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in question in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group’s results.

Regulation in the US

In the US, Barclays PLC, Barclays Bank PLC and their US subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the US PATRIOT Act of 2001 and the DFA. This legislation regulates the activities of Barclays, including its US banking subsidiaries and the US branches of Barclays Bank PLC, as well as imposing prudential restrictions, such as limits on extensions of credit by the Barclays Bank PLC’s US branches and the

US banking subsidiaries to a single borrower and to affiliates. The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the Board of Governors of the Federal Reserve System (FRB) and, as applicable, the New York State Department of Financial Services and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Federal Deposit Insurance Corporation (FDIC), the Delaware Office of the State Bank Commissioner and the Consumer Financial Protection Bureau (CFPB). The deposits of Barclays Bank Delaware are insured by the FDIC. The licensing authority of each US branch of Barclays Bank PLC has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses or to revoke or suspend such licence. Such circumstances generally include violations of law, unsafe business practices and insolvency.

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB, which exercises umbrella supervisory authority over Barclays US operations. Barclays is required to implement by July 2016 a US intermediate holding company (IHC) which will hold substantially all of Barclays' US subsidiaries and assets (including Barclays Capital Inc. and Barclays Bank Delaware, other than Barclays' US branches and certain other assets and subsidiaries). This IHC will also be a US bank holding company and generally regulated as such under the BHC Act. As part of this supervision, the IHC will also generally be subject to substantially similar enhanced prudential supervision requirements under the DFA as US bank holding companies of similar size, including: (i) regulatory capital requirements and leverage limits; (ii) mandatory stress testing of capital levels , and submission of a capital plan; (iii) supervisory approval of capital distributions by the IHC to Barclays Bank PLC; (iv) additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC (and also, separately, for Barclays Bank PLC's US branch network), and to maintain a 30-day buffer of highly liquid assets; (v) other liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB, and maintenance of an independent function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays' combined US operations; and (vi) overall risk management requirements, including a US risk committee and a US chief risk officer. The IHC will also be subject to TLAC requirements pursuant to proposed regulations issued by the Federal Reserve in the fall of 2015. Barclays is well advanced in its plans to transfer the relevant US subsidiaries and assets into a newly incorporated IHC, and to implement the related DFA and other requirements, to meet the prescribed deadlines.

Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may generally engage in a broader range of financial and related activities, including underwriting and dealing in all types of securities, than are permitted to registered bank holding companies that do not maintain financial holding company status. Financial holding companies such as Barclays PLC and Barclays Bank PLC are required to meet or exceed certain regulatory capital ratios and other requirements to be considered 'well capitalised' and be deemed to be 'well managed' in order to maintain their status as such. Once established, Barclays' IHC would also need to meet similar requirements for FHC purposes. Barclays Bank Delaware is also required to meet certain capital ratio requirements and be deemed to be 'well managed'. In addition, Barclays Bank Delaware must have at least a 'satisfactory' rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements are allotted a period of time in which to restore capital levels or the management or CRA rating. Should the relevant Barclays entities fail to meet the above requirements, during the allotted period of time they could be prohibited from engaging in new types of financial activities or making certain types of acquisitions in the US. If the capital level or rating is not restored, the Group may ultimately be required by the FRB to cease certain activities in the US. More generally, Barclays' US activities and operations may be subject to other requirements and restrictions by the FRB under its supervisory authority, including with respect to safety and soundness.

Under the Federal Deposit Insurance Act, as amended by the DFA, Barclays and the IHC (once established) are required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require Barclays and/or the IHC to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. The enforcement of these regulations has been a major focus of US government policy relating to financial institutions in recent years. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution.

Barclays' US securities broker/dealer, investment advisory and investment banking operations are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under the US federal and state securities laws.

Similarly, Barclays US commodity futures and commodity options-related operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs.

Barclays' US credit card activities are subject to ongoing supervision and regulation by the CFPB, which was established by the DFA. The statute gave the CFPB the authority to examine and take enforcement action against any US financial institution with over $10bn in total assets, such as Barclays Bank Delaware, with respect to its compliance with federal laws and regulations regarding the provision of consumer financial services (including credit card and deposit services) and with respect to 'unfair, deceptive or abusive acts and practices.' One of the laws the CFPB enforces is the Credit Card Accountability, Responsibility and Disclosure Act of 2009 which prohibits certain pricing and

marketing practices for consumer credit card accounts.
The DFA's ultimate impact on the Group continues to remain uncertain and some rules are not yet fully implemented. In addition, market practices and structures may change in response to the requirements of the DFA in ways that are difficult to predict but that could impact Barclays business. Nonetheless, certain provisions of the DFA are particularly likely to have a significant effect on the Group, including:

- *Restrictions on proprietary trading and fund-related activities:* The so-called 'Volcker Rule' which was promulgated by the relevant US regulatory agencies, including the FRB, the FDIC, the SEC, and the CFTC, prohibits banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates, from undertaking certain 'proprietary trading' activities and will limit the sponsorship of, and investment in, private equity funds (including non-conforming real estate and credit funds) and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain exceptions and exemptions, including exemptions for underwriting, market-making and risk-mitigating hedging activities as well as exemptions applicable to transactions and investments occurring solely outside of the US. As required by the rule, Barclays has developed and implemented an extensive compliance and monitoring programme (both inside and outside of the US) addressing proprietary trading and covered fund activities. These efforts are expected to continue as the FRB and the other relevant US regulatory agencies further implement and monitor these requirements and Barclays may incur additional costs in relation to such efforts. The Volcker Rule is highly complex and its full impact will not be known with certainty until market practices and structures further develop under it. The prohibition on proprietary trading and the requirement to develop an extensive compliance programme came into effect in July 2015. The FRB subsequently extended the compliance period through July 2016 for investments in and relationships with covered funds that were in place prior to 31 December 2013, and indicated that it intends to further extend the compliance period through July 2017.

- *Resolution plans:* The DFA requires non-bank financial companies supervised by the FRB, such as Barclays, and bank holding companies with total consolidated assets of $50bn or more to submit annually to the FRB, the FDIC, and the Financial Stability Oversight Council ("FSOC"), a plan for a 'the firm's rapid and orderly' resolution in the event of material financial distress or failure. As required, Barclays submitted its most recent annual US resolution plan to the US regulators on 1 July 2015.

- *Regulation of derivatives markets:* Among the changes mandated by the DFA is a requirement that many types of derivatives that used to be traded in the over-the-counter markets be traded on an exchange or swap execution facility and centrally cleared through a regulated clearing house. The DFA also mandates that many swaps and security-based swaps be reported and that certain of that information be made available to the public on an anonymous basis. In addition, certain participants in these markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or, following the compliance date for relevant SEC rules, with the SEC as 'security-based swap dealers' or 'major security-based swap participants'. Such registrants would be subject to CFTC and SEC regulation and oversight. SEC finalised the rules for security based swap dealers in August 2015 with an effective date of October 2015. The SEC clarified that registration timing is contingent upon the finalisation of rules under Title VII of DFA in 2016 and no earlier than six months after such date. Barclays Bank PLC has registered as a swap dealer. Entities required to register are subject to business conduct and record-keeping requirements and will be subject to capital and margin requirements.

  In this regard, US prudential regulators and the CFTC recently finalised and issued their respective rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. Such requirements will become effective over a period of time beginning in September, 2016. The margin requirements can be expected to increase the costs of over-the-counter derivative transactions and could adversely affect market liquidity.

  These registration, execution, clearing, reporting and compliance requirements could adversely affect the business of Barclays Bank PLC and its affiliates, including by reducing market liquidity and increasing the difficulty and cost of hedging and trading activities.

- *CFPB and consumer protection regulations and enforcement:* Since its creation, the CFPB has issued a number of regulations aimed at protecting consumers of financial products including credit card and deposit customers. The CFPB has also initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements, and commitments to modify business practices.

- *TLAC in the US:* In 2015, the FRB also issued its own TLAC proposal that, while generally following the FSB framework, contains a number of provisions that are more restrictive. If ultimately adopted in its current form, the US TLAC proposal would require the Barclays IHC, subject to certain phase-in provisions between 2019 and 2022, (i) a specified outstanding amount of eligible long term debt (LDT), (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus LTD), and (iii) a specified internal common equity buffer, in each case issued to a controlling parent of the IHC. The US TLAC proposal also contains certain other requirements, including that the LTD must be cancellable or convertible into equity of the IHC upon the order to the FRB if the IHC is in default or danger of default and certain other requirements are met. If finally adopted by the FRB these requirements may increase the funding costs of the IHC.

Regulation in Africa

Barclays' operations in South Africa, including Barclays Africa Group Limited, are supervised and regulated mainly by the South African Reserve Bank (SARB), the Financial Services Board (SAFSB) as well as the Department of Trade and Industry (DTI). The SARB oversees the banking industry and follows a risk-based approach to supervision, while the SAFSB oversees financial services such as insurance and investment business and focuses on enhancing consumer protection and regulating market conduct. The DTI regulates consumer credit through the National Credit Regulator, established under the National Credit Act (NCA) 2005, as well as other aspects of consumer protection not regulated under the jurisdiction of the SAFSB through the Consumer Protection Act (CPA) 2008. It is intended that regulatory responsibilities in South Africa will in future be divided between the SARB which will be responsible for prudential regulation and the SAFSB will be responsible for matters of market conduct. The transition to 'twin peaks' regulation will commence in 2016. Barclays' operations in other African countries are primarily supervised and regulated by the central banks in the jurisdictions where Barclays has a banking presence. In some African countries, the conduct of Barclays' operations and the non-banking activities are also regulated by Financial Market Authorities.

Financial review
Contents page

A review of the performance of Barclays Bank Group, including the key performance indicators, and our businesses contribution to the overall performance of The Group.

Financial review

Key performance indicators

In assessing the financial performance of the Barclays Bank Group, management uses a range of Key Performance Indicators (KPIs) which focus on financial strength and cost management.

Definition	Why is it important and how the Group performed	
Total income Defined as total income net of insurance claims. Adjusted income excludes adjusting items for the gains on US Lehman acquisition assets, movements in own credit and the revision to the Education, Social Housing and Local Authority (ESHLA) valuation methodology.	Total income is a key indicator of financial performance to many of Barclays' stakeholders and income growth is a key execution priority for Barclays' management. Adjusted total income decreased 2% to £25,296, with Non-Core total income reducing to a net expense of £164m (2014: income of £1,050m), partially offset by Core total income increasing 3% to £25,460.	Adjusted 2015 - £25,296m 2014 - £25,775m Statutory 2015 - £26,222m 2014 - £25,335m
Operating expenses Defined as total operating expenses. Adjusted operating expenses excludes provisions for UK customer redress, provisions for ongoing investigations and litigation including Foreign Exchange, the gain on valuation of a component of the defined retirement benefit liability, impairment of goodwill and other assets relating to businesses being disposed and losses on sale relating to the Spanish, Portuguese and Italian businesses.	Barclays views the active management and control of operating expenses as a key strategic objective. Adjusted operating expenses decreased 6% to £16,998m including costs to achieve of £793m (2014: £1,165m), UK bank levy of £476m (2014: £462m) and litigation and conduct charges of £378m (2014: £449m).	Adjusted 2015 - £16,998m 2014 - £18,063m Statutory 2015 - £20,677m 2014 - £20,423m
Profit before tax Profit before tax and adjusted profit before tax are the two primary profitability measures used by management to assess performance. Profit before tax is stated in accordance with International Financial Reporting Standards and represents total income less impairment charges and operating expenses. Adjusted profit before tax excludes adjusting items for the gains on US Lehman acquisition assets, movements in own credit, the revision to the ESHLA valuation methodology,provisons for UK customer redress, provisions for ongoing investigations and litigation including Foreign Exchange, the gain on valuation of a component of the defined retirement benefit liability, impairment of goodwill and other assets relating to businesses being disposed and losses on sale relating to the Spanish, Portuguese and Italian businesses.	Profit before tax is a key indicator of financial performance to many of our stakeholders. Adjusted profit before tax is presented to provide a consistent basis for comparing business performance between periods. Adjusted profit before tax increased 11% to £6,171m.	Adjusted 2015 - £6,171m 2014 - £5,555m Statutory 2015 - £2,841m 2014 - £2,309m

Definition	Why is it important and how the Group performed	
Cost to income ratio Cost to income ratio is calculated as adjusted total operating expenses divided by adjusted total income net of insurance claims.	This is a measure management uses to assess the productivity of the business operations. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income. The adjusted cost to income ratio decreased to 67% (2014: 70%).	Adjusted 2015 - 67% 2014 - 70% Statutory 2015 - 79% 2014 - 81%

Consolidated summary income statement

For the year ended 31 December	2015 £m	2014 £m
Continuing operations		
Net interest income	13,313	12,138
Non-interest income net of claims and benefits on insurance contracts	11,983	13,637
Adjusted total income net of insurance claims	25,296	25,775
Gain on US Lehman acquisition assets	496	461
Own credit gain	430	34
Revision of ESHLA valuation methodology	-	(935)
Statutory total income net of insurance claims	26,222	25,335
Adjusted credit impairment charges and other provisions	(2,114)	(2,168)
Statutory credit impairment charges and other provisions	(2,114)	(2,168)
Adjusted operating expenses	(16,998)	(18,063)
Provisions for UK customer redress	(2,772)	(1,110)
Provisions for ongoing investigations and litigation including Foreign Exchange	(1,237)	(1,250)
Gain on valuation of a component of the defined retirement benefit liability	429	-
Impairment of goodwill and other assets relating to businesses being disposed	(96)	-
Losses on sale relating to the Spanish, Portuguese and Italian businesses	(3)	-
Statutory operating expenses	(20,677)	(20,423)
Adjusted other net (expenses)/income	(13)	11
Losses on sale relating to the Spanish, Portuguese and Italian businesses	(577)	(446)
Statutory other net expenses	(590)	(435)
Statutory profit before tax	2,841	2,309
Statutory taxation	(1,603)	(1,455)
Statutory profit after tax	1,238	854
Statutory profit attributable to equity holders of the parent	911	528
Statutory profit attributable to non-controlling interests and other equity holders	327	326
	1,238	854
Adjusted profit before tax	6,171	5,555
Adjusted taxation	(1,843)	(1,748)
Adjusted profit after tax	4,328	3,807
Adjusted profit attributable to equity holders of the parent	4,001	3,481
Adjusted profit attributable to non-controlling interests and other equity holders	327	326
	4,328	3,807

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements

2015 compared to 2014

Statutory profit before tax increased to £2,841m (2014: £2,309m), adjusted profit before tax increased 11% to £6,171m.

Statutory total income net of insurance claims increased 4% to £26,222m, including adjusting items for a £496m (2014: £461m) gain on the US Lehman acquisition assets and an own credit gain of £430m (2014: £34m). 2014 statutory total income net of insurance claims included a loss of £935m (2015: nil) relating to a revision to the ESHLA valuation methodology.

Adjusted total income net of insurance claims decreased 2% to £25,296m, as Non-Core income reduced to a net expense of £164m following assets and securities rundown, business sales, including the impact of the sales of the Spanish and UAE retail businesses, and fair value losses on the ESHLA portfolio of £359m (2014: £156m). Core income increased 3% to £25,460m reflecting: a 13% increase to £4,927m in Barclaycard, primarily reflecting growth in US cards; and a gain of £661m (2014: £296m) in Head Office primarily due to net gains from cash flow hedge recycling. This was partially offset by Investment Bank income remaining broadly in line at £7,572m (2014: £7,581m); a 1% reduction in PCB due to the impact of customer redress in, and the sale of, the US Wealth business; and a 2% reduction in Africa Banking as the ZAR depreciated against GBP. On a constant currency basis[a] income in Africa Banking increased 7% reflecting good growth in Retail and Business Banking and corporate banking in South Africa, and Wealth, Investment Management and Insurance (WIMI).

Net interest income increased 10% to £13,313m, with higher net interest income in PCB, Barclaycard, Head Office and Non-Core, partially offset by reductions in Africa Banking and the Investment Bank. Net interest income for PCB, Barclaycard and Africa Banking increased 5% to £12,024m due to an increase in average customer assets to £287.7bn (2014: £280.0bn) with growth in PCB and Barclaycard, partially offset by reductions in Africa Banking as the ZAR depreciated against GBP. Net interest margin increased 10bps to 4.18% primarily due to growth in interest earning lending within Barclaycard.

Credit impairment charges improved 2% to £2,114m, with a loan loss rate of 47bps (2014: 46bps). This reflected higher recoveries in Europe and the sale of the Spanish business in Non-Core, and lower impairments in PCB due to the benign economic environment in the UK resulting in lower default rates and charges. This was partially offset by a number of single name exposures in the Investment Bank, and increased impairment in Barclaycard reflecting asset growth and updates to impairment model methodologies.

Statutory operating expenses increased 1% to £20,677m. This included adjusting items for additional UK customer redress provisions of £2,772m (2014: £1,110m), £1,237m (2014: £1,250m) of additional provisions for ongoing investigations and litigation including Foreign Exchange, a £429m (2014: nil) gain on valuation of a component of the defined retirement benefit liability, £96m (2014: nil) of impairment of goodwill and other assets relating to businesses being disposed, and £3m (2014: nil) of losses on sale relating to the Spanish, Portuguese and Italian businesses.

Adjusted operating expenses decreased 6% to £16,998m as a result of savings from strategic cost programmes, particularly in the Investment Bank and PCB, in addition to the continued rundown of Non-Core. Total compensation costs decreased 6% to £8,339m, with the Investment Bank reducing 5% to £3,423m, reflecting lower deferred and current year bonus charges, and reduced headcount. Reductions in costs to achieve of 32% to £793m, and in litigation and conduct charges of 16% to £378m, were partially offset by costs associated with the implementation of the structural reform programme and a 3% increase in the UK bank levy to £476m.

The statutory cost: income ratio decreased to 79% (2014: 81%). The adjusted cost: income ratio decreased to 67% (2014: 70%).

Statutory other net expenses increased to £590m (2014: £435m) and included an adjusting item for losses on sale relating to the Spanish, Portuguese and Italian businesses of £577m (2014: £446m).

The tax charge of £1,603m (2014: £1,455m) on statutory profit before tax of £2,841m (2014: £2,309m) represents an effective tax rate of 56.4% (2014: 63.0%). The effective tax rate on adjusted profit before tax of 29.9% (2014: 31.5%) is less than the effective tax rate on statutory profit before tax mainly because it excludes the impact of adjusting items such as non-deductible provisions for ongoing investigations and litigation including Foreign Exchange and provisions for UK customer redress. The adjusted measure of profit before tax is considered to provide a more consistent basis for comparing business performance between periods as it is more representative of the underlying, ongoing performance. Consistent with this, the effective tax rate on adjusted profit before tax is considered a more representative measure of the Group's underlying, ongoing tax charge.

Note
a Constant currency results are calculated by converting ZAR results into GBP using the average exchange rate for 2015.

Consolidated summary balance sheet

As at 31 December	2015 £m	2014[a] £m
Assets		
Cash and balances at central banks	**49,711**	39,695
Items in the course of collection from other banks	**1,011**	1,210
Trading portfolio assets	**77,398**	114,755
Financial assets designated at fair value	**76,830**	38,300
Derivative financial instruments	**327,870**	440,076
Available for sale investments	**90,304**	86,105
Loans and advances to banks	**41,829**	42,657
Loans and advances to customers	**399,217**	427,767
Reverse repurchase agreements and other similar secured lending	**28,187**	131,753
Other assets	**28,370**	36,375
Total assets	**1,120,727**	1,358,693
Liabilities		
Deposits from banks	**47,080**	58,390
Items in the course of collection due to other banks	**1,013**	1,177
Customer accounts	**418,307**	427,868
Trading portfolio liabilities	**33,967**	45,124
Financial liabilities designated at fair value	**91,745**	56,972
Derivative financial instruments	**324,252**	439,320
Debt securities in issue[c]	**69,150**	86,099
Subordinated liabilities	**21,955**	21,685
Repurchase agreements and other similar secured borrowings	**25,035**	124,479
Other liabilities	**22,204**	31,534
Total liabilities	**1,054,708**	1,292,648
Equity		
Called up share capital and share premium	**14,472**	14,472
Other equity instruments	**5,350**	4,350
Other reserves	**933**	2,322
Retained earnings	**43,350**	42,650
Total equity excluding non-controlling interests	**64,105**	63,794
Non-controlling interests	**1,914**	2,251
Total equity	**66,019**	66,045
Total liabilities and equity	**1,120,727**	1,358,693

Balance sheet commentary

Total assets
Total assets decreased £238bn to £1,121bn.

Cash and balances at central banks and items in the course of collection from other banks increased £10bn to £51bn, as the cash contribution to the Group liquidity pool was increased.

Trading portfolio assets decreased £37bn to £77bn primarily driven by balance sheet deleveraging resulting in lower securities positions, consistent with client demand in the Investment Bank, and exiting of positions in Non-Core.

Financial assets designated at fair value increased by £39bn to £77bn. During the period, new reverse repurchase agreements in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. This has resulted in an increase of £44bn in this account line. Across fair value and amortised cost classifications, total reverse repurchase agreements have decreased £59bn due to a reduction in matched book trading and general firm financing due to balance sheet deleveraging. Additionally, within financial assets designated at fair value, there was a partial offset by decreases in loans and advances and debt securities.

Derivative financial instrument assets decreased £112bn to £328bn, consistent with the decrease in derivative financial instrument liabilities. This included a £79bn decrease in interest rate derivatives due to net trade reductions and increases in major forward interest rates and a £19bn decrease in foreign exchange derivatives reflecting trade reductions.

Available for sale investments increased £4bn to £90bn due to an increase in government bonds held in the liquidity pool.

Total loans and advances decreased by £29bn to £441bn driven by a net £20bn decrease in settlement and cash collateral balances, a £6bn reclassification of loans to other assets, relating to the Portuguese retail business and Italian retail banking branch network which are now held for sale and a £5bn decrease in Africa reflecting the depreciation of ZAR against GBP. This was partially offset by lending growth of £5bn in Barclaycard.

Reverse repurchase agreements and other similar secured lending decreased £104bn to £28bn reflecting a reduction in matched book trading and general firm financing due to balance sheet deleveraging and as a result of the designation to fair value described in the financial assets designated at fair value comment above.

Total liabilities
Total liabilities decreased £238bn to £1,055bn.

Deposits from banks decreased £11bn to £47bn primarily driven by a £9bn decrease in cash collateral due to lower derivative mark to market.

Customer accounts decreased £10bn to £418bn as a result of reclassification of £4bn to other liabilities relating to the Portuguese retail business and Italian retail banking branch network which are now held for sale, a £7bn reduction in settlement balances, a £3bn decrease in cash collateral due to lower derivative mark to market and a £7bn decrease due to depreciation of ZAR. This is partially offset by £13bn growth within PCB, Barclaycard and Africa.

Trading portfolio liabilities decreased £11bn to £34bn primarily driven by balance sheet deleveraging resulting in lower securities positions, consistent with client demand in the Investment Bank, and exiting of positions in Non-Core.

Financial liabilities designated at fair value increased by £35bn to £92bn. In line with financial assets designated at fair value, the designation of repurchase agreements to fair value resulted in an increase of £45bn during the year. Across fair value and amortised cost classifications, total repurchase agreements have decreased £54bn due to a reduction in matched book trading and general firm financing due to balance sheet deleveraging. Additionally, within financial liabilities designated at fair value, there was a partial offset in debt securities due to reduced funding requirements.

Derivative financial instrument liabilities decreased £115bn to £324bn in line with the decrease in derivative financial assets.

Debt Securities in issue decreased by £17bn to £69bn primarily driven by a decrease in Certificate of Deposits and Bonds and MTNs due to reduced funding requirements.

Subordinated liabilities increased £0.3bn to £21.5bn due to issuances of dated subordinated notes, partially offset by the redemptions of dated and undated subordinated notes, and fair value hedge movements.

Repurchase agreements and other similar secured borrowings decreased £99bn to £25bn reflecting a reduction in matched book trading and general firm financing due to balance sheet deleveraging and as a result of the designation to fair value described in the financial assets designated at fair value comment above.

Shareholders' equity
Total shareholders' equity remained flat at £66bn.

Other equity instruments increased by £1.0bn to £5.3bn due to issuance of equity accounted AT1 securities to investors.

The available for sale reserve decreased £0.2bn to £0.3bn driven by £0.4bn of losses from changes in the fair value of government bonds, predominantly held in the liquidity pool, £0.1bn of losses from related hedging, £0.4bn of net gains transferred to net profit, partially offset by £0.4bn gains from changes in fair value of equity investments in Visa Europe and an £0.1bn change in insurance liabilities. A tax credit of £0.1bn was recognised in the period relating to these items.

The cash ow hedging reserve decreased £0.6bn to £1.3bn driven by a £0.4bn decrease in the fair value of interest rate swaps held for hedging purposes as interest rate forward curves increased, and £0.2bn of gains recycled to the income statement in line with when the hedged item affects profit or loss, partially offset by a tax credit of £0.1bn.

The currency translation reserve remained stable as the effect of ZAR depreciating against GBP was offset by the appreciation of USD against GBP.

Segmental analysis (audited)

Analysis of adjusted results by business

	Personal and Corporate Banking £m	Barclaycard £m	Africa Banking £m	Investment Bank £m	Head Office £m	Barclays Core £m	Barclays Non-Core £m	Group adjusted results £m
For the year ended 31 December 2015								
Total income net of insurance claims	8,726	4,927	3,574	7,572	661	25,460	(164)	25,296
Credit impairment charges and other provisions	(378)	(1,251)	(352)	(55)	-	(2,036)	(78)	(2,114)
Net operating income	8,348	3,676	3,222	7,517	661	23,424	(242)	23,182
Operating expenses	(4,774)	(1,927)	(2,169)	(5,362)	(246)	(14,478)	(873)	(15,351)
UK bank levy	(93)	(42)	(52)	(203)	(8)	(398)	(78)	(476)
Litigation and conduct	(109)	-	-	(107)	(14)	(230)	(148)	(378)
Costs to achieve	(292)	(106)	(29)	(234)	(32)	(693)	(100)	(793)
Other (losses)/income[a]	(40)	33	7	-	5	5	(18)	(13)
Profit/(loss) before tax from continuing operations	3,040	1,634	979	1,611	366	7,630	(1,459)	6,171
Total assets (£bn)	287.2	47.4	49.9	376.0	57.1	817.6	303.1	1,120.7
For the year ended 31 December 2014								
Total income net of insurance claims	8,828	4,356	3,664	7,581	296	24,725	1,050	25,775
Credit impairment charges and other provisions	(482)	(1,183)	(349)	14	-	(2,000)	(168)	(2,168)
Net operating income	8,346	3,173	3,315	7,595	296	22,725	882	23,607
Operating expenses	(4,951)	(1,727)	(2,244)	(5,504)	(51)	(14,477)	(1,510)	(15,987)
UK bank levy	(70)	(29)	(45)	(218)	(9)	(371)	(91)	(462)
Litigation and conduct	(54)	-	(2)	(129)	(66)	(251)	(198)	(449)
Costs to achieve	(400)	(118)	(51)	(374)	(10)	(953)	(212)	(1,165)
Other income/(losses)[a]	14	40	11	-	(3)	62	(51)	11
Profit/(loss) before tax from continuing operations	2,885	1,339	984	1,370	157	6,735	(1,180)	5,555
Total assets (£bn)	285.0	41.3	55.5	455.7	49.8	887.3	471.5	1,358.7

Adjusted results reconciliation

	2015			2014		
For the year ended 31 December	Group adjusted results £m	Adjusting items £m	Group statutory results £m	Group adjusted results £m	Adjusting items £m	Group statutory results £m
Total income net of insurance claims	25,296	926	26,222	25,775	(440)	25,335
Credit impairment charges and other provisions	(2,114)	-	(2,114)	(2,168)	-	(2,168)
Net operating income	23,182	926	24,108	23,607	(440)	23,167
Operating expenses	(15,351)	330	(15,021)	(15,987)	-	(15,987)
UK bank levy	(476)	-	(476)	(462)	-	(462)
Litigation and conduct	(378)	(4,009)	(4,387)	(449)	(2,360)	(2,809)
Costs to achieve	(793)	-	(793)	(1,165)	-	(1,165)
Other (losses)/income[a]	(13)	(577)	(590)	11	(446)	(435)
Profit/(loss) before tax from continuing operations	6,171	(3,330)	2,841	5,555	(3,246)	2,309

Note
a Other (losses)/income represents the share of post-tax results of associates and joint ventures, profit or (loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.

Financial review

Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated

Adjusted profit reconciliation		
For the year ended 31 December	2015 £m	2014 £m
Adjusted profit before tax	**6,171**	5,555
Provisions for UK customer redress	**(2,772)**	(1,110)
Provisions for ongoing investigations and litigation including Foreign Exchange	**(1,237)**	(1,250)
Losses on sale relating to the Spanish, Portuguese and Italian businesses	**(580)**	(446)
Gain on US Lehman acquisition assets	**496**	461
Own credit	**430**	34
Gain on valuation of a component of the defined retirement benefit liability	**429**	-
Impairment of goodwill and other assets relating to businesses being disposed	**(96)**	-
Revision of ESHLA valuation methodology	**-**	(935)
Statutory profit before tax	**2,841**	2,309

Income by geographic region (audited)	Adjusted		Statutory	
	2015 £m	2014 £m	2015 £m	2014 £m
Continuing operations				
UK[a]	**12,498**	12,404	**12,928**	11,503
Europe	**2,245**	2,896	**2,245**	2,896
Americas[b]	**6,114**	5,547	**6,610**	6,008
Africa and Middle East	**3,801**	4,152	**3,801**	4,152
Asia	**638**	776	**638**	776
Total	**25,296**	25,775	**26,222**	25,335

Statutory income from individual countries which represent more than 5% of total income (audited)[c]	2015 £m	2014 £m
Continuing operations		
UK	**12,928**	11,503
US	**6,228**	5,866
South Africa	**2,727**	2,915

Notes
a UK adjusted income excludes the impact of an own credit gain of £430m (2014: £34m gain) and ESHLA valuation revision of nil (2014: £935m).
b Americas adjusted income excludes the gains on US Lehman acquisition assets of £496m (2014: £461m).
c Total income net of insurance claims based on counterparty location. Income from any single external customer does not amount to 10% or greater of the Group's total income net of insurance claims.

Barclays Core

	2015 £m	2014 £m
Income statement information		
Total income net of insurance claims	25,460	24,725
Credit impairment charges and other provisions	(2,036)	(2,000)
Net operating income	23,424	22,725
Operating expenses	(14,478)	(14,477)
UK bank levy	(398)	(371)
Litigation and conduct	(230)	(251)
Costs to achieve	(693)	(953)
Total operating expenses	(15,799)	(16,052)
Other net income	5	62
Profit before tax	7,630	6,735
Key facts		
Number of employees (full time equivalent)	123,800	123,400
Performance measures		
Cost: income ratio	62%	65%
Loan loss rate (bps)	51	49

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Personal and Corporate Banking

£8,726m total income
£3,040m profit before tax

2015 compared to 2014

Profit before tax improved 5% to £3,040m driven by the continued reduction in operating expenses and lower impairment due to the benign economic environment in the UK. The reduction in operating expenses was delivered through strategic cost programmes including the restructure of the branch network and technology improvements to increase automation. Corporate performed strongly with income increasing 5% through growth in both lending and cash management.

PCB results were significantly impacted by customer redress in, and the sale of, the US Wealth business. Excluding the US Wealth business profit before tax improved 12% to £3,277m.

Total income reduced 1% to £8,726m. Excluding the US Wealth business income remained flat. Personal income decreased 3% to £4,054m driven by a reduction in fee income and mortgage margin pressure, partially offset by improved deposit margins and balance growth. Corporate income increased 5% to £3,754m due to balance growth in both lending and deposits and improved deposit margins, partially offset by reduced margins in the lending business. Wealth income reduced 15% to £918m primarily as a result of the impact of customer redress in, and the sale of, the US Wealth business. Excluding the US Wealth business income decreased 2%.

Net interest income increased 2% to £6,438m driven by growth in Corporate balances and the change in the overdraft proposition in June 2014. Net interest margin remained broadly in line at 2.99% (2014: 3.00%) as mortgage margin pressure and lower Corporate lending margins were partially offset by increased margins on Corporate and Personal deposits, and the benefit of the change in the overdraft proposition.

Net fee, commission and other income reduced 10% to £2,288m driven primarily by the impact of the change in the overdraft proposition and customer redress in the US.

Credit impairment charges improved 22% to £378m due to the benign economic environment in the UK resulting in lower default rates and charges across all businesses. The loan loss rate reduced 4bps to 17bps.

Total operating expenses reduced 4% to £5,268m reflecting savings realised from strategic cost programmes relating to restructuring of the branch network and technology improvements, and lower costs to achieve, partially offset by increased litigation and conduct charges.

Loans and advances to customers increased 1% to £218.4bn due to increased Corporate lending.

Total assets increased 1% to £287.2bn driven by the growth in loans and advances to customers.

Customer deposits increased 2% to £305.4bn primarily driven by the Personal and Corporate businesses.

	2015 £m	2014 £m
Income statement information		
Net interest income	6,438	6,298
Net fee, commission and other income	2,288	2,530
Total income	8,726	8,828
Credit impairment charges and other provisions	(378)	(482)
Net operating income	8,348	8,346
Operating expenses	(4,774)	(4,951)
UK bank levy	(93)	(70)
Litigation and conduct	(109)	(54)
Costs to achieve	(292)	(400)
Total operating expenses	(5,268)	(5,475)
Other net income	(40)	14
Profit before tax	3,040	2,885
Balance sheet information		
Loans and advances to customers at amortised cost	£218.4bn	£217.0bn
Total assets	£287.2bn	£285.0bn
Customer deposits	£305.4bn	£299.2bn
Key facts		
Average LTV of mortgage lending[a]	49%	52%
Average LTV of new mortgage lending[a]	64%	65%
Client assets[b]	£112.2bn	£148.6bn
Number of branches	1,362	1,488
Number of employees (full time equivalent)	45,700	45,600
Performance measures		
Cost: income ratio	60%	62%
Loan loss rate (bps)	17	21
Net interest margin	2.99%	3.00%
Analysis of total income	£m	£m
Personal	4,054	4,159
Corporate	3,754	3,592
Wealth	918	1,077
Total income	8,726	8,828
Analysis of loans and advances to customers at amortised cost		
Personal	£137.0bn	£136.8bn
Corporate	£67.9bn	£65.1bn
Wealth	£13.5bn	£15.1bn
Total loans and advances to customers at amortised cost	£218.4bn	£217.0bn
Analysis of customer deposits		
Personal	£151.3bn	£145.8bn
Corporate	£124.4bn	£122.2bn
Wealth	£29.7bn	£31.2bn
Total customer deposits	£305.4bn	£299.2bn

Notes
a Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.
b Includes assets managed or administered by Barclays on behalf of clients including Assets Under Management (AUM), custody assets, assets under administration, and Wealth client deposits and client lending.

Barclaycard

£4,927m total income
£1,634m profit before tax

2015 compared to 2014

Profit before tax increased 22% to £1,634m. Strong growth was delivered through the diversified consumer and merchant business model with asset growth across all geographies. The cost to income ratio improved to 42% (2014: 43%) whilst investment in business growth continued. The business focus on risk management was reflected in stable 30 day delinquency rates and improved loan loss rates.

Total income increased 13% to £4,927m driven primarily by business growth in US cards and the appreciation of the average USD rate against GBP.

Net interest income increased 16% to £3,520m driven by business growth. Net interest margin also improved to 9.13% (2014: 8.75%) reflecting growth in interest earning lending.

Net fee, commission and other income increased 7% to £1,407m due to growth in payment volumes, partially offset by the impact of rate capping from European Interchange Fee Regulation.

Credit impairment charges increased 6% to £1,251m primarily reflecting asset growth and updates to impairment model methodologies, partially offset by improved performance in UK Cards. Delinquency rates remained broadly stable and the loan loss rate reduced 19bps to 289bps.

Total operating expenses increased 11% to £2,075m due to continued investment in business growth, the appreciation of the average USD rate against GBP and the impact of one-off items, including a write-off of intangible assets of £55m relating to the withdrawal of the Bespoke product.

Loans and advances to customers increased 9% to £39.8bn reflecting growth across all geographies.

Total assets increased 15% to £47.4bn primarily due to the increase in loans and advances to customers.

Customer deposits increased 40% to £10.2bn driven by the deposits funding strategy in the US.

	2015 £m	2014 £m
Income statement information		
Net interest income	3,520	3,044
Net fee, commission and other income	1,407	1,312
Total income	4,927	4,356
Credit impairment charges and other provisions	(1,251)	(1,183)
Net operating income	3,676	3,173
Operating expenses	(1,927)	(1,727)
UK bank levy	(42)	(29)
Costs to achieve	(106)	(118)
Total operating expenses	(2,075)	(1,874)
Other net income	33	40
Profit before tax	1,634	1,339
Balance sheet information		
Loans and advances to customers at amortised cost	£39.8bn	£36.6bn
Total assets	£47.4bn	£41.3bn
Customer deposits	£10.2bn	£7.3bn
Key facts		
30 days arrears rates - UK cards	2.3%	2.5%
30 days arrears rates - US cards	2.2%	2.1%
Total number of Barclaycard consumer customers	28.2m	29.1m
Total number of Barclaycard business clients	341,000	340,000
Value of payments processed	£293bn	£257bn
Number of employees (full time equivalent)	13,100	12,200
Performance measures		
Cost: income ratio	42%	43%
Loan loss rate (bps)	289	308
Net interest margin	9.13%	8.75%

Africa Banking

£3,574m total income net of insurance claims
£979m profit before tax

2015 compared to 2014

Profit before tax decreased 1% to £979m and total income net of insurance claims decreased 2% to £3,574m. The ZAR depreciated against GBP by 10% based on average rates and by 28% based on the closing exchange rate in 2015. The deterioration was a significant contributor to the movement in the reported results of Africa Banking and therefore the discussion of business performance below is based on results on a constant currency basis.

Results on a constant currency basis

Profit before tax increased 11% to £979m reflecting an increase of 18% in operations outside South Africa and an increase of 9% in South Africa despite the challenging macroeconomic environment. Good growth was delivered in the focus areas of Retail and Business Banking (RBB) and corporate banking in South Africa, and Wealth, Investment Management and Insurance (WIMI), whilst performance in the corporate business outside South Africa was impacted by higher impairment.

Total income net of insurance claims increased 7% to £3,574m.

Net interest income increased 8% to £2,066m driven by higher average customer advances in Corporate and Investment Banking (CIB) and strong growth in customer deposits in RBB.

Net interest margin increased 11bps to 6.06% primarily due to improved asset margins in retail in South Africa.

Net fee, commission and other income increased 5% to £1,668m reflecting increased transactional income in RBB, partially offset by lower investment banking income in South Africa.

Credit impairment charges increased 11% to £352m driven by an increase in single name exposures and additional coverage on performing loans. The loan loss rate increased 16bps to 109bps.

Total operating expenses increased 5% to £2,250m reflecting inflationary impacts, partially offset by savings from strategic cost programmes including the restructure of the branch network, technology improvements and property rationalisation.

Loans and advances to customers increased 8% to £29.9bn driven by strong CIB growth.

Total assets increased 14% to £49.9bn primarily due to the increase in loans and advances to customers.

Customer deposits increased 11% to £30.6bn reflecting strong growth in the RBB business.

	2015 £m	2014 £m	Constant currency[a] 2015 £m	Constant currency[a] 2014 £m
Income statement information				
Net interest income	**2,066**	2,093	**2,066**	1,908
Net fee, commission and other income	**1,668**	1,741	**1,668**	1,583
Total income	**3,734**	3,834	**3,734**	3,491
Net claims and benefits incurred under insurance contracts	**(160)**	(170)	**(160)**	(155)
Total income net of insurance claims	**3,574**	3,664	**3,574**	3,336
Credit impairment charges and other provisions	**(352)**	(349)	**(352)**	(317)
Net operating income	**3,222**	3,315	**3,222**	3,019
Operating expenses	**(2,169)**	(2,244)	**(2,169)**	(2,051)
UK bank levy	**(52)**	(45)	**(52)**	(45)
Litigation and conduct	**-**	(2)	**-**	(2)
Costs to achieve	**(29)**	(51)	**(29)**	(46)
Total operating expenses	**(2,250)**	(2,342)	**(2,250)**	(2,144)
Other net income	**7**	11	**7**	10
Profit before tax	**979**	984	**979**	885
Balance sheet information				
Loans and advances to customers at amortised cost	**£29.9bn**	£35.2bn	**£29.9bn**	£27.6bn
Total assets	**£49.9bn**	£55.5bn	**£49.9bn**	£43.8bn
Customer deposits	**£30.6bn**	£35.0bn	**£30.6bn**	£27.6bn
Key facts				
Average LTV of mortgage portfolio[b]	**58.4%**	59.9%		
Average LTV of new mortgage lending[b]	**74.7%**	74.8%		
Number of employees (full time equivalent)	**44,400**	45,000		
Performance measures				
Cost: income ratio	**63%**	64%		
Loan loss rate (bps)	**109**	93		
Net interest margin	**6.06%**	5.95%		

Notes

a Constant currency results are calculated by converting ZAR results into GBP using the average 2015 exchange rate for the income statement and the closing 2015 exchange rate for the balance sheet to eliminate the impact of movement in exchange rates between the two periods.

b Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.

Investment Bank

£7,572m total income
£1,611m profit before tax

2015 compared to 2014

Profit before tax increased 18% to £1,611m. Income remained flat despite reductions in RWAs. Focusing on its home markets of the UK and US, the business continued to build on existing strengths in the face of challenging market conditions. Costs decreased as a result of improved cost efficiency and a reduction in costs to achieve.

Total income was broadly flat at £7,572m (2014: £7,581m), including the appreciation of the average USD rate against GBP.

Banking income reduced 1% to £2,529m. Investment Banking fee income reduced 2% to £2,093m driven by lower equity underwriting fees, partially offset by higher financial advisory and debt underwriting fees. Lending income increased to £436m (2014: £417m) due to lower losses on fair value hedges.

Markets income was broadly flat at £5,030m (2014: £5,019m). Credit income decreased 5% to £995m driven by lower income in securitised products as a result of the accelerated strategic repositioning in this asset class and lower income from distressed credit. This was partially offset by higher income as a result of client driven credit flow trading. Equities income decreased 1% to £2,001m driven by lower client activity in EMEA in equity derivatives, partially offset by higher performance in cash equities. Macro income increased 4% to £2,034m due to higher income in rates and currency products reflecting increased market volatility and client activity.

Credit impairment charges of £55m (2014: release of £14m) arose from a number of single name exposures.

Total operating expenses decreased 5% to £5,906m reflecting a 5% reduction in compensation costs to £3,423m and lower costs to achieve. Further cost savings were achieved from strategic cost programmes, including business restructuring, operational streamlining and real estate rationalisation, partially offset by the appreciation of the average USD rate against GBP.

Derivative financial instrument assets and liabilities decreased 25% to £114.3bn and 24% to £122.2bn respectively, due to net trade reduction and increases in major interest rate forward curves.

Trading portfolio assets decreased 31% to £65.2bn primarily driven by balance sheet deleveraging, resulting in lower securities positions.

Total assets decreased 17% to £376.0bn due to a decrease in derivative financial instrument assets, trading portfolio assets, and settlement and cash collateral balances within loans and advances to banks and customers.

	2015 £m	2014 £m
Income statement information		
Net interest income	588	647
Net trading income	3,859	3,714
Net fee, commission and other income	3,125	3,220
Total income	7,572	7,581
Credit impairment releases and other provisions	(55)	14
Net operating income	7,517	7,595
Operating expenses	(5,362)	(5,504)
UK bank levy	(203)	(218)
Litigation and conduct	(107)	(129)
Costs to achieve	(234)	(374)
Total operating expenses	(5,906)	(6,225)
Profit before tax	1,611	1,370
Balance sheet information		
Loans and advances to banks and customers at amortised cost[a]	£92.2bn	£106.3bn
Trading portfolio assets	£65.2bn	£94.8bn
Derivative financial instrument assets	£114.3bn	£152.6bn
Derivative financial instrument liabilities	£122.2bn	£160.6bn
Reverse repurchase agreements and other similar secured lending[b]	£25.5bn	£64.3bn
Financial assets designated at fair value[b]	£48.1bn	£8.9bn
Total assets	£376.0bn	£455.7bn
Key facts		
Number of employees (full time equivalent)	19,800	20,500
Performance measures		
Cost: income ratio	78%	82%
Analysis of total income		
Investment banking fees	2,093	2,125
Lending	436	417
Banking	2,529	2,542
Credit	995	1,044
Equities	2,001	2,025
Macro	2,034	1,950
Markets	5,030	5,019
Banking & Markets	7,559	7,561
Other	13	20
Total income	7,572	7,581

Note

a As at 31 December 2015 loans and advances included £74.8bn (2014: £86.4bn) of loans and advances to customers (including settlement balances of £18.6bn (2014: £25.8bn) and cash collateral of £24.8bn (2014: £32.2bn)) and loans and advances to banks of £17.4bn (2014: £19.9bn) (including settlement balances of £1.6bn (2014: £2.7bn) and cash collateral of £5.7bn (2014: £6.9bn)).

b During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. Included within financial assets designated at fair value are reverse repurchase agreements designated at fair value of £42.5bn (2014: £3.4bn).

Head Office

2015 compared to 2014

Profit before tax increased £209m to £366m primarily due to the net operating income from Treasury operations, partially offset by an increase in total operating expenses.

Net operating income increased to £661m (2014: £296m) predominantly due to a cash flow hedge recycling gain.

Total operating expenses increased £164m to £300m primarily due to costs relating to the implementation of the structural reform programme and an increase in costs to achieve, partially offset by reduced litigation and conduct charges.

Total assets increased £7.3bn to £57.1bn due to an increase in the element of the liquidity buffer held centrally.

	2015 £m	2014 £m
Income statement information		
Net operating income	**661**	296
Operating expenses	**(246)**	(51)
UK bank levy	**(8)**	(9)
Litigation and conduct	**(14)**	(66)
Cost to achieve	**(32)**	(10)
Total operating expenses	**(300)**	(136)
Other net income/(expense)	**5**	(3)
Profit/(loss) before tax	**366**	157
Balance sheet information		
Total assets	**£57.1bn**	£49.8bn
Key facts		
Number of employees (full time equivalent)	**800**	100

Barclays Non-Core

(£164m) total income net of insurance claims
£1,459m loss before tax

2015 compared to 2014

Loss before tax increased 24% to £1,459m driven by continued progress in the exit of Businesses, Securities and loans, and Derivative assets.

Total income net of insurance claims reduced to an expense of £164m (2014: income of £1,050m). Businesses income reduced 44% to £613m due to the impact of the sale of the Spanish business and the sale and rundown of legacy portfolio assets. Securities and loans income reduced to an expense of £481m (2014: income of £117m) primarily driven by fair value losses and funding costs on the ESHLA portfolio, the active rundown of securities, exit of historical investment bank businesses and the non-recurring gain on the sale of the UAE retail banking portfolio in 2014. Fair value losses on the ESHLA portfolio were £359m (2014: £156m), of which £156m was in Q415, as gilt swap spreads widened. Derivatives income reduced 76% to an expense of £296m reflecting the active rundown of the portfolios and funding costs.

Credit impairment charges improved 54% to £78m due to higher recoveries in Europe and the sale of the Spanish business.

Total operating expenses improved 40% to £1,199m reflecting savings from the sales of the Spanish, UAE retail, commodities, and several principal investment businesses, as well as a reduction in costs to achieve, and conduct and litigation charges.

Loans and advances to banks and customers reduced 28% to £45.9bn due to the reclassification of £5.5bn of loans relating to the announced sales of the Portuguese and Italian businesses to assets held for sale, and the rundown and exit of historical investment bank assets.

Derivative financial instrument assets and liabilities decreased 26% to £210.3bn and 28% to £198.7bn respectively, largely as a result of trade reduction.

Total assets decreased 36% to £303.1bn due to reduced reverse repurchase agreements and other similar secured lending, and lower derivative financial instrument assets.

Financial review
Analysis of results by business

	2015 £m	2014 £m
Income statement information		
Net interest income	**249**	214
Net trading income	**(805)**	120
Net fee, commission and other income	**765**	1,026
Total income	**209**	1,360
Net claims and benefits incurred under insurance contracts	**(373)**	(310)
Total income net of insurance claims	**(164)**	1,050
Credit impairment charges and other provisions	**(78)**	(168)
Net operating (expense)/income	**(242)**	882
Operating expenses	**(873)**	(1,510)
UK bank levy	**(78)**	(91)
Litigation and conduct	**(148)**	(198)
Costs to achieve	**(100)**	(212)
Total operating expenses	**(1,199)**	(2,011)
Other net expenses	**(18)**	(51)
Loss before tax	**(1,459)**	(1,180)
Balance sheet information		
Loans and advances to banks and customers at amortised cost[a]	**£45.9bn**	£63.9bn
Derivative financial instrument assets	**£210.3bn**	£285.4bn
Derivative financial instrument liabilities	**£198.7bn**	£277.1bn
Reverse repurchase agreements and other similar secured lending[b]	**£2.4bn**	£49.3bn
Financial assets designated at fair value[b]	**£20.1bn**	£22.2bn
Total assets	**£303.1bn**	£471.5bn
Customer deposits	**£14.9bn**	£21.6bn
Key facts		
Number of employees (full time equivalent)	**5,600**	8,900
Analysis of total income net of insurance claims		
Businesses	**613**	1,101
Securities and loans	**(481)**	117
Derivatives	**(296)**	(168)
Total income net of insurance claims	**(164)**	1,050

Note

a As at 31 December 2015 loans and advances included £35.2bn (2014: £51.6bn) of loans and advances to customers (including settlement balances of £0.2bn (2014: £1.6bn) and cash collateral of £19.0bn (2014: £22.1bn)) and loans and advances to banks of £10.6bn (2014: £12.3bn) (including settlement balances of nil (2014: £0.3bn) and cash collateral of £10.1bn (2014: £11.3bn)).

b During 2015, new reverse repurchase agreements and other similar lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance. Included within financial assets designated at fair value are reverse repurchase agreements designated at fair value of £1.4bn (2014: £1.0bn).

Financial statements
Contents

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Presentation of information

Barclays Bank PLC is a public limited company, registered in England under company number 1026167. The bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on the 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985 the Bank was registered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

Barclays' approach to disclosures

The Group aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and 'areas of focus'. Consequently Barclays disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continues to support the recommendations and guidance made by the Enhanced Disclosure Taskforce (EDTF). The EDTF was formed by the Financial Stability Board with a remit to broaden and deepen the risk disclosures of global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has fully adopted the recommendations across the Annual Report and Pillar 3 Report.

In line with the Financial Reporting Council's guidance on Clear and Concise reporting, for 2015 Barclays has focused reporting on material items and sought to reorganise information to aid users understanding.

It is Barclays' view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement with the banking sector. Barclays is committed to engaging with a published Code for Financial Reporting Disclosure (the Code). The Code sets out five disclosure principles with supporting guidance which states that UK banks will:

- provide high quality, meaningful and decision-useful disclosures
- review and enhance their financial instrument disclosures for key areas of interest
- assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance
- seek to enhance the comparability of financial statement disclosures across the UK banking sector and
- clearly differentiate in their annual reports between information that is audited and information that is unaudited.

British Bankers' Association (BBA) Code for Financial Reporting Disclosure

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2015 Annual Report and Accounts in compliance with the Code.

Statutory accounts

The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 159 to 164. The accounting policies on pages 165 to 168 and the Notes commencing on page 169 apply equally to both sets of accounts unless otherwise stated.

Differences between Barclays Bank PLC and the Parent Company - Barclays PLC

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC, which is the Group's ultimate Parent Company. The business activities of Barclays Bank PLC Group and Barclays PLC Group are fundamentally the same as the only difference is the holding company, Barclays PLC. Reporting differences between Barclays Bank PLC and Barclays PLC are driven by the holding company and resulting differences in funding structures. The significant differences are described below.

Instrument Type	Barclays PLC £m	Barclays Bank PLC £m	Primary reason for difference
Preference shares	-	5,486	Preference shares and capital notes issued by Barclays Bank PLC are included within share capital in Barclays Bank PLC, and presented as non-controlling interests in the financial statements of Barclays PLC Group.
Other shareholders' equity	-	485	
Non-controlling interests (NCI)	6,054	1,914	
Treasury shares	(68)	-	Barclays PLC shares held for the purposes of employee share schemes and for trading are recognised as available for sale investments and trading portfolio assets respectively within Barclays Bank PLC. Barclays PLC deducts these treasury shares from shareholders' equity.
Capital Redemption Reserve (CRR)	394	24	Arising from the redemption or exchange of Barclays PLC or Barclays Bank PLC shares respectively.

Presentation of information

Barclays Bank PLC Contingent Capital Notes (CCNs)
Barclays Bank PLC has in issue two series of contingent capital notes (CCNs). These both pay interest and principal to the holder unless the consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) of Barclays PLC falls below 7%, in which case they are cancelled from the consolidated perspective. The coupon payable on the CCNs is higher than a market rate of interest for a similar note without this risk.

The accounting for these instruments differs between the consolidated financial statements of Barclays PLC and Barclays Bank PLC as follows:

- In the case of the 7.625% CCN issuance, the cancellation is effected by an automatic legal transfer of title from the holder to Barclays PLC. In these circumstances, Barclays Bank PLC remains liable to Barclays PLC. Barclays Bank PLC does not benefit from the cancellation feature although it pays a higher than market rate for a similar note, and therefore the initial fair value of the note recognised was higher than par. The difference between fair value and par is amortised to the income statement over time.
- In the case of the 7.75% CCN issuance, the cancellation is directly effected in Barclays Bank PLC. For Barclays Bank PLC, the cancellation feature is separately valued from the host liability as an embedded derivative with changes in fair value reported in the income statement. The initial fair value of the host liability recognised was higher than par by the amount of the initial fair value of the derivative and the difference is amortised to the income statement over time.

Cash flow hedge
Barclays Bank PLC is no longer expected to be exposed to floating rate cash flows on assets which had previously been designated in cash flow hedges. This is as a direct result of anticipated bank ring fencing and the transfer of these assets to an entity which is not expected to be consolidated by Barclays Bank PLC (although is expected to be consolidated by Barclays PLC).

As a result, Barclays Bank PLC has recycled amounts which had been deferred into the cash flow hedge reserve pertaining to these cash flows and has prospectively discontinued its hedge accounting relationships on these cash flows, which has increased its income statement volatility. During Q4 2015 this has resulted in a net pre-tax income of £692m.

Independent Auditors' report

Independent Auditors' report to the members of Barclays Bank PLC

Report on the financial statements

Our opinion

In our opinion, Barclays Bank PLC's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's and the Parent Company's profit and cash flows for the 12 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated and Parent Company balance sheets as at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated and Parent Company cash flow statements for the period then ended;
- the consolidated and Parent Company statements of changes in equity for the period then ended and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the EU.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Opinion on additional disclosures

Directors' Remuneration Report

The Parent Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Parent Company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' report

Independent Auditors' report to the members of Barclays Bank PLC

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 34 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Henry Daubeney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 February 2016

Notes

a The maintenance and integrity of the Barclays website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
b Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Registered Public Accounting Firm's report

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Barclays Bank PLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements present fairly, in all material respects, the financial position of Barclays Bank PLC ("the Bank") and its subsidiaries at 31 December 2015 and 31 December 2014, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
London, UK
29 February 2016

Consolidated financial statements

Consolidated income statement

For the year ended 31 December	Notes	The Group 2015 £m	2014 £m
Continuing operations			
Interest income	3	**17,195**	17,369
Interest expense	3	**(3,882)**	(5,231)
Net interest income		**13,313**	12,138
Fee and commission income	4	**9,679**	9,850
Fee and commission expense	4	**(1,763)**	(1,662)
Net fee and commission income		**7,916**	8,188
Net trading income	5	**3,627**	3,310
Net investment income	6	**1,138**	1,328
Net premiums from insurance contracts		**709**	669
Other income		**52**	182
Total income		**26,755**	25,815
Net claims and benefits incurred on insurance contracts		**(533)**	(480)
Total income net of insurance claims		**26,222**	25,335
Credit impairment charges and other credit provisions	7	**(2,114)**	(2,168)
Net operating income		**24,108**	23,167
Staff costs	33	**(9,960)**	(11,005)
Infrastructure costs	8	**(3,180)**	(3,443)
Administration and general expenses	8	**(3,528)**	(3,615)
Provision for UK customer redress	26	**(2,772)**	(1,110)
Provision for ongoing investigations and litigation including Foreign Exchange	26	**(1,237)**	(1,250)
Operating expenses		**(20,677)**	(20,423)
Share of post-tax results of associates and joint ventures		**47**	36
Loss on disposal of subsidiaries, associates and joint ventures	9	**(637)**	(471)
Profit before tax		**2,841**	2,309
Taxation	10	**(1,603)**	(1,455)
Profit after tax		**1,238**	854
Attributable to:			
Equity holders of the parent		**911**	528
Non-controlling interests	32	**327**	326
Profit after tax		**1,238**	854

Note
As permitted by section 408(3) of the Companies Act 2006 an income statement for the Parent Company has not been presented.

Consolidated financial statements
Consolidated statement of comprehensive income

	The Group	
	2015	2014
For the year ended 31 December	£m	£m
Profit after tax	1,238	854
Other comprehensive (loss)/income from continuing operations:		
Currency translation reserve		
Currency translation differences	(476)	486
Available for sale reserve		
Net gains from changes in fair value	44	5,346
Net gains transferred to net profit on disposal	(377)	(619)
Net losses/(gains) transferred to net profit due to impairment	17	(31)
Net gains transferred to net profit due to fair value hedging	(148)	(4,074)
Changes in insurance liabilities	86	(94)
Tax	132	(102)
Cash flow hedging reserve		
Net (losses)/gains from changes in fair value	(1,091)	2,687
Net gains transferred to net profit	(276)	(767)
Tax	221	(380)
Other	19	(19)
Total comprehensive (loss)/income that may be recycled to profit and loss	(1,849)	2,433
Other comprehensive income not recycled to profit or loss:		
Retirement benefit remeasurements	1,174	268
Tax	(260)	(63)
Other comprehensive (loss)/income for the year	(935)	2,638
Total comprehensive income for the year	303	3,492
Attributable to:		
Equity holders of the parent	457	3,245
Non-controlling interests	(154)	247
	303	3,492

Consolidated financial statements
Consolidated balance sheet

As at 31 December	Notes	The Group 2015 £m	The Group 2014 £m	The Bank 2015 £m	The Bank 2014 £m
Assets					
Cash and balances at central banks		**49,711**	39,695	**43,669**	35,469
Items in the course of collection from other banks		**1,011**	1,210	**596**	801
Trading portfolio assets	12	**77,398**	114,755	**33,057**	49,076
Financial assets designated at fair value	13	**76,830**	38,300	**71,987**	40,867
Derivative financial instruments	14	**327,870**	440,076	**316,252**	426,565
Available for sale investments	15	**90,304**	86,105	**83,608**	78,590
Loans and advances to banks	19	**41,829**	42,657	**62,201**	57,438
Loans and advances to customers	19	**399,217**	427,767	**395,207**	429,814
Reverse repurchase agreements and other similar secured lending	21	**28,187**	131,753	**28,803**	102,824
Prepayments, accrued income and other assets		**3,027**	3,604	**9,103**	16,529
Investments in associates and joint ventures	38	**573**	711	**127**	193
Investment in subsidiaries		**-**	-	**17,782**	18,345
Property, plant and equipment	22	**3,468**	3,786	**1,502**	1,601
Goodwill and intangible assets	23	**8,222**	8,180	**5,340**	4,945
Current tax assets	10	**385**	334	**27**	-
Deferred tax assets	10	**4,495**	4,130	**2,069**	2,079
Retirement benefit assets	35	**836**	56	**807**	-
Non current assets classified as held for sale	44	**7,364**	15,574	**5,180**	620
Total assets		**1,120,727**	1,358,693	**1,077,317**	1,265,756
Liabilities					
Deposits from banks		**47,080**	58,390	**63,682**	70,342
Items in the course of collection due to other banks		**1,013**	1,177	**758**	911
Customer accounts		**418,307**	427,868	**411,791**	425,134
Repurchase agreements and other similar secured borrowing	21	**25,035**	124,479	**26,164**	95,373
Trading portfolio liabilities	12	**33,967**	45,124	**23,567**	25,910
Financial liabilities designated at fair value	16	**91,745**	56,972	**90,198**	62,716
Derivative financial instruments	14	**324,252**	439,320	**310,025**	419,605
Debt securities in issue		**69,150**	86,099	**45,720**	63,771
Subordinated liabilities	29	**21,955**	21,685	**21,411**	20,851
Accruals, deferred income and other liabilities	25	**10,612**	11,432	**17,779**	18,649
Provisions	26	**4,142**	4,135	**3,681**	3,790
Current tax liabilities	10	**930**	1,023	**695**	395
Deferred tax liabilities	10	**100**	255	**6**	13
Retirement benefit liabilities	35	**423**	1,574	**213**	1,309
Liabilities included in disposal groups classified as held for sale	44	**5,997**	13,115	**4,103**	275
Total liabilities		**1,054,708**	1,292,648	**1,019,793**	1,209,044
Total equity					
Called up share capital and share premium	30	**14,472**	14,472	**14,472**	14,472
Other equity instruments	30	**5,350**	4,350	**5,350**	4,350
Other reserves	31	**933**	2,322	**1,498**	2,372
Retained earnings		**43,350**	42,650	**36,204**	35,518
Total equity excluding non-controlling interests[a]		**64,105**	63,794	**57,524**	56,712
Non-controlling interests	32	**1,914**	2,251	**-**	-
Total equity		**66,019**	66,045	**57,524**	56,712
Total liabilities and equity		**1,120,727**	1,358,693	**1,077,317**	1,265,756

The Board of Directors approved the financial statements on pages 158 to 275 on 29 February 2016.

John McFarlane
Group Chairman

Jes Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Note
a As permitted by section 408 of the Companies Act 2006 an income statement for the Parent Company has not been presented. Included in shareholders' equity excluding non-controlling interests for 'The Bank' is a profit after tax for the year ended 31 December 2015 of £802m (2014: £1,488m).

Consolidated financial statements

Consolidated statement of changes in equity

The Group	Called up share capital and share premium[a] £m	Other equity instruments[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other reserves and other shareholders' equity[a,b] £m	Retained earnings £m	Total equity excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2015	**14,472**	**4,350**	**578**	**1,817**	**(582)**	**509**	**42,650**	**63,794**	**2,251**	**66,045**
Profit after tax	-	345	-	-	-	-	566	911	327	1,238
Currency translation movements	-	-	-	-	(41)	-	-	(41)	(435)	(476)
Available for sale investments	-	-	(240)	-	-	-	-	(240)	(6)	(246)
Cash flow hedges	-	-	-	(1,108)	-	-	-	(1,108)	(38)	(1,146)
Pension remeasurement	-	-	-	-	-	-	916	916	(2)	914
Other	-	-	-	-	-	-	19	19	-	19
Total comprehensive income for the year	-	345	(240)	(1,108)	(41)	-	1,501	457	(154)	303
Issue and exchange of equity instruments	-	1,000	-	-	-	-	-	1,000	-	1,000
Other equity instruments coupons paid	-	(345)	-	-	-	-	70	(275)	-	(275)
Equity settled share schemes	-	-	-	-	-	-	571	571	-	571
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(755)	(755)	-	(755)
Dividends paid on ordinary shares	-	-	-	-	-	-	(876)	(876)	(209)	(1,085)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	(343)	(343)	-	(343)
Capital contribution from Barclays PLC	-	-	-	-	-	-	560	560	-	560
Other reserve movements	-	-	-	-	-	-	(28)	(28)	26	(2)
Balance as at 31 December 2015	**14,472**	**5,350**	**338**	**709**	**(623)**	**509**	**43,350**	**64,105**	**1,914**	**66,019**
Balance as at 1 January 2014	14,494	2,078	151	273	(1,142)	485	44,670	61,009	2,211	63,220
Profit after tax	-	250	-	-	-	-	278	528	326	854
Currency translation movements	-	-	-	-	560	-	-	560	(74)	486
Available for sale investments	-	-	427		-	-	-	427	(1)	426
Cash flow hedges	-	-	-	1,544	-	-	-	1,544	(4)	1,540
Pension remeasurement	-	-	-		-	-	205	205	-	205
Other	-	-	-		-	-	(19)	(19)	-	(19)
Total comprehensive income for the year	-	250	427	1,544	560	-	464	3,245	247	3,492
Issue and exchange of equity instruments	(15)	2,272	-	-	-	16	(1,683)	590	-	590
Redemption of preference shares	(7)	-	-	-	-	8	(792)	(791)	-	(791)
Other equity instruments coupons paid	-	(250)	-	-	-	-	54	(196)	-	(196)
Equity settled share schemes	-	-	-	-	-	-	693	693	-	693
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(866)	(866)	-	(866)
Dividends on ordinary shares	-	-	-	-	-	-	(821)	(821)	(190)	(1,011)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	-	(441)	(441)	-	(441)
Capital contribution from Barclays PLC	-	-	-	-	-	-	1,412	1,412	-	1,412
Other reserve movements	-	-	-	-	-	-	(40)	(40)	(17)	(57)
Balance as at 31 December 2014	14,472	4,350	578	1,817	(582)	509	42,650	63,794	2,251	66,045

Notes
a For further details refer to Note 30.
b For further details refer to Note 31.

Consolidated financial statements
Statement of changes in equity

The Bank	Called up share capital and share premium[a] £m	Other equity instruments[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other reserves and other shareholders' equity[a,b] £m	Retained earnings £m	Total £m
Balance as at 1 January 2015	**14,472**	**4,350**	**362**	**1,807**	**(370)**	**573**	**35,518**	**56,712**
Profit after tax	**-**	**345**	**-**	**-**	**-**	**-**	**457**	**802**
Currency translation movements	**-**	**-**	**-**	**-**	**376**	**-**	**-**	**376**
Available for sale investments	**-**	**-**	**(203)**	**-**	**-**	**-**	**-**	**(203)**
Cash flow hedges	**-**	**-**	**-**	**(1,047)**	**-**	**-**	**-**	**(1,047)**
Pension remeasurement	**-**	**-**	**-**	**-**	**-**	**-**	**886**	**886**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**
Total comprehensive income for the year	**-**	**345**	**(203)**	**(1,047)**	**376**	**-**	**1,347**	**818**
Issue and exchange of other equity instruments	**-**	**1,000**	**-**	**-**	**-**	**-**	**-**	**1,000**
Other equity instruments coupons paid	**-**	**(345)**	**-**	**-**	**-**	**-**	**70**	**(275)**
Equity settled share schemes	**-**	**-**	**-**	**-**	**-**	**-**	**103**	**103**
Vesting of Barclays PLC shares under share-based payment schemes	**-**	**-**	**-**	**-**	**-**	**-**	**(144)**	**(144)**
Dividends paid on ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**(871)**	**(871)**
Dividends paid on preference shares and other shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**(343)**	**(343)**
Capital contribution from Barclays PLC	**-**	**-**	**-**	**-**	**-**	**-**	**560**	**560**
Other reserve movements	**-**	**-**	**-**	**-**	**-**	**-**	**(36)**	**(36)**
Balance as at 31 December 2015	**14,472**	**5,350**	**159**	**760**	**6**	**573**	**36,204**	**57,524**
Balance as at 1 January 2014	14,494	2,078	(12)	254	(712)	549	36,327	52,978
Profit after tax	-	250	-	-	-	-	1,238	1,488
Currency translation movements	-	-	-	-	342	-	-	342
Available for sale investments	-	-	374	-	-	-	-	374
Cash flow hedges	-	-	-	1,553	-	-	-	1,553
Pension remeasurement	-	-	-	-	-	-	239	239
Other	-	-	-	-	-	-	7	7
Total comprehensive income for the year	-	250	374	1,553	342	-	1,484	4,003
Issue and exchange of other equity instruments	(15)	2,272	-	-	-	16	(1,683)	590
Redemption of preference shares	(7)	-	-	-	-	8	(792)	(791)
Other equity instruments coupons paid	-	(250)	-	-	-	-	54	(196)
Equity settled share schemes	-	-	-	-	-	-	117	117
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	-	(128)	(128)
Dividends paid on ordinary shares	-	-	-	-	-	-	(821)	(821)
Dividends paid on preference shares and other shareholders' equity	-	-	-	-	-	-	(443)	(443)
Capital contribution from Barclays PLC	-	-	-	-	-	-	1,412	1,412
Other reserve movements	-	-	-	-	-	-	(9)	(9)
Balance as at 31 December 2014	14,472	4,350	362	1,807	(370)	573	35,518	56,712

Notes
a For further details refer to Note 30.
b For further details refer to Note 31.

Consolidated financial statements
Consolidated cash flow statement

For the year ended 31 December	The Group 2015 £m	The Group 2014 £m	The Bank 2015 £m	The Bank 2014 £m
Continuing operations				
Reconciliation of profit before tax to net cash flows from operating activities:				
Profit before tax	**2,841**	2,309	**1,216**	1,557
Adjustment for non-cash items:				
Allowance for impairment	**2,105**	2,168	**1,145**	1,220
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**1,324**	1,279	**600**	646
Other provisions, including pensions	**4,335**	3,600	**3,767**	3,240
Net loss on disposal of investments and property, plant and equipment	**(374)**	(620)	**-**	-
Other non-cash movements	**(2,050)**	(1,699)	**(2,229)**	(829)
Changes in operating assets and liabilities				
Net decrease in loans and advances to banks and customers	**27,629**	3,538	**27,472**	26,680
Net decrease in reverse repurchase agreements and other similar secured lending	**103,566**	55,021	**74,021**	39,871
Net (decrease) in deposits and debt securities in issue	**(37,820)**	(1,983)	**(38,054)**	(65,491)
Net (decrease) in repurchase agreements and other similar secured borrowing	**(99,444)**	(72,269)	**(69,209)**	(53,172)
Net (increase)/decrease in derivative financial instruments	**(2,862)**	2,586	**733**	3,251
Net decrease in trading assets	**37,330**	18,350	**15,992**	17,152
Net (decrease) in trading liabilities	**(11,157)**	(8,340)	**(2,343)**	(3,080)
Net (increase)/decrease in financial investments	**(3,757)**	(7,156)	**(3,638)**	24,544
Net (increase)/decrease in other assets	**(2,343)**	(14,694)	**3,071**	(273)
Net (decrease)/increase in other liabilities	**(2,236)**	7,409	**(1,864)**	(3,096)
Corporate income tax paid	**(1,643)**	(1,590)	**(225)**	(82)
Net cash from operating activities	**15,444**	(12,091)	**10,455**	(7,862)
Purchase of available for sale investments	**(120,251)**	(108,639)	**(119,427)**	(102,210)
Proceeds from sale or redemption of available for sale investments	**113,048**	120,843	**113,185**	110,437
Purchase of property, plant and equipment	**(852)**	(657)	**(255)**	(310)
Net decrease/(increase) in investment in subsidiaries	**-**	-	**1,201**	(3,409)
Other cash flows associated with investing activities	**(379)**	(886)	**(723)**	(442)
Net cash from investing activities	**(8,434)**	10,661	**(6,019)**	4,066
Dividends paid	**(1,428)**	(1,452)	**(1,214)**	(1,264)
Proceeds of borrowings and issuance of subordinated debt	**1,138**	826	**896**	773
Repayments of borrowings and redemption of subordinated debt	**(682)**	(1,100)	**(280)**	(833)
Net redemption of shares and other equity instruments	**655**	(1,100)	**655**	(1,100)
Capital contribution from Barclays PLC	**560**	1,412	**560**	1,412
Net cash from financing activities	**243**	(1,414)	**617**	(1,012)
Effect of exchange rates on cash and cash equivalents	**824**	(431)	**1,157**	(819)
Net increase/(decrease) in cash and cash equivalents	**8,077**	(3,275)	**6,210**	(5,627)
Cash and cash equivalents at beginning of year	**78,479**	81,754	**60,728**	66,355
Cash and cash equivalents at end of year	**86,556**	78,479	**66,938**	60,728
Cash and cash equivalents comprise:				
Cash and balances at central banks	**49,711**	39,695	**43,669**	35,469
Loans and advances to banks with original maturity less than three months	**35,876**	36,282	**22,804**	24,543
Available for sale treasury and other eligible bills with original maturity less than three months	**816**	2,322	**312**	536
Trading portfolio assets with original maturity less than three months	**153**	180	**153**	180
	86,556	78,479	**66,938**	60,728

Interest received by the Group was £20,370m (2014: £21,372m) and interest paid by the Group was £6,992m (2014: £8,566m). Interest received by the Bank was £13,812m (2014: £15,299m) and interest paid by the Bank was £4,582m (2014: £6,387m).

The Group is required to maintain balances with central banks and other regulatory authorities and as at 31 December 2015 these amounted to £4,369m (2014: £4,448m). The Bank was required to maintain balances with central banks and other regulatory authorities of £219m (2014: £680m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Notes to the financial statements
For the year ended 31December 2015

This section describes Barclays' significant accounting policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, the applicable accounting policy and/or critical accounting estimate is contained within the relevant note.

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for Barclays Bank PLC and its subsidiaries (the Barclays Bank PLC Group or The Group under Section 399 of the Companies Act 2006. The Group is a major global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.

Barclays Bank PLC is a public limited company, incorporated and domiciled in England and Wales having a registered office in England and is the holding company of the Group.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group, and the individual financial statements of Barclays Bank PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the EU. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays Bank PLC.

4. Accounting policies

Barclays prepares financial statements in accordance with IFRS. The Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays applies IFRS 10 *Consolidated Financial Statements*.

The consolidated financial statements combine the financial statements of Barclays Bank PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank PLC has control. The Group has control over another entity when the Group has all of the following:
1) power over the relevant activities of the investee, for example through voting or other rights
2) exposure to, or rights to, variable returns from its involvement with the investee and
3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Details of the principal subsidiaries are given in Note 36 and a complete list of all subsidiaries is presented in Note 45 Related undertakings.

(ii) Foreign currency translation

The Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates.* Transactions and balances in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency balances are translated into Sterling at the period end exchange rates. Exchange rate gains and losses on such balances are taken to the income statement.

The Group's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside the UK may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Sterling operations are translated at the closing rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange rate differences arising on the translation of foreign operations are included in currency translation reserves within equity. These are transferred to the income statement when the Group loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

1. Significant accounting policies continued

As the consolidated financial statements include partnerships where the Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

(iii) Financial assets and liabilities

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement* the recognition, classification and measurement, and derecognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting.

Recognition

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at fair value or amortised cost depending on the Group's intention towards the assets and the nature of the assets and liabilities, mainly determined by their contractual terms.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Group's policies for determining the fair values of the assets and liabilities are set out in Note 17.

Derecognition

The Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Critical accounting estimates and judgements

Transactions in which the Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity or prepayment rates.

(iv) Issued debt and equity instruments

The Group applies IAS 32, *Financial Instruments: Presentation,* to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There were no new or amended standards or interpretations that resulted in a change in accounting policy.

Future accounting developments

There have been, and are expected to be, a number of significant changes to the Group's financial reporting after 2015 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments which will replace IAS 39 *Financial Instruments: Recognition and Measurement* is effective for periods beginning on or after 1 January 2018 and is currently expected to be endorsed by the EU in 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments.

1. Significant accounting policies continued

Impairment

IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information, replacing the existing incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred.

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, the IAS 39 Available for Sale assets model is not fully aligned to the model for amortised cost assets.

IFRS 9 requires the recognition of lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition 12 month expected credit losses are recognised, being the expected credit losses from default events that are possible within 12 months after the reporting date.

Expected credit losses are the unbiased probability of default weighted average credit losses determined by evaluating a range of possible outcomes and forecast future economic conditions. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the effective interest rate.

Under IFRS 9, impairment will be recognised earlier than is the case under IAS 39 because it requires expected losses to be recognised before the loss event arises. Measurement will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. It is expected to have a material financial impact, but it will not be practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

Based on the current requirements of CRD IV, the expected increase in the accounting impairment provision would reduce CET1 capital but the impact would be partially mitigated by the 'excess of expected losses over impairment' included in the CET1 calculation as discussed on page 97.

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) the business model within which financial assets are managed, and

2) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income.

The accounting for financial liabilities is largely unchanged, except for financial liabilities designated at fair value through profit and loss. Gains and losses on such financial liabilities arising from changes in Barclays' own credit risk will be presented in other comprehensive income rather than in profit and loss.

Hedge accounting

IFRS 9 contains revised requirements on hedge accounting, which are more closely aligned with an entity's risk management strategies and risk management objectives. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument. Under the new rules, voluntary hedge de-designations would not be allowed.

Adoption of the IFRS 9 hedge accounting requirements is optional, and certain aspects of IAS 39, being the portfolio fair value hedge for interest rate risk, would continue to be available for entities (while applying IFRS 9 to the remainder of the entity's hedge accounting relationships) until the IASB completes its accounting for dynamic risk management project. Barclays is considering the most appropriate approach to adopt in this area.

1. Significant accounting policies continued

IFRS 15 – Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard will establish a more systematic approach for revenue measurement and recognition. During July 2015, the IASB confirmed the deferral of the effective date by one year to 1 January 2018. The standard has not yet been endorsed by the EU. Adoption of the standard is not expected to have a significant impact.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 *Leases,* which will replace IAS 17 *Leases*. Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The expected effective date is 1 January 2019. The standard has not yet been indorsed by the EU.

Insurance contracts

The IASB also plans to issue a new standard on insurance contracts. The Group is in the process of considering the financial impacts of the new standards.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

	Page		Page
Credit impairment charges and other provisions	171	Fair value of financial instruments	186
Income taxes	174	Provisions	218
Available for sale assets	185	Retirement benefit obligations	245

Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication, certain disclosures required under IFRS have been included within the Risk management section as follows:

- Segmental reporting on pages 138 to 152
- Credit risk management, on pages 53 and 54, including exposures to selected countries.
- Market risk, on pages 54 and 55
- Funding risk - capital, on pages 57 and 58
- Funding risk - liquidity, on pages 59

These are covered by the Audit opinion included on pages 156 to 158.

The notes included in this section relate to The Group. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here.

2 Segmental reporting

Presentation of segmental reporting

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments*. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arms length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

An analysis of the Group's performance by business segment and income by geographic segment is included on pages 138 and 139. Further details on each of the segments are provided on page 140 to 152.

3 Net interest income

Accounting for interest income and expense

The Group applies IAS 39 *Financial Instruments: Recognition and Measurement*. Interest income on loans and advances at amortised cost, available for sale debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), in the normal course of business there are no individual estimates that are material to the results or financial position.

	2015 £m	2014 £m
Cash and balances with central banks	**158**	193
Available for sale investments	**1,387**	1,615
Loans and advances to banks	**535**	452
Loans and advances to customers	**14,732**	14,677
Other	**383**	432
Interest income	**17,195**	17,369
Deposits from banks	**(171)**	(204)
Customer accounts	**(1,035)**	(1,434)
Debt securities in issue	**(1,593)**	(1,915)
Subordinated liabilities	**(1,605)**	(1,611)
Other	**522**	(67)
Interest expense	**(3,882)**	(5,231)
Net interest income	**13,313**	12,138

Interest income includes £149m (2014: £153m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements and hedging activity. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity. Included in net interest income is hedge ineffectiveness as detailed on page 184.

Net interest income increased by 10% to £13,313m, primarily driven by cash flow hedge recycling resulting in a pre-tax income of £692m, as well as margin improvement in Barclaycard and Africa Banking, and volume growth in both PCB and Barclaycard. This was partially offset by a decrease in Head Office due to a reduction in interest income on AFS investments. Interest income decreased by 1% to £17,195m, driven by a decline in income on AFS investments which fell 14% to £1,387m. Interest expense decreased 26% to £3,882m, driven by reduced interest expense on customer accounts falling by 28% to £1,035m, a decrease in interest expense on debt securities in issue of 17% to £1,593m and the £692m cash flow hedge recycling income which is mapped to other interest expense.

4 Net fee and commission income

Accounting for net fee and commission income

The Group applies IAS 18 *Revenue*. Fees and commissions charged for services provided or received by the Group are recognised as the services are provided, for example on completion of the underlying transaction.

	2015 £m	2014 £m
Fee and commission income		
Banking, investment management and credit related fees and commissions	**9,521**	9,695
Foreign exchange commission	**158**	155
Fee and commission income	**9,679**	9,850
Fee and commission expense	**(1,763)**	(1,662)
Net fee and commission income	**7,916**	8,188

Net fee and commission income decreased by £272m to £7,916m. This was primarily driven by lower income due to the sale of the US Wealth and Spanish retail businesses and launch of the revised PCB overdraft proposition in mid 2014, which recognises the majority of the overdraft income as net interest income as opposed to fee income. Investment Bank income decreased, driven by lower equity underwriting fees partially offset by higher financial advisory and debt underwriting fees. Growth in Africa Banking was offset by adverse currency movements. These movements were partly offset by increases in Barclaycard, driven by growth in payment volumes.

5. Net trading income

Accounting for net trading income

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through profit and loss. See Note 16 Financial liabilities designated at fair value.

	2015 £m	2014 £m
Trading income	**3,197**	3,276
Own credit gains	**430**	34
Net trading income	**3,627**	3,310

Included within net trading income were gains of £992m (2014: £1,051m loss) on financial assets designated at fair value and losses of £187m (2014: £65m loss) on financial liabilities designated at fair value.

Net trading income increased 10% to £3,627m, primarily reflecting a £396m favourable variance in own credit due to widening of credit spreads on Barclays' issued debt. Trading income decreased by £79m to £3,197m, mainly driven by the continued disposal and running down of certain businesses and fair value movements on the ESHLA portfolio within Non Core, and depreciation of ZAR against GBP. This was partially offset by increases in various Investment Bank businesses driven by higher volatility and trading activity during the year.

6 Net investment income

Accounting for net investment income

Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income are set out in Note 15 Available for sale financial assets and Note 13 Financial assets designated at fair value.

	2015 £m	2014 £m
Net gain from disposal of available for sale investments	**374**	620
Dividend income	**8**	9
Net gain from financial instruments designated at fair value	**238**	233
Other investment income	**518**	466
Net investment income	**1,138**	1,328

Net investment income decreased by 14% to £1,138m. This was largely driven by lower gains and fewer disposals of available for sale investments due to unfavourable market conditions. During the year a gain of £496m (2014: £461m) was recognised in other investment income due to the final and full legal settlement in respect of US Lehman acquisition assets.

7 Credit impairment charges and other provisions

Accounting for the impairment of financial assets

Loans and other assets held at amortised cost

In accordance with IAS 39, the Group assesses at each balance sheet date whether there is objective evidence that loan assets or available for sale financial investments (debt or equity) will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- becoming aware of significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Group's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

7 Credit impairment charges and other provisions continued

Available for sale financial assets

Impairment of available for sale debt instruments
Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the AFS reserve is removed from reserves and recognised in the income statement. This may be reversed if there is evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments
Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the AFS reserve is removed from reserves and recognised in the income statement.

Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Critical accounting estimates and judgements
The calculation of impairment involves the use of judgement, based on the Group's experience of managing credit risk.

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for retail portfolios is £1,808m (2014: £1,844m) and amounts to 86% (2014: 84%) of the total impairment charge on loans and advances.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to wholesale portfolios is £289m (2014: £360m) and amounts to 14% (2014: 16%) of the total impairment charge on loans and advances. Further information on impairment allowances and related credit information is set out within the Risk review.

	2015 £m	2014 £m
New and increased impairment allowances	**3,056**	3,230
Releases	**(547)**	(809)
Recoveries	**(400)**	(221)
Impairment charges on loans and advances	**2,109**	2,200
Provision (releases)/charges for undrawn contractually committed facilities and guarantees provided	**(12)**	4
Loan impairment	**2,097**	2,204
Available for sale investment	**17**	(31)
Reverse repurchase agreements	**-**	(5)
Credit impairment charges and other provisions	**2,114**	2,168

Loan impairment fell 5% to £ 2,097 m, reflecting lower impairment in PCB and Non-core partially offset by higher charges in the Investment Bank and Barclaycard.

8 Operating expenses

Accounting for staff costs

The Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

Deferred cash bonus awards and deferred share bonus awards are made to employees to incentivise performance over the vesting period. To receive payment under an award, employees must provide service over the vesting period, typically three years from the grant date. The period over which the expense for deferred cash and share bonus awards is recognised is based upon the common understanding between the employee and the Group and the terms and conditions of the award. The Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest as this is the period over which the employees understand that they must provide service in order to receive awards. The table on page 91 in the 2015 Barclays PLC Annual Report details the relevant award dates, payment dates and the period in which the income statement charge arises for bonuses. No expense has been recognised in 2015 for the deferred bonuses that will be granted in March 2016, as they are dependent upon future performance rather than performance during 2015.

The accounting policies for share based payments, and pensions and other post retirement benefits are included in Note 34 and Note 35 respectively.

	2015 £m	2014 £m
Infrastructure costs		
Property and equipment	**1,353**	1,570
Depreciation of property, plant and equipment	**554**	585
Operating lease rentals	**500**	594
Amortisation of intangible assets	**617**	522
Impairment of property, equipment and intangible assets	**153**	172
Gain on property disposals	**3**	-
Total infrastructure costs	**3,180**	3,443
Administration and general costs		
Consultancy, legal and professional fees	**1,191**	1,104
Subscriptions, publications, stationery and communications	**760**	842
Marketing, advertising and sponsorship	**536**	558
Travel and accommodation	**218**	213
UK bank levy	**476**	462
Goodwill impairment	**102**	-
Other administration and general expenses	**245**	436
Total administration and general costs	**3,528**	3,615
Recurring staff costs	**10,389**	11,005
Gains on retirement benefits	**(429)**	-
Staff costs	**9,960**	11,005
Provision for UK customer redress	**2,772**	1,110
Provision for ongoing investigations and litigation including Foreign Exchange	**1,237**	1,250
Operating expenses	**20,677**	20,423

Operating expenses have increased 1% to £20,677m attributable to an increase in provisions for UK customer redress including PPI and an increase in impairment of goodwill partially offset by a decrease in staff costs including a gain on Retirement benefits of £429m (refer to Note 35 Pensions and post retirement benefits) and infrastructure costs reflecting savings from strategic cost programmes.

For further details on staff costs please refer to Note 33 Staff costs.

9 Loss on disposal of subsidiaries, associates and joint ventures

During the year, the loss on disposal of subsidiaries, associates and joint ventures was £637m (2014: loss of £471m), principally relating to the sale of Spanish, Portugal and Italian businesses. Please refer to Note 44 Non-current assets held for sale and associated liabilities.

10 Taxation

Accounting for income taxes

Barclays applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (Current Tax) is recognised as an expense in the period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

	2015 £m	2014 £m
Current tax charge		
Current year	**2,068**	1,448
Adjustment for prior years	**(183)**	(19)
	1,885	1,429
Deferred tax charge/(credit)		
Current year	**(360)**	92
Adjustment for prior years	**78**	(66)
	(282)	26
Tax charge	**1,603**	1,455

Tax relating to each component of other comprehensive income can be found in the consolidated statement of comprehensive income which additionally includes within Other a tax credit of £19m (2014: £19m charge) principally relating to share based payments.

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard UK corporation tax rate to the Group's profit before tax.

	2015 £m	2015 %	2014 £m	2014 %
Profit before tax from continuing operations	**2,841**		2,309	
Tax charge based on the standard UK corporation tax rate of 20.25% (2014: 21.5%)	**575**	**20.2**	496	21.5
Non-creditable taxes including withholding taxes	**309**	**10.9**	329	14.2
Non-deductible provisions for UK customer redress	**283**	**10.0**	-	0.0
Non-UK profits at statutory tax rates different from the UK statutory tax rate	**274**	**9.6**	253	11.0
Non-deductible provisions for ongoing investigations and litigation including Foreign Exchange	**261**	**9.2**	387	16.8
Non-deductible expenses including UK bank levy	**207**	**7.3**	285	12.3
Impact of change in tax rates	**158**	**5.6**	8	0.3
Tax adjustments in respect of share based payments	**30**	**1.1**	21	0.9
Non-deductible impairments and losses on disposal	**26**	**0.9**	234	10.1
Non-taxable gains and income	**(241)**	**(8.5)**	(282)	**(12.2)**
Adjustments in respect of prior years	**(105)**	**(3.7)**	(85)	**(3.7)**
Changes in recognition and measurement of deferred tax assets	**(77)**	**(2.7)**	(183)	**(7.9)**
Other items	**(54)**	**(1.9)**	74	**3.2**
Non-UK losses at statutory tax rates different from the UK statutory tax rate	**(43)**	**(1.5)**	(82)	**(3.6)**
Tax charge	**1,603**	**56.5**	**1,455**	**62.9**

The effective tax rate of 56.4% (2014: 63.0%) decreased from the previous year. A greater level of profits were taxable in the UK in 2015 than in 2014, and this contributed to the reduction in the Group's effective tax rate. However, the impact of this was partially offset by a number of factors that caused the effective tax rate to increase, including tax adjustments in respect of provisions for UK customer redress, that were non-deductible in 2015 as a result of changes introduced by the UK summer Budget, and the impact of changes in tax rates. The changes to tax rates in the period that had an adverse impact on the 2015 tax charge were the reduction of the local New York tax rate and the increase of the UK tax rate, specifically through the introduction of the new corporation tax surcharge that applies to banks. These tax rate changes resulted in the carrying value of US deferred tax assets being reduced and are explained further later in note 10 Tax.

10 Taxation continued

The effective tax rate of 56.4% on statutory profit before tax is significantly higher than the effective tax rate on adjusted profit before tax. For further details on the adjusted effective tax rate, please refer to page 135 of the financial review.

Current tax assets and liabilities

Movements on current assets and liabilities were as follows:

	The Group 2015 £m	2014 £m	The Bank 2015 £m	2014 £m
Assets	**334**	181	**-**	84
Liabilities	**(1,023)**	(1,042)	**(395)**	(520)
As at 1 January	**(689)**	(861)	**(395)**	(436)
Income statement	**(1,885)**	(1,429)	**(550)**	(6)
Other comprehensive income	**145**	(1)	**105**	(4)
Corporate income tax paid	**1,643**	1,590	**225**	82
Other movements	**241**	12	**(53)**	(31)
	(545)	(689)	**(668)**	(395)
Assets	**385**	334	**27**	-
Liabilities	**(930)**	(1,023)	**(695)**	(395)
As at 31 December	**(545)**	(689)	**(668)**	(395)

Deferred tax assets and liabilities

The deferred tax amounts on the balance sheet were as follows:

	The Group 2015 £m	2014 £m	The Bank 2015 £m	2014 £m
Barclays Group US Inc (BGUS) - US tax group	**1,903**	1,588	**-**	-
Barclays Bank PLC (US Branch) - US tax group	**1,569**	1,591	**1,569**	1,591
Barclays Bank PLC - UK tax group	**411**	461	**227**	243
Other	**612**	490	**273**	245
Deferred tax asset	**4,495**	4,130	**2,069**	2,079
Deferred tax liability	**(100)**	(255)	**(6)**	(13)
Net deferred tax	**4,395**	3,875	**2,063**	2,066

US deferred tax assets in BGUS and the US Branch

The deferred tax asset in BGUS of £1,903m (2014: £1,588m) includes £449m (2014: £348m) relating to tax losses and the deferred tax asset in the US Branch of £1,569m (2014: £1,591m) includes £244m (2014: £479m) relating to tax losses. Under US tax rules losses can be carried forward and offset against profits for a period of 20 years. The losses first arose in 2011 in BGUS and 2008 in the US Branch and therefore any unused amounts may begin to expire in 2031 and 2028 respectively. The remaining US deferred tax assets relate primarily to temporary differences for which there is no time limit on recovery.

The valuation of the Group's US deferred tax assets was adjusted downwards in 2015 as result of both the reduction in the local New York rate of tax, which affected the deferred tax asset in both BGUS and the US Branch, and the introduction of the new UK corporation tax surcharge, which affected the deferred tax asset in the US Branch. The US Branch deferred tax asset is stated net of a measurement for UK tax because Barclays Bank PLC is subject to UK tax on the profits of its non-UK branches.

The deferred tax asset for the BGUS tax loss is projected to be fully utilised in 2017 and the deferred tax asset for the US Branch loss to be fully utilised in 2018.

UK tax group deferred tax asset

The deferred tax asset in the UK tax group of £411m (2014: £461m) relates entirely to temporary differences (2014: £245m related to tax losses). Based on profit forecasts, it is probable that there will be sufficient future taxable profits available against which the temporary differences will be utilised.

Other deferred tax assets

The deferred tax asset of £612m (2014: £490m) in other entities within the Group includes £209m (2014: £243m) relating to tax losses carried forward. These deferred tax assets relate to a number of different territories and their recognition is based on profit forecasts or local country laws which indicate that it is probable that the losses and temporary differences will be utilised.

10 Taxation continued

Of the deferred tax asset of £612m (2014: £490m), an amount of £106m (2014: £140m) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet and in the preceding table as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

The Group	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	**1,542**	**18**	**5**	**321**	**176**	**233**	**1,315**	**729**	**951**	**5,290**
Liabilities	**(555)**	**(35)**	**(464)**	**-**	**-**	**-**	**-**	**-**	**(361)**	**(1,415)**
At 1 January 2015	**987**	**(17)**	**(459)**	**321**	**176**	**233**	**1,315**	**729**	**590**	**3,875**
Income statement	**779**	**(13)**	**1**	**(119)**	**(14)**	**21**	**(540)**	**(126)**	**293**	**282**
Other comprehensive income	**-**	**(14)**	**221**	**(261)**	**-**	**-**	**122**	**(10)**	**(21)**	**37**
Other movements	**48**	**2**	**3**	**10**	**(5)**	**7**	**5**	**30**	**101**	**201**
	1,814	**(42)**	**(234)**	**(49)**	**157**	**261**	**902**	**623**	**963**	**4,395**
Assets	**2,008**	**28**	**5**	**95**	**157**	**261**	**902**	**623**	**1,511**	**5,590**
Liabilities	**(194)**	**(70)**	**(239)**	**(144)**	**-**	**-**	**-**	**-**	**(548)**	**(1,195)**
At 31 December 2015	**1,814**	**(42)**	**(234)**	**(49)**	**157**	**261**	**902**	**623**	**963**	**4,395**
Assets	1,525	53	5	490	376	360	1,235	762	1,103	5,909
Liabilities	(761)	(61)	(87)	(9)	-	-	-	-	(532)	(1,450)
At 1 January 2014	764	(8)	(82)	481	376	360	1,235	762	571	4,459
Income statement	172	84	(1)	(54)	70	(87)	4	(40)	(174)	(26)
Other comprehensive income	-	(104)	(380)	(63)	-	-	-	(10)	(6)	(563)
Other movements	51	11	4	(43)	(270)	(40)	76	17	199	5
	987	(17)	(459)	321	176	233	1,315	729	590	3,875
Assets	1,542	18	5	321	176	233	1,315	729	951	5,290
Liabilities	(555)	(35)	(464)	-	-	-	-	-	(361)	(1,415)
At 31 December 2014	987	(17)	(459)	321	176	233	1,315	729	590	3,875

The Bank	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share based payments and deferred compensation £m	Other £m	Total £m
Assets	**1,259**	**1**	**5**	**256**	**119**	**62**	**835**	**76**	**521**	**3,134**
Liabilities	**(337)**	**(7)**	**(456)**	**-**	**-**	**-**	**-**	**-**	**(268)**	**(1,068)**
At 1 January 2015	**922**	**(6)**	**(451)**	**256**	**119**	**62**	**835**	**76**	**253**	**2,066**
Income statement	**765**	**-**	**-**	**(113)**	**-**	**(7)**	**(615)**	**37**	**91**	**158**
Other comprehensive income	**-**	**(37)**	**182**	**(260)**	**-**	**-**	**122**	**-**	**(2)**	**5**
Other movements	**44**	**1**	**3**	**3**	**(1)**	**(1)**	**2**	**(1)**	**(216)**	**(166)**
	1,731	**(42)**	**(266)**	**(114)**	**118**	**54**	**344**	**112**	**126**	**2,063**
Assets	**1,757**	**-**	**4**	**30**	**118**	**54**	**344**	**112**	**441**	**2,860**
Liabilities	**(26)**	**(42)**	**(270)**	**(144)**	**-**	**-**	**-**	**-**	**(315)**	**(797)**
At 31 December 2015	**1,731**	**(42)**	**(266)**	**(114)**	**118**	**54**	**344**	**112**	**126**	**2,063**
Assets	1,462	8	5	412	162	45	973	64	346	3,477
Liabilities	(665)	(22)	(72)	(12)	-	-	-	-	(146)	(917)
At 1 January 2014	797	(14)	(67)	400	162	45	973	64	200	2,560
Income statement	81	101	-	(45)	(33)	15	(172)	14	(17)	(56)
Other comprehensive income	-	(93)	(382)	(98)	-	-	-	(1)	(6)	(580)
Other movements	44	-	(2)	(1)	(10)	2	34	(1)	76	142
	922	(6)	(451)	256	119	62	835	76	253	2,066
Assets	1,259	1	5	256	119	62	835	76	521	3,134
Liabilities	(337)	(7)	(456)	-	-	-	-	-	(268)	(1,068)
At 31 December 2014	922	(6)	(451)	256	119	62	835	76	253	2,066

10 Taxation continued

Other movements include deferred tax amounts relating to acquisitions, disposals and exchange gains and losses.

The amount of deferred tax liability expected to be settled after more than 12 months for The Group is £675m (2014: £1,123m) and for The Bank is £423m (2014: £649m). The amount of deferred tax asset expected to be recovered after more than 12 months for The Group is £4,838m (2014: £4,845m) and for The Bank is £2,548m (2014: £2,859m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £51m (2014: £2,332m), gross tax losses of £13,456m (2014: £9,764m) which includes capital losses of £3,838m (2014: £3,522m), and unused tax credits of £452m (2014: £405m). Of these tax losses, £389m (2014: £341m) expire within five years, £13m (2014: £18m) expire within six to ten years, £124m (2014: £812m) expire within 11 to 20 years and £12,930m (2014: £8,593m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised.

For The Bank, deferred tax assets have not been recognised in respect of gross deductible temporary differences of £44m (2014: £2,091m), gross tax losses of £5,799m (2014: £4,557m) which includes capital losses of £2,888m (2014: £3,521m), and unused tax credits of £447m (2014: £402m). Of these tax losses, £199m (2014: £231m) expire within 5 years, £nil (2014: £7m) expire within 6 to10 years, £104m (2014: £798m) expire within 11 to 20 years and £5,496m (2014: £3,521m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which The Bank can utilise benefits.

Deferred tax is not recognised in respect of the Group's investments in subsidiaries, branches and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to determine the amount of income tax that would be payable were such temporary differences to reverse.

Critical accounting estimates and judgments

The Group is subject to corporate income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for corporate income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open tax returns with various tax authorities with whom there is active dialogue. Liabilities relating to these open and judgmental matters are based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. There is no individual position currently subject to challenge by a tax authority that if resolved in an adverse manner would materially impact the Group's financial position.

Deferred tax assets have been recognised based on business profit forecasts. Further detail on the recognition of deferred tax assets is provided in the deferred tax assets and liabilities section of this tax note.

11 Dividends on ordinary shares

Ordinary dividends were paid to enable Barclays PLC to fund its dividend to shareholders.

The 2015 financial statements include £876m (2014: £821m) of dividends paid. This includes the final dividend declared in relation to 2014 of £476m (2014: £512m) and interim dividends of £400m (2014: £309m), resulting in interim dividends of 17p (2014: 13p) per ordinary share and a total dividend for the year of 37p (2014: 35p) per ordinary share paid during the year.

Dividends paid on the 4.75% €100 preference shares amounted to £339.67 (2014: £394.46) per share. Due to share buybacks in 2014 no dividends (2014: £385.81) were paid on the 4.875% €100 preference shares. Dividends paid on the 6.0% £100 preference shares amounted to £600.00 (2014: £600.00) per share. Dividends paid on the 6.278% US$100 preference shares amounted to £410.28 (2014: £383.45) per share. Dividends paid on the 6.625% US$0.25 preference shares amounted to £1.09 (2014: £1.02) per share. Dividends paid on the 7.1% US$0.25 preference shares amounted to £1.17 (2014: £1.09) per share. Dividends paid on the 7.75% US$0.25 preference shares amounted to £1.28 (2014: £1.19) per share. Dividends paid on the 8.125% US$0.25 preference shares amounted to £1.34 (2014: £1.25) per share.

Dividends paid on preference shares amounted to £343m (2014: £441m). Dividends paid on other equity instruments amounted to £348m (2014: £252m). For further detail on other equity instruments, please refer to Note 30 Ordinary shares, share premium and other equity.

The notes included in this section focus on assets and liabilities the Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's-length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimated based on available market data. Detail regarding the Group's approach to managing market risk can be found on pages 55 and 56.

12 Trading portfolio

Accounting for trading portfolio assets and liabilities

In accordance with IAS 39, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in Net trading income (Note 5).

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Debt securities and other eligible bills	**45,626**	66,035	**24,878**	39,406
Equity securities	**29,055**	44,576	**5,553**	5,640
Traded loans	**2,474**	2,693	**2,469**	2,692
Commodities	**243**	1,451	**157**	1,338
Trading portfolio assets	**77,398**	114,755	**33,057**	49,076
Debt securities and other eligible bills	**(24,985)**	(28,739)	**(17,661)**	(17,028)
Equity securities	**(8,982)**	(16,022)	**(5,906)**	(8,522)
Commodities	**-**	(363)	**-**	(360)
Trading portfolio liabilities	**(33,967)**	(45,124)	**(23,567)**	(25,910)

13 Financial assets designated at fair value

Accounting for financial assets designated at fair value

In accordance with IAS 39, financial assets may be designated at fair value, with gains and losses taken to the income statement in Note 5 Net trading income and Note 6 Net investment income. The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (Note 14 Derivative financial instruments).

The details on how the fair value amounts are arrived for financial assets designated at fair value are described in Fair value of assets and liabilities (Note 17).

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Loans and advances	**17,913**	20,198	**20,558**	23,541
Debt securities	**1,383**	4,448	**8,648**	13,729
Equity securities	**6,197**	6,306	**4**	3
Reverse repurchase agreements[a]	**49,513**	5,236	**42,582**	3,324
Customers' assets held under investment contracts	**1,449**	1,643	**-**	-
Other financial assets	**375**	469	**195**	270
Financial assets designated at fair value	**76,830**	38,300	**71,987**	40,867

Note
a During 2015, new reverse repurchase agreements and other similar secured lending in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

13 Financial assets designated at fair value continued

Credit risk of loans and advances designated at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value due to credit risk and the cumulative changes in fair value since initial recognition together with the amount by which related credit derivatives mitigate this risk:

	The Group						The Bank					
	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception		Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Loans and advances designated at fair value, attributable to credit risk	**17,913**	20,198	**69**	(112)	**(629)**	(828)	**20,558**	23,541	**69**	(109)	**(629)**	(811)
Value mitigated by related credit derivatives	**417**	359	**26**	-	**42**	18	**417**	359	**26**	-	**42**	18

14 Derivative financial instruments

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group applies IAS 39. All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a stand-alone contract, would have met the definition of a derivative. These are separated from the host and accounted for in the same way as a derivative.

Hedge accounting

The Group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

The Group's net investments in foreign operations, including monetary items accounted for as part of the net investment, are hedged for foreign currency risks using both derivatives and foreign currency borrowings. Hedges of net investments are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is being recognised directly in other comprehensive income and the ineffective portion being recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation, or other reductions in the Group's investment in the operation.

14 Derivative financial instruments continued

The Group's total derivative asset and liability position as reported on the balance sheet is as follows:

	The Group			The Bank		
	Notional contract amount	Fair value Assets	Fair value Liabilities	Notional contract amount	Fair value Assets	Fair value Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2015						
Total derivative assets/(liabilities) held for trading	**29,437,102**	**326,933**	**(323,788)**	**22,945,932**	**315,565**	**(309,742)**
Total derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	**315,425**	**687**	**(283)**
Derivative assets/(liabilities)	**29,753,707**	**327,870**	**(324,252)**	**23,261,357**	**316,252**	**(310,025)**
As at 31 December 2014						
Total derivative assets/(liabilities) held for trading	32,624,342	438,437	(438,623)	29,212,188	424,979	(419,048)
Total derivative assets/(liabilities) held for risk management	268,448	1,639	(697)	269,235	1,586	(557)
Derivative assets/(liabilities)	32,892,790	440,076	(439,320)	29,481,423	426,565	(419,605)

The fair value of the Group's derivative assets decreased by 25% to £328bn driven by decrease in interest rate derivatives of £79bn reflecting net trade reduction and an increase in the major interest rate forward curves and a decrease in foreign exchange derivatives of £19bn materially reflecting trade maturities. Information on further netting of derivative financial instruments is included within Note 18 Offsetting financial assets and financial liabilities.

Trading derivatives are managed within the Group's market risk management policies, which are outlined on pages 55 and 56.

The fair values and notional amounts of derivatives held for trading are set out in the following table:

Derivatives held for trading	The Group			The Bank		
	Notional	Fair value		Notional	Fair value	
	contract amount	Assets	Liabilities	contract amount	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2015						
Foreign exchange derivatives						
Forward foreign exchange	1,277,863	17,613	(19,433)	1,271,202	17,476	(19,202)
Currency swaps	1,006,640	30,703	(32,449)	988,045	29,823	(31,468)
OTC options bought and sold	924,832	6,436	(6,771)	922,244	6,354	(6,732)
OTC derivatives	3,209,335	54,752	(58,653)	3,181,491	53,653	(57,402)
Foreign exchange derivatives cleared by central counterparty	9,308	33	(44)	9,308	33	(44)
Exchange traded futures and options – bought and sold	6,071	13	(12)	1,022	-	-
Foreign exchange derivatives	3,224,714	54,798	(58,709)	3,191,821	53,686	(57,446)
Interest rate derivatives						
Interest rate swaps	4,600,472	159,040	(148,475)	3,249,682	152,105	(142,509)
Forward rate agreements	371,510	440	(390)	198,251	274	(213)
OTC options bought and sold	2,634,527	48,995	(49,001)	2,628,891	48,983	(48,987)
OTC derivatives	7,606,509	208,475	(197,866)	6,076,824	201,362	(191,709)
Interest rate derivatives cleared by central counterparty	11,407,745	21,871	(22,603)	8,687,749	1,335	(972)
Exchange traded futures and options – bought and sold	5,470,872	281	(263)	1,206,045	7	(17)
Interest rate derivatives	24,485,126	230,627	(220,732)	15,970,618	202,704	(192,698)
Credit derivatives						
OTC swaps	671,389	14,248	(12,693)	636,005	13,335	(12,339)
Credit derivatives cleared by central counterparty	277,257	4,094	(3,931)	234,816	3,735	(3,422)
Credit derivatives	948,646	18,342	(16,624)	870,821	17,070	(15,761)
Equity and stock index derivatives						
OTC options bought and sold	53,645	5,507	(7,746)	52,181	5,431	(7,785)
Equity swaps and forwards	98,264	1,794	(3,855)	90,241	1,590	(2,845)
OTC derivatives	151,909	7,301	(11,601)	142,422	7,021	(10,630)
Exchange traded futures and options – bought and sold	429,592	6,498	(6,851)	95,995	1,501	(1,966)
Equity and stock index derivatives	581,501	13,799	(18,452)	238,417	8,522	(12,596)
Commodity derivatives						
OTC options bought and sold	21,959	1,402	(1,408)	21,897	1,400	(1,408)
Commodity swaps and forwards	29,161	3,645	(3,397)	28,992	3,641	(3,395)
OTC derivatives	51,120	5,047	(4,805)	50,889	5,041	(4,803)
Exchange traded futures and options – bought and sold	145,995	4,320	(4,466)	21,961	1,891	(1,940)
Commodity derivatives	197,115	9,367	(9,271)	72,850	6,932	(6,743)
Derivatives with subsidiaries	-	-	-	2,601,405	26,651	(24,498)
Derivative assets/(liabilities) held for trading	29,437,102	326,933	(323,788)	22,945,932	315,565	(309,742)
Total OTC derivatives held for trading	11,690,262	289,823	(285,618)	10,087,631	280,412	(276,883)
Total derivatives cleared by central counterparty held for trading	11,694,310	25,998	(26,578)	8,931,873	5,103	(4,438)
Total exchange traded derivatives held for trading	6,052,530	11,112	(11,592)	1,325,023	3,399	(3,923)
Derivatives with subsidiaries held for trading	-	-	-	2,601,405	26,651	(24,498)
Derivative assets/(liabilities) held for trading	29,437,102	326,933	(323,788)	22,945,932	315,565	(309,742)

14 Derivative financial instruments continued

Derivatives held for trading	The Group Notional contract amount £m	The Group Fair value Assets £m	The Group Fair value Liabilities £m	The Bank Notional contract amount £m	The Bank Fair value Assets £m	The Bank Fair value Liabilities £m
As at 31 December 2014						
Foreign exchange derivatives						
Forward foreign exchange	1,684,832	31,883	(34,611)	1,662,324	31,678	(34,412)
Currency swaps	1,109,795	32,209	(33,919)	1,099,070	31,885	(33,675)
OTC options bought and sold	895,226	10,267	(10,665)	894,788	10,250	(10,664)
OTC derivatives	3,689,853	74,359	(79,195)	3,656,182	73,813	(78,751)
Foreign exchange derivatives cleared by central counterparty	11,382	56	(70)	11,382	56	(70)
Exchange traded futures and options – bought and sold	57,623	18	(16)	45,667	2	-
Foreign exchange derivatives	3,758,858	74,433	(79,281)	3,713,231	73,871	(78,821)
Interest rate derivatives						
Interest rate swaps	5,779,015	209,962	(200,096)	4,388,455	201,146	(193,068)
Forward rate agreements	467,812	794	(722)	297,929	534	(456)
OTC options bought and sold	3,083,200	67,039	(67,575)	3,081,637	67,037	(67,684)
OTC derivatives	9,330,027	277,795	(268,393)	7,768,021	268,717	(261,208)
Interest rate derivatives cleared by central counterparty	15,030,090	30,166	(31,152)	11,843,506	2,177	(3,177)
Exchange traded futures and options– bought and sold	2,210,602	382	(336)	1,042,157	10	(8)
Interest rate derivatives	26,570,719	308,343	(299,881)	20,653,684	270,904	(264,393)
Credit derivatives						
OTC swaps	896,386	19,031	(17,825)	822,644	17,864	(16,684)
Credit derivatives cleared by central counterparty	287,577	4,643	(4,542)	211,721	3,479	(3,483)
Credit derivatives	1,183,963	23,674	(22,367)	1,034,365	21,343	(20,167)
Equity and stock index derivatives						
OTC options bought and sold	67,151	6,461	(9,517)	66,374	6,444	(9,387)
Equity swaps and forwards	102,663	1,823	(3,532)	92,341	1,449	(2,355)
OTC derivatives	169,814	8,284	(13,049)	158,715	7,893	(11,742)
Exchange traded futures and options– bought and sold	490,960	6,560	(6,542)	131,477	707	(1,000)
Equity and stock index derivatives	660,774	14,844	(19,591)	290,192	8,600	(12,742)
Commodity derivatives						
OTC options bought and sold	38,196	1,592	(1,227)	38,165	1,591	(1,227)
Commodity swaps and forwards	61,639	7,985	(8,175)	61,542	7,971	(8,173)
OTC derivatives	99,835	9,577	(9,402)	99,707	9,562	(9,400)
Exchange traded futures and options – bought and sold	350,193	7,566	(8,101)	149,780	4,066	(4,286)
Commodity derivatives	450,028	17,143	(17,503)	249,487	13,628	(13,686)
Derivatives with subsidiaries	-	-	-	3,271,229	36,633	(29,239)
Derivative assets/(liabilities) held for trading	32,624,342	438,437	(438,623)	29,212,188	424,979	(419,048)
Total OTC derivatives held for trading	14,185,915	389,046	(387,864)	12,505,269	377,849	(377,785)
Total derivatives cleared by central counterparty held for trading	15,329,049	34,865	(35,764)	12,066,609	5,712	(6,730)
Total exchange traded derivatives held for trading	3,109,378	14,526	(14,995)	1,369,081	4,785	(5,294)
Derivatives with subsidiaries held for trading	-	-	-	3,271,229	36,633	(29,239)
Derivative assets/(liabilities) held for trading	32,624,342	438,437	(438,623)	29,212,188	424,979	(419,048)

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Derivatives held for risk management	The Group Notional contract amount £m	The Group Fair value Assets £m	The Group Fair value Liabilities £m	The Bank Notional contract amount £m	The Bank Fair value Assets £m	The Bank Fair value Liabilities £m
As at 31 December 2015						
Derivatives designated as cash flow hedges						
Currency swaps	**1,357**	**133**	**-**	**-**	**-**	**-**
Interest rate swaps	**14,198**	**162**	**(115)**	**5,290**	**82**	**(7)**
Forward foreign exchange	**759**	**5**	**-**	**759**	**5**	**-**
Interest rate derivatives cleared by central counterparty	**147,072**	**-**	**-**	**147,072**	**-**	**-**
Derivatives designated as cash flow hedges	**163,386**	**300**	**(115)**	**153,121**	**87**	**(7)**
Derivatives designated as fair value hedges						
Interest rate swaps	**13,798**	**637**	**(264)**	**12,049**	**554**	**(191)**
Forward foreign exchange	**2,527**	**-**	**(32)**	**2,527**	**-**	**(32)**
Interest rate derivatives cleared by central counterparty	**134,939**	**-**	**-**	**134,939**	**-**	**-**
Derivatives designated as fair value hedges	**151,264**	**637**	**(296)**	**149,515**	**554**	**(223)**
Derivatives designated as hedges of net investments						
Forward foreign exchange	**1,955**	**-**	**(53)**	**1,955**	**-**	**(53)**
Derivatives designated as hedges of net investment	**1,955**	**-**	**(53)**	**1,955**	**-**	**(53)**
Derivatives with subsidiaries	**-**	**-**	**-**	**10,834**	**46**	**-**
Derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	**315,425**	**687**	**(283)**
Total OTC derivatives held for risk management	**34,594**	**937**	**(464)**	**22,580**	**641**	**(283)**
Total derivatives cleared by central counterparty held for risk management	**282,011**	**-**	**-**	**282,011**	**-**	**-**
Derivatives with subsidiaries held for risk management	**-**	**-**	**-**	**10,834**	**46**	**-**
Derivative assets/(liabilities) held for risk management	**316,605**	**937**	**(464)**	**315,425**	**687**	**(283)**
As at 31 December 2014						
Derivatives designated as cash flow hedges						
Interest rate swaps	19,218	223	(60)	10,783	145	(34)
Forward foreign exchange	930	17		930	17	-
Interest rate derivatives cleared by central counterparty	82,550	-	-	82,550	-	-
Derivatives designated as cash flow hedges	102,698	240	(60)	94,263	162	(34)
Derivatives designated as fair value hedges						
Interest rate swaps	27,345	1,379	(590)	24,024	1,314	(476)
Interest rate derivatives cleared by central counterparty	135,553	-	-	135,553	-	-
Derivatives designated as fair value hedges	162,898	1,379	(590)	159,577	1,314	(476)
Derivatives designated as hedges of net investments						
Forward foreign exchange	2,852	20	(47)	2,852	20	(47)
Derivatives designated as hedges of net investment	2,852	20	(47)	2,852	20	(47)
Derivatives with subsidiaries	-	-	-	12,543	90	-
Derivative assets/(liabilities) held for risk management	268,448	1,639	(697)	269,235	1,586	(557)
Total OTC derivatives held for risk management	50,345	1,639	(697)	38,589	1,496	(557)
Total derivatives cleared by central counterparty held for risk management	218,103	-	-	218,103	-	-
Derivatives with subsidiaries held for risk management	-	-	-	12,543	90	-
Derivative assets/(liabilities) held for risk management	268,448	1,639	(697)	269,235	1,586	(557)

14 Derivative financial instruments continued

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total £m	Up to one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m
2015							
The Group							
Forecast receivable cash flows	**2,818**	**360**	**562**	**613**	**560**	**379**	**344**
Forecast payable cash flows	**872**	**769**	**35**	**31**	**22**	**11**	**4**
The Bank							
Forecast receivable cash flows	**2,809**	**351**	**562**	**613**	**560**	**379**	**344**
Forecast payable cash flows	**764**	**764**	**-**	**-**	**-**	**-**	**-**
2014							
The Group							
Forecast receivable cash flows	4,277	308	491	695	729	651	1,403
Forecast payable cash flows	972	178	770	10	7	4	3
The Bank							
Forecast receivable cash flows	4,197	252	476	689	727	650	1,403
Forecast payable cash flows	926	165	761	-	-	-	-

The maximum length of time over which the Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 10 years (2014: 10 years).

Amounts recognised in net interest income	The Group £m	The Bank £m
Year ended 31 December 2015		
Gains on the hedged items attributable to the hedged risk	**552**	**549**
Losses on the hedging instruments	**(485)**	**(493)**
Fair value ineffectiveness	**67**	**56**
Cash flow hedging ineffectiveness	**16**	**24**
Net investment hedging ineffectiveness	**(2)**	**(2)**
Year ended 31 December 2014		
Losses on the hedged items attributable to the hedged risk	2,610	2,666
Gains on the hedging instruments	(2,797)	(2,824)
Fair value ineffectiveness	(187)	(158)
Cash flow hedging ineffectiveness	41	50
Net investment hedging ineffectiveness	-	-

All gains and losses on hedging derivatives relating to forecast transactions which are no longer expected to occur have been recycled to the income statement.

Gains and losses transferred from the cash flow hedging reserve for The Group to the income statement included a £36m gain (2014: £52m gain) transferred to interest income; a £275m gain (2014: £778m gain) to interest expense; a £4m loss (2013: £15m loss) to net trading income; a £17 gain (2014: nil) to administration and general expenses; and a £69m loss (2014: £78m loss) to taxation; and for The Bank to the income statement included £nil (2014: nil) transferred to interest income; a £270m gain (2014: £775m gain) to interest expense; a £2m gain (2014: £11m loss) to net trading income; a £17m gain (2014: £nil) to administration and general expenses; and a £nil (2014: £nil) to taxation.

15 Available for sale financial assets

Accounting for available for sale financial assets

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The Group uses this classification for assets that are not derivatives and are not held for trading purposes or otherwise designated at fair value through profit or loss, or at amortised cost. Dividends and interest (calculated using the effective interest method) are recognised in the income statement in Note 3 Net interest income or, Note 6 Net investment income. On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Debt securities and other eligible bills	**89,278**	85,552	**82,968**	78,364
Equity securities	**1,026**	553	**640**	226
Available for sale financial investments	**90,304**	86,105	**83,608**	78,590

16 Financial liabilities designated at fair value

Accounting for liabilities designated at fair value through profit and loss

In accordance with IAS 39, financial liabilities may be designated at fair value, with gains and losses taken to the income statement within Net trading income (Note 5) and Net investment income (Note 6). The Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (see Note 14 Derivative financial instruments).

The details on how the fair value amounts are arrived for financial liabilities designated at fair value are described in Fair value of assets and liabilities (Note 17).

	The Group 2015		The Bank 2015		The Group 2014		The Bank 2014	
	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity	Fair Value	Contractual amount due on maturity
	£m	£m	£m	£m	£m	£m	£m	£m
Debt securities	**33,177**	**36,097**	**39,137**	**42,535**	42,395	44,910	51,338	54,518
Deposits	**6,029**	**6,324**	**5,603**	**5,906**	7,206	7,301	6,502	6,610
Liabilities to customers under investment contracts	**1,633**	**-**	**-**	**-**	1,823	-	-	-
Repurchase agreements at fair value[a]	**50,838**	**50,873**	**45,458**	**45,498**	5,423	5,433	4,867	4,875
Other financial liabilities	**68**	**68**	**-**	**-**	125	125	9	9
Financial liabilities designated at fair value	**91,745**	**93,362**	**90,198**	**93,939**	56,972	57,769	62,716	66,012

The cumulative own credit loss recognised is £226m (2014: £716m).

Note

a During 2015, new repurchase agreements and other similar borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

17 Fair value of assets and liabilities

Accounting for financial assets and liabilities – fair values

The Group applies IAS 39. All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Group's financial assets and liabilities, especially derivatives, quoted prices are not available, and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract, and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Barclays issued bonds or credit default swaps (CDS). Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 198.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

Valuation

IFRS 13 *Fair Value Measurement* requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs – Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

17 **Fair value of assets and liabilities** continued

The following tables show The Group's and The Bank's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

Assets and liabilities held at fair value	Valuation technique using			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
The Group	£m	£m	£m	£m
As at 31 December 2015				
Trading portfolio assets	**36,676**	**35,775**	**4,947**	**77,398**
Financial assets designated at fair value[a]	**6,163**	**52,909**	**17,758**	**76,830**
Derivative financial assets	**6,342**	**316,110**	**5,418**	**327,870**
Available for sale investments	**42,552**	**46,730**	**1,022**	**90,304**
Other[b]	**26**	**8**	**7,470**	**7,504**
Total assets	**91,759**	**451,532**	**36,615**	**579,906**
Trading portfolio liabilities	**(23,978)**	**(9,989)**	**-**	**(33,967)**
Financial liabilities designated at fair value[a]	**(240)**	**(90,203)**	**(1,302)**	**(91,745)**
Derivative financial liabilities	**(5,450)**	**(314,033)**	**(4,769)**	**(324,252)**
Other[b]	**(1,024)**	**(802)**	**(4,171)**	**(5,997)**
Total liabilities	**(30,692)**	**(415,027)**	**(10,242)**	**(455,961)**
As at 31 December 2014				
Trading portfolio assets	48,962	59,466	6,327	114,755
Financial assets designated at fair value	9,934	8,461	19,905	38,300
Derivative financial assets	9,863	425,468	4,745	440,076
Available for sale investments	44,234	40,558	1,313	86,105
Other[b]	33	198	15,550	15,781
Total assets	113,026	534,151	47,840	695,017
Trading portfolio liabilities	(26,840)	(17,935)	(349)	(45,124)
Financial liabilities designated at fair value	(15)	(55,141)	(1,816)	(56,972)
Derivative financial liabilities	(10,313)	(424,687)	(4,320)	(439,320)
Other[b]	-	-	(13,115)	(13,115)
Total liabilities	(37,168)	(497,763)	(19,600)	(554,531)

Notes

a During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

b Other includes non-current assets and liabilities held for sale of £7,364m (2014: £15,574m) and £5,997m (2014: 13,115m) respectively, which are measured at fair value on a non-recurring basis. Refer to Note 44 for more information on non-current assets held for sale. Other also includes investment property of £140m (2014: £207m).

17 **Fair value of assets and liabilities** continued

The following tables show The Bank's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

Assets and liabilities held at fair value

	Valuation technique using			
The Bank	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
As at 31 December 2015				
Trading portfolio assets	**10,825**	**17,290**	**4,942**	**33,057**
Financial assets designated at fair value[a]	**406**	**54,800**	**16,781**	**71,987**
Derivative financial assets	**1,856**	**309,284**	**5,112**	**316,252**
Available for sale investments	**39,463**	**43,576**	**569**	**83,608**
Other[b]	**24**	**7**	**5,162**	**5,193**
Total assets	**52,574**	**424,957**	**32,566**	**510,097**
Trading portfolio liabilities	**(16,455)**	**(7,112)**	**-**	**(23,567)**
Financial liabilities designated at fair value[a]	**(126)**	**(89,364)**	**(708)**	**(90,198)**
Derivative financial liabilities	**(1,910)**	**(303,238)**	**(4,877)**	**(310,025)**
Other[b]	**(1,024)**	**(802)**	**(2,277)**	**(4,103)**
Total liabilities	**(19,515)**	**(400,516)**	**(7,862)**	**(427,893)**
As at 31 December 2014				
Trading portfolio assets	11,338	31,906	5,832	49,076
Financial assets designated at fair value	3,101	18,984	18,782	40,867
Derivative financial assets	2,122	419,750	4,693	426,565
Available for sale investments	40,611	37,126	853	78,590
Other[b]	33	198	405	636
Total assets	57,205	507,964	30,565	595,734
Trading portfolio liabilities	(12,387)	(13,177)	(346)	(25,910)
Financial liabilities designated at fair value	-	(61,796)	(920)	(62,716)
Derivative financial liabilities	(2,420)	(412,914)	(4,271)	(419,605)
Other[b]	-	-	(275)	(275)
Total liabilities	(14,807)	(487,887)	(5,812)	(508,506)

Notes

a During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

b Other includes non-current assets and liabilities held for sale of £5,180m (2014: £620m) and £4,103m (2014: £275m) respectively, which are measured at fair value on a non-recurring basis. Refer to Note 44 for more information on non-current assets held for sale. Other also includes investment property of £13m (2014: £16m).

17 Fair value of assets and liabilities continued

The following tables show The Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and product type:

Assets and liabilities held at fair value by product type

The Group	Assets Valuation technique using			Liabilities Valuation technique using		
	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
As at 31 December 2015						
Interest rate derivatives	-	228,751	2,675	-	(218,864)	(2,247)
Foreign exchange derivatives	2	54,839	95	(4)	(58,594)	(196)
Credit derivatives[a]	-	16,441	1,902	-	(16,405)	(219)
Equity derivatives	3,830	9,279	690	(2,870)	(14,037)	(1,545)
Commodity derivatives	2,510	6,801	56	(2,576)	(6,133)	(562)
Government and government sponsored debt	55,150	53,053	419	(15,036)	(5,474)	(1)
Corporate debt	352	11,598	2,895	(234)	(4,558)	(15)
Certificates of deposit, commercial paper and other money market instruments	82	503	-	(5)	(6,95)	(382)
Reverse repurchase and repurchase agreements [b]	-	49,513	-	-	(50,838)	-
Non asset backed loans	-	1,931	16,828	-	-	-
Asset backed securities	-	12,009	770	-	(384)	(37)
Commercial real estate loans	-	-	551	-	-	-
Issued debt	-	-	-	-	(29,695)	(546)
Equity cash products	29,704	4,038	171	(8,943)	(221)	-
Funds and fund linked products	-	1,649	378	-	(1,601)	(148)
Physical commodities	87	156	-	-	-	-
Other[c]	42	971	9,185	(1,024)	(1,268)	(4,344)
Total	**91,759**	**451,532**	**36,615**	**(30,692)**	**(415,027)**	**(10,242)**
As at 31 December 2014						
Interest rate derivatives	-	308,706	1,239	(5)	(299,181)	(1,344)
Foreign exchange derivatives	4	74,358	108	(3)	(79,188)	(138)
Credit derivatives[a]	-	21,708	1,966	-	(21,958)	(409)
Equity derivatives	3,847	9,750	1,247	(3,719)	(13,780)	(2,092)
Commodity derivatives	6,012	10,946	185	(6,586)	(10,580)	(337)
Government and government sponsored debt	62,577	48,373	1,014	(11,563)	(14,002)	(346)
Corporate debt	151	22,036	3,061	-	(3,572)	(13)
Certificates of deposit, commercial paper and other money market instruments	78	921	-	(4)	(6,276)	(665)
Reverse repurchase and repurchase agreements	-	5,236	-	-	(5,423)	-
Non asset backed loans	1	2,462	17,744	-	-	-
Asset backed securities	30	16,211	1,631	-	(67)	-
Commercial real estate loans	-	-	1,180	-	-	-
Issued debt	-	-	-	(10)	(40,592)	(749)
Equity cash products	40,252	7,823	171	(15,276)	(699)	-
Funds and fund linked products	-	2,644	631	-	(2,060)	(210)
Physical commodities	4	1,447	-	-	(363)	-
Other[c]	70	1,530	17,663	(2)	(22)	(13,297)
Total	113,026	534,151	47,840	(37,168)	(497,763)	(19,600)

Assets and liabilities reclassified between Level 1 and Level 2

There were transfers of £537m assets and £801m liabilities (2014: nil) of equity and foreign exchange derivatives from Level 1 to Level 2 to reflect the market observability of these product types.

Notes

a Credit derivatives includes derivative exposure to monoline insurers.

b During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

c Other includes non-current assets and liabilities held for sale, private equity investments, asset backed loans and investment property.

17 Fair value of assets and liabilities continued

Level 3 movement analysis

The following table summarises the movements in the Level 3 balance during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from Level 3 during the year. Transfers have been reflected as if they had taken place at the beginning of the year.

Analysis of movements in Level 3 assets and liabilities

						Total gains and losses in the period recognised in the income statement		Total gains or losses	Transfers		
	As at 1 January 2015	Purchases	Sales	Issues	Settlements	Trading income	Other income	recognised in OCI	In	Out	As at 31 December 2015
The Group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government and government sponsored debt	685	27	(119)	-	(109)	(6)	-	-	2	(160)	320
Corporate debt	3,026	62	(64)	-	(20)	(47)	-	-	5	(80)	2,882
Asset backed securities	1,610	1,365	(1,565)	-	(711)	58	-	-	5	(19)	743
Non asset backed loans	273	520	(251)	-	(3)	(42)	-	-	11	(1)	507
Funds and fund linked products	589	-	(174)	-	(56)	(27)	-	-	12	(4)	340
Other	144	23	(19)	-	(9)	(14)	-	-	53	(23)	155
Trading portfolio assets	6,327	1,997	(2,192)	-	(908)	(78)	-	-	88	(287)	4,947
Commercial real estate loans	1,179	3,540	(3,878)	-	(342)	49	1	-	-	-	549
Non-asset backed loans[c]	17,471	192	(114)	-	(756)	(531)	(6)	-	-	-	16,256
Asset backed loans	393	1,098	(1,260)	-	2	8	-	-	15	-	256
Private equity investments	701	94	(200)	-	(3)	8	38	-	4	(132)	510
Other	161	66	(31)	-	(3)	(11)	5	-	26	(26)	187
Financial assets designated at fair value	19,905	4,990	(5,483)	-	(1,102)	(477)	38	-	45	(158)	17,758
Asset backed securities	1	-	-	-	-	-	-	-	-	(1)	-
Government and government sponsored debt	327	14	(36)	-	-	-	-	1	-	(212)	94
Other	985	65	(91)	-	(1,026)	-	549	419	27	-	928
Available for sale investments	1,313	79	(127)	-	(1,026)	-	549	420	27	(213)	1,022
Other[a]	207	27	(89)	-	-	-	(5)	-	-	-	140
Trading portfolio liabilities	(349)	-	-	-	-	-	-	-	-	349	-
Certificates of deposit, commercial paper and other money market instruments	(666)	-	-	(216)	261	-	17	-	-	221	(383)
Issued debt	(748)	-	-	(16)	245	(4)	(8)	-	(38)	4	(565)
Other	(402)	-	-	-	(19)	(18)	75	-	-	10	(354)
Financial liabilities designated at fair value	(1,816)	-	-	(232)	487	(22)	84	-	(38)	235	(1,302)
Interest rate derivatives	(105)	1	218	-	(247)	203	-	-	243	117	430
Credit derivatives	1,557	273	(12)	-	(6)	(123)	-	-	(11)	7	1,685
Equity derivatives	(845)	111	(2)	(290)	103	34	-	-	(21)	52	(858)
Commodity derivatives	(152)	-	-	-	(66)	(6)	-	-	(388)	106	(506)
Foreign exchange derivatives	(30)	14	(1)	(7)	9	(14)	-	-	(73)	-	(102)
Net derivative financial instruments[b]	425	399	203	(297)	(207)	94	-	-	(250)	282	649
Total	26,012	7,492	(7,688)	(529)	(2,756)	(483)	666	420	(128)	208	23,214

Notes

a Other includes investment property of £140m (2014: £207m). Non-current assets held for sale of £7,330m (2014: £15,574m) and liabilities in a disposal group classified as held for sale of £4,171m (2014: £13,115m) are not included as these are measured at fair value on a non-recurring basis.

b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,418m (2014: £4,745m) and derivative financial liabilities are £4,769m (2014: £4,320m).

c A partially offsetting market gain of £172m (2014: £2,921m loss) has been recognised on the level 2 derivative instruments that hedge the ESHLA loan portfolio interest rate risk.

17 Fair value of assets and liabilities continued

Analysis of movements in Level 3 assets and liabilities

The Group	As at 1 January 2014 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Out £m	As at 31 December 2014 £m
Government and government sponsored debt	161	96	(198)	-	(46)	5	-	-	676	(9)	685
Corporate debt	3,039	177	(332)	-	(370)	484	-	-	39	(11)	3,026
Asset backed securities	2,111	1,037	(1,552)	-	(141)	178	-	-	8	(31)	1,610
Non asset backed loans	176	250	(30)	-	(49)	2	-	-	13	(89)	273
Funds and fund linked products	494	-	(92)	-	-	(17)	-	-	204	-	589
Other	440	8	(369)	-	54	22	-	-	-	(11)	144
Trading portfolio assets	6,421	1,568	(2,573)	-	(552)	674	-	-	940	(151)	6,327
Commercial real estate loans	1,198	2,919	(2,678)	-	(334)	76	(2)	-	-	-	1,179
Non-asset backed loans[c]	15,956	2	(177)	-	(81)	1,830	9	-	-	(68)	17,471
Asset backed loans	375	855	(777)	-	(4)	19	-	-	1	(76)	393
Private equity investments	1,168	173	(500)	-	(11)	4	82	-	-	(215)	701
Other	73	75	(1)	-	(35)	9	32	-	2	6	161
Financial assets designated at fair value	18,770	4,024	(4,133)	-	(465)	1,938	121	-	3	(353)	19,905
Asset backed securities	1	-	-	-	-	-	-	-	-	-	1
Government and government sponsored debt	59	281	(12)	-	(1)	-	-	-	-	-	327
Other	2,085	37	(78)	-	(1,694)	1	586	74	4	(30)	985
Available for sale investments	2,145	318	(90)	-	(1,695)	1	586	74	4	(30)	1,313
Other[a]	451	47	(238)	-	-	-	5	-	-	(58)	207
Trading portfolio liabilities	-	-	-	-	-	(3)	-	-	(346)	-	(349)
Certificates of deposit, commercial paper and other money market instruments	(409)	-	-	(254)	12	2	88	-	(108)	3	(666)
Issued debt	(1,164)	-	-	(16)	293	88	-	-	(48)	99	(748)
Other	(67)	-	-	(341)	10	6	30	-	(40)	-	(402)
Financial liabilities designated at fair value	(1,640)	-	-	(611)	315	96	118	-	(196)	102	(1,816)
Interest rate derivatives	(15)	5	45	(5)	7	(358)	-	-	103	113	(105)
Credit derivatives	1,420	11	-	-	42	121	-	-	(81)	44	1,557
Equity derivatives	(601)	86	(12)	(305)	113	(278)	-	-	(14)	166	(845)
Commodity derivatives	(141)	-	-	(3)	(10)	4	-	-	(11)	9	(152)
Foreign exchange derivatives	31	-	(12)	(4)	(71)	(6)	-	-	29	3	(30)
Net derivative financial instruments[b]	694	102	21	(317)	81	(517)	-	-	26	335	425
Total	26,841	6,059	(7,013)	(928)	(2,316)	2,189	830	74	431	(155)	26,012

Notes
a Other includes investment property of £140m (2014: £207m). Non-current assets held for sale of £7,330m (2014: £15,574m) and liabilities in a disposal group classified as held for sale of £4,171m (2014: £13,115m) are not included as these are measured at fair value on a non-recurring basis.
b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,418m (2014: £4,745m) and derivative financial liabilities are £4,769m (2014: £4,320m).
c A partially offsetting market gain of £172m (2014: £2,921m loss) has been recognised on the Level 2 derivative instruments that hedge the ESHLA loan portfolio interest rate risk.

17 Fair value of assets and liabilities continued

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2015 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Out £m	As at 31 December 2015 £m
Trading portfolio assets	5,832	1,467	(1,800)	-	(829)	(30)	-	-	302	-	4,942
Financial assets designated at fair value	18,782	4,633	(5,042)	-	(1,095)	(497)	-	-	-	-	16,781
Available for sale investments	853	26	(3)	-	(1,013)	-	492	408	1	(195)	569
Other[a]	16	-	-	-	-	-	(3)	-	-	-	13
Trading portfolio liabilities	(346)	-	-	-	-	-	-	-	-	346	-
Financial liabilities designated at fair value	(920)	-	-	(1)	247	(8)	8	-	(38)	4	(708)
Net derivative financial instruments[b]	422	119	214	(433)	(189)	67	-	-	(151)	186	235
Total	24,639	6,245	(6,631)	(434)	(2,879)	(468)	497	408	114	341	21,832

Analysis of movements in Level 3 assets and liabilities

The Bank	As at 1 January 2014 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Out £m	As at 31 December 2014 £m
Trading portfolio assets	5,326	550	(850)	-	(521)	515	-	-	927	(115)	5,832
Financial assets designated at fair value	16,864	3,778	(3,362)	-	(350)	1,948	32	-	2	(130)	18,782
Available for sale investments	1,821	241	(55)	-	(1,708)	-	570	11	3	(30)	853
Other[a]	68	-	(51)	-	-	-	(1)	-	-	-	16
Trading portfolio liabilities	-	-	-	-	-	-	-	-	(346)	-	(346)
Financial liabilities designated at fair value	(1,161)	-	-	(187)	290	89	(1)	-	(49)	99	(920)
Net derivative financial instruments[b]	699	98	35	(417)	78	(424)	-	-	13	340	422
Total	23,617	4,667	(4,283)	(604)	(2,211)	2,128	600	11	550	164	24,639

Notes
a Other includes investment property of £13m (2014: £16m).
b The derivative financial instruments are represented on a net basis. On a gross basis derivative financial assets totalled £5,112m (2014: £4,693m) and derivative financial liabilities totalled £4,877m (2014: £4,271m).

17 Fair value of assets and liabilities continued

Assets and liabilities move between Level 2 and Level 3 primarily due to i) an increase or decrease in observable market activity related to an input, or ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

Unrealised gains and losses on Level 3 financial assets and liabilities

The following table discloses the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

As at 31 December	2015				2014			
	Income statement				Income statement			
The Group	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m
Trading portfolio assets	(125)	-	-	(125)	466	-	-	466
Financial assets designated at fair value	(562)	(17)	-	(579)	1,849	(9)	-	1,840
Available for sale assets	-	(20)	488	468	-	572	80	652
Trading portfolio liabilities	(1)	-	-	(1)	(3)	-	-	(3)
Financial liabilities designated at fair value	(24)	76	-	52	98	118	-	216
Other[a]	-	(22)	-	(22)	-	5	-	5
Net derivative financial instruments	123	-	-	123	(238)	-	-	(238)
Total	(589)	17	488	(84)	2,172	686	80	2,938

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at period end

As at 31 December	2015				2014			
	Income statement				Income statement			
The Bank	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m	Trading income £m	Other income £m	Other comprehensive income £m	Total £m
Trading portfolio assets	(94)	-	-	(94)	444	-	-	444
Financial assets designated at fair value	(555)	-	-	(555)	1,864	7	-	1,871
Available for sale assets	-	(7)	408	401	-	500	11	511
Trading portfolio liabilities	-	-	-	-	-	-	-	-
Financial liabilities designated at fair value	(11)	8	-	(3)	97	(1)	-	96
Other[a]	-	(3)	-	(3)	-	-	-	-
Net derivative financial instruments	112	-	-	112	(241)	-	-	(241)
Total	(548)	(2)	408	(142)	2,164	506	11	2,681

The trading losses of £562m (2014: gains of £1,849m) for The Group and £555m (2014: gain of £1,864m) for The Bank within Level 3 financial assets designated at fair value was primarily due to fair value losses on the ESHLA loan portfolio of £531m.

Valuation techniques and sensitivity analysis

Sensitivity analysis is performed on products with significant unobservable inputs (Level 3) to generate a range of reasonably possible alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

Sensitivities are dynamically calculated on a monthly basis. The calculation is based on range or spread data of a reliable reference source or a scenario based on relevant market analysis alongside the impact of using alternative models. Sensitivities are calculated without reflecting the impact of any diversification in the portfolio.

The valuation techniques used for the material products within Levels 2 and 3, and observability and sensitivity analysis for products within Level 3, are described below.

Interest rate derivatives

Description: These are derivatives linked to interest rates or inflation indices. This category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives.

Valuation: Interest rate derivative cash flows are valued using interest rate yield curves whereby observable market data is used to construct the term structure of forward rates. This is then used to project and discount future cash flows based on the parameters of the trade. Instruments with

Note
a Other consists of investment property.

17 Fair value of assets and liabilities continued

optionality are valued using volatilities implied from market observable inputs. Exotic interest rate derivatives are valued using industry standard and bespoke models based on observable and unobservable market parameter inputs. Input parameters include interest rates, volatilities, correlations and others as appropriate. Inflation forward curves and interest rate yield curves may be extrapolated beyond observable tenors. Balance guaranteed swaps are valued using cash flow models that calculate fair value based on loss projections, prepayment, recovery and discount rates. These parameters are determined by reference to underlying asset performance.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying. Certain correlation, convexity, long dated forwards and volatility exposures are unobservable beyond liquid maturities. Unobservable market data and model inputs are set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is based on the dispersion of consensus data services where available, otherwise stress scenarios or historic data are used.

Foreign exchange derivatives

Description: These are derivatives linked to the foreign exchange (FX) market. This category includes FX forward contracts, FX swaps and FX options. The vast majority are traded as OTC derivatives.

Valuation: Exotic and non-exotic derivatives are valued using industry standard and bespoke models. Input parameters include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate. Unobservable model inputs are set by referencing liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Observability: Certain correlations, long dated forwards and volatilities are unobservable beyond liquid maturities.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is primarily based on the dispersion of consensus data services.

Credit derivatives

Description: These are derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets via securitisation. This category includes single name and index Credit Default Swaps (CDS), asset backed CDS, synthetic Collateralised Debt Obligations (CDOs), and Nth-to-default basket swaps.

Valuation: CDS are valued using a market standard model that incorporates the credit curve as its principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies. Where credit spreads are unobservable, they are determined with reference to recent transactions or proxied from bond spreads on observable trades of the same issuer or other similar entities. Synthetic CDOs are valued using a model that calculates fair value based on credit spreads, recovery rates, correlations and interest rates, and is calibrated to the index tranche market.

Observability: CDS contracts referencing entities that are not actively traded are considered unobservable. The correlation input to synthetic CDO valuation is considered unobservable as it is proxied from the observable index tranche market. Where an asset backed credit derivative does not have an observable market price and the valuation is determined using a model, an instrument is considered unobservable.

Level 3 sensitivity: The sensitivity of valuations of the illiquid CDS portfolio is determined by applying a shift to each spread curve. The shift is based on the average range of pricing observed in the market for similar CDS. Synthetic CDO sensitivity is calculated using correlation levels derived from the range of contributors to a consensus bespoke service.

Derivative exposure to monoline insurers

Description: These products are derivatives through which credit protection has been purchased on structured debt instruments (primarily collateralised loan obligations or CLOs) from monoline insurers.

Valuation: Given the bespoke nature of the CDS, the primary valuation input is the price of the cash instrument it protects.

Observability: While the market value of the cash instrument underlying the CDS contract may be observable, its use in the valuation of CDS is considered unobservable due to the bespoke nature of the monoline CDS contracts.

Level 3 sensitivity: Due to the high degree of uncertainty, the sensitivity reflects the impact of writing down the credit protection element of fair value to zero.

Equity derivatives

Description: These are derivatives linked to equity indices and single names. This category includes exchange traded and OTC equity derivatives including vanilla and exotic options.

17 Fair value of assets and liabilities continued

Valuation: The valuations of OTC equity derivatives are determined using industry standard models. Input parameters include stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying.

Level 3 sensitivity: Sensitivity is estimated based on the dispersion of consensus data services either directly or through proxies.

Commodity derivatives

Description: These products are exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil and refined products, agricultural, power and natural gas.

Valuation: The valuations of commodity swaps and options are determined using models incorporating discounting of cash flows and other industry standard modelling techniques. Valuation inputs include forward curves, volatilities implied from market observable inputs and correlations. Unobservable inputs are set with reference to similar observable products or by applying extrapolation techniques from the observable market.

Observability: Certain correlations, forward curves and volatilities for longer dated exposures are unobservable.

Level 3 sensitivity: Sensitivity is determined primarily by measuring historical variability over two years. Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels.

Complex derivative instruments

Valuation estimates made by counterparties with respect to complex derivative instruments, for the purpose of determining the amount of collateral to be posted, often differ, sometimes significantly, from Barclays' own estimates. In almost all cases, Barclays has been able to successfully resolve such differences or otherwise reach an accommodation with respect to collateral posting levels, including in certain cases by entering into compromise collateral arrangements. Due to the ongoing nature of collateral calls, Barclays will often be engaged in discussion with one or more counterparties in respect of such differences at any given time. Valuation estimates made by counterparties for collateral purposes are, like any other third party valuation, considered when determining Barclays' fair value estimates.

Government and government sponsored debt

Description: These are government bonds, supra sovereign bonds and agency bonds.

Valuation: Liquid government bonds actively traded through an exchange or clearing house are marked to the closing levels observed in these markets. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, fair value is determined by reference to either issuances or CDS spreads of the same issuer as proxy inputs to obtain discounted cash flow amounts.

Observability: Where an observable market price is not available, the bond is considered Level 3.

Level 3 sensitivity: Sensitivity is calculated by using the range of observable proxy prices.

Corporate debt

Description: This primarily contains corporate bonds.

Valuation: Corporate bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, fair value is determined by reference to either issuances or CDS spreads of the same issuer as proxy inputs to obtain discounted cash flow amounts. In the absence of observable bond or CDS spreads for the respective issuer, similar reference assets or sector averages are applied as a proxy (the appropriateness of proxies being assessed based on issuer, coupon, maturity and industry).

Observability: Where an observable market price is not available, the security is considered Level 3.

Level 3 sensitivity: The sensitivity for the corporate bonds portfolio is determined by applying a shift to each underlying position driven by average ranges of external levels observed in the market for similar bonds.

Reverse repurchase and repurchase agreements

Description: These include securities purchased under resale agreements, securities sold under repurchase agreements, and other similar secured lending agreements.

Valuation: Reverse repurchase and repurchase agreements are valued by discounting the expected future cash flows. The inputs to the valuation include interest rates and repo rates, which are determined based on the specific parameters of the transaction.

17 Fair value of assets and liabilities continued

Observability: In general, input parameters are deemed observable up to liquid maturities, as determined based on the specific parameters of the transaction. Unobservable market data and model inputs are set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is based on the dispersion of consensus data services where available, otherwise stress scenarios or historic data are used. In general, the sensitivity of unobservable inputs is insignificant to the overall balance sheet valuation given the predominantly short term nature of the agreements.

Non-asset backed loans
Description: This category is largely made up of fixed rate loans, such as the ESHLA portfolio, which are valued using models that discount expected future cash flows.

Valuation: Fixed rate loans are valued using models that calculate fair value based on observable interest rates and unobservable loan spreads. Unobservable loan spreads incorporate funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

Observability: Within this population, the unobservable input is the loan spread.

Level 3 sensitivity: The sensitivity for fixed rate loans is calculated by applying a shift to loan spreads.

Asset backed securities
Description: These are securities that are linked to the cash flows of a pool of referenced assets via securitisation. This category includes residential mortgage backed securities, commercial mortgage backed securities, CDOs, CLOs and other asset backed securities.

Valuation: Where available, valuations are based on observable market prices which are sourced from broker quotes and inter-dealer prices. Otherwise, valuations are determined using industry standard discounted cash flow analysis that calculates the fair value based on valuation inputs such as constant default rate, conditional prepayment rate, loss given default and yield. These inputs are determined by reference to a number of sources including proxying to observed transactions, market indices or market research, and by assessing underlying collateral performance.

Proxying to observed transactions, indices or research requires an assessment and comparison of the relevant securities' underlying attributes including collateral, tranche, vintage, underlying asset composition (historical losses, borrower characteristics and loan attributes such as loan-to-value ratio and geographic concentration) and credit ratings (original and current).

Observability: Where an asset backed product does not have an observable market price, and the valuation is determined using a discounted cash flow analysis, an instrument is considered unobservable.

Level 3 sensitivity: The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion or by stressing the inputs of discount cash flow analysis.

Commercial real estate loans
Description: This portfolio includes loans that are secured by a range of commercial property types including retail, hotel, office, multi-family and industrial properties.

Valuation: Performing loans are valued using discounted cash flow analysis which considers the characteristics of the loan such as property type, geographic location, credit quality and property performance reviews in order to determine an appropriate credit spread. Where there is significant uncertainty regarding loan performance, valuation is based on independent third party appraisals or bids for the underlying properties. Independent third party appraisals are determined by discounted cash flow analysis. The key valuation inputs are yield and loss given default.

Observability: Since each commercial real estate loan is unique in nature, and the secondary loan market is relatively illiquid, valuation inputs are generally considered unobservable.

Level 3 sensitivity: For performing loans, sensitivity is determined by stressing the credit spread for each loan. For loans which have significant uncertainty regarding loan performance, sensitivity is determined by either a range of bids or by stressing the inputs to independent third party appraisals.

Issued debt
Description: This category contains Barclays issued notes.

Valuation: Fair valued Barclays issued notes are valued using discounted cash flow techniques and industry standard models incorporating various observable input parameters depending on the terms of the instrument.
Observability: Barclays issued notes are generally observable. Structured notes are debt instruments containing embedded derivatives. Where either an input to the embedded derivative or the debt instrument is deemed unobservable and significant to the overall valuation of the note, the structured note is classified as Level 3.

17 Fair value of assets and liabilities continued

Level 3 sensitivity: Sensitivity to the unobservable input in the embedded derivative is calculated in line with the method used for the type of derivative instrument concerned.

Other

Description: Other includes non-current assets and liabilities held for sale and private equity investments. See below for more detail. Other also includes investment properties.

Non-current assets held for sale

Description: Non-current assets held for sale materially consists of the Portuguese Retail Banking, Wealth and Investment Management businesses and part of the Portuguese Corporate banking business, Barclays Vida y Pensiones (BVP), a company offering life insurance, pension products and services in Spain, Portugal and Italy, and the Italian Retail business. This sale is part of the divestment of the Barclays Non-Core segment of the Group.

Valuation: Non-current assets held for sale are valued at the lower of carrying value and fair value less cost to sell.

Observability: The items in Level 2 and Level 3 include customer cash, nostro accounts with other banks and other time deposits.

Level 3 sensitivity: The businesses held for sale are valued at the agreed price less costs to sell and are not expected to display significant sensitivity.

Private equity investments

Description: This category includes private equity investments.

Valuation: Private equity investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines'. This requires the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis and comparison with the earnings multiples of listed comparative companies. Full valuations are generally performed at least biannually, with the positions reviewed periodically for material events that might impact upon fair value. The valuation of unquoted equity instruments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time. Private equity investments include Barclays' equity interest in Visa Europe, an available for sale asset, which has been valued by reference to consideration, some of which is contingent upon future events, that will be receivable upon completion of the announced sale of Visa Europe to Visa Inc. The elements of consideration that are contingent on future events have been deemed unobservable and no value has been attributed to such elements in the year-end valuation.

Observability: Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

Level 3 sensitivity: The relevant valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates. Valuation sensitivity is estimated by flexing such assumptions to reasonable alternative levels and determining the impact on the resulting valuation.

17 Fair value of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

The Group	Fair value Total assets £m	Fair value Total liabilities £m	Favourable changes Income statement £m	Favourable changes Equity £m	Unfavourable changes Income statement £m	Unfavourable changes Equity £m
As at 31 December 2015						
Interest rate derivatives	**2,675**	**(2,247)**	**93**	**-**	**(103)**	**-**
Foreign exchange derivatives	**95**	**(196)**	**17**	**-**	**(17)**	**-**
Credit derivatives[a]	**1,902**	**(219)**	**66**	**-**	**(96)**	**-**
Equity derivatives	**690**	**(1,545)**	**167**	**-**	**(185)**	**-**
Commodity derivatives	**56**	**(562)**	**13**	**-**	**(13)**	**-**
Government and government sponsored debt	**419**	**(1)**	**4**	**-**	**(4)**	**-**
Corporate debt	**2,895**	**(15)**	**10**	**1**	**(5)**	**(1)**
Certificates of deposit, commercial paper and other money market instruments	**-**	**(382)**	**-**	**-**	**-**	**-**
Non-asset backed loans	**16,828**	**-**	**1,581**	**-**	**(1,564)**	**-**
Asset backed securities	**770**	**(37)**	**1**	**-**	**(1)**	**-**
Commercial real estate loans	**551**	**-**	**24**	**-**	**(1)**	**-**
Issued debt	**-**	**(546)**	**-**	**-**	**-**	**-**
Equity cash products	**171**	**-**	**-**	**17**	**-**	**(17)**
Funds and fund linked products	**378**	**(148)**	**1**	**-**	**(1)**	**-**
Other[b]	**9,185**	**(4,344)**	**154**	**318**	**(172)**	**(53)**
Total	**36,615**	**(10,242)**	**2,131**	**336**	**(2,162)**	**(71)**
As at 31 December 2014						
Interest rate derivatives	1,239	(1,344)	70	-	(71)	-
Foreign exchange derivatives	108	(138)	36	-	(36)	-
Credit derivatives[a]	1,966	(409)	81	-	(229)	-
Equity derivatives	1,247	(2,092)	220	-	(220)	-
Commodity derivatives	185	(337)	46	-	(46)	-
Government and government sponsored debt	1,014	(346)	-	-	(2)	-
Corporate debt	3,061	(13)	26	(1)	(9)	(4)
Certificates of deposit, commercial paper and other money market instruments	-	(665)	3	-	3	-
Non-asset backed loans	17,744	-	1,164	-	(820)	-
Asset backed securities	1,631	-	46	1	(72)	(1)
Commercial real estate loans	1,180	-	20	-	(19)	-
Issued debt	-	(749)	-	-	-	-
Equity cash products	171	-	-	11	-	(11)
Funds and fund linked products	631	(210)	14	-	(14)	-
Other[b]	17,663	(13,297)	180	82	(156)	(55)
Total	**47,840**	**(19,600)**	**1,906**	**93**	**(1,691)**	**(71)**

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £2.1bn (2014: £1.9bn) or to decrease fair values by up to £2.2bn (2014: £1.7bn) with substantially all the potential effect impacting profit and loss rather than reserves.

Notes
a Credit derivatives includes derivative exposure to monoline insurers.
b Other includes non-current assets and liabilities held for sale, which are measured at fair value on a non-recurring basis, investment property, private equity investments and asset backed loans.

17 **Fair value of assets and liabilities** continued

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

The Group	Total assets £m	Total liabilities £m	Valuation technique(s)	Significant unobservable inputs	2015 Range Min	2015 Range Max	2014 Range Min	2014 Range Max	Units[a]
Derivative financial instruments[b]									
Interest rate derivatives	2,675	(2,247)	Discounted cash flows	Inflation forwards	0.3	8	(0.5)	11	%
			Option model	Inflation volatility	36	197	40	300	bp vol
				IR – IR correlation	(55)	100	(88)	100	%
				FX – IR correlation	(20)	30	14	90	%
				Interest rate volatility	5	249	6	437	bp vol
Credit derivatives[c]	1,902	(219)	Discounted cash flows	Credit spread	140	413	116	240	bps
			Correlation model	Credit correlation	26	41	36	90	%
				Credit spread	10	9,923	6	5,898	bps
			Comparable pricing	Price	80	102	64	100	points
Equity derivatives	690	(1,545)		Equity volatility	-	318	1	97	%
				Equity – equity correlation	(54)	100	(55)	99	%
				Equity – FX correlation	(100)	40	(80)	55	%
Non-derivative financial instruments									
Corporate debt	2,895	(15)	Discounted cash flows	Credit spread	120	529	140	900	bps
			Comparable pricing	Price	1	114	-	104	points
Asset backed securities	770	(37)	Discounted cash flows	Conditional prepayment rate	-	25	-	5	%
				Constant default rate	-	2	-	9	%
				Loss given default	30	100	45	100	%
				Yield	5	58	3	11	%
				Credit spread	157	1,416	74	2,688	bps
			Comparable pricing	Price	1	114	-	100	points
Commercial real estate loans	551	-	Discounted cash flows	Loss given default	0	100	-	100	%
				Yield	-	-	4	8	%
				Credit spread	230	801	124	675	bps
Non-asset backed loans	16,828	-	Discounted cash flows	Loan spread	3	994	39	1,000	bps
Other[d]	1,855	(173)	Discounted cash flows	Loss given default	-	94	-	-	%
				Yield	7	12	8	9	%
			Comparable pricing	Price	-	103	-	133	points

Notes

a The units used to disclose ranges for significant unobservable inputs are percentages, points, basis point volatility and basis points. Basis point volatility is a measure of implied volatility in terms of annual absolute basis point change in the underlying rate. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

b Certain derivative instruments are classified as Level 3 due to a significant unobservable credit spread input into the calculation of the Credit Valuation Adjustment for the instruments. The range of significant unobservable credit spreads is between 69-1,175bps.

c Credit derivatives includes derivative exposure to monoline insurers.

d Other includes private equity investments, asset backed loans and investment property.

17 Fair value of financial instruments continued

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Comparable price

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable bond, then adjusting that yield (or spread) to derive a value for the unobservable bond. The adjustment to yield (or spread) should account for relevant differences in the bonds such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable instrument and bond being valued in order to establish the value of the bond.

In general, a significant increase in comparable price in isolation will result in a movement in fair value that is favourable for the holder of a cash instrument.

For a derivative instrument, a significant increase in an input derived from a comparable price in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Conditional prepayment rate

Conditional prepayment rate is the proportion of voluntary, unscheduled repayments of loan principal by a borrower. Prepayment rates affect the weighted average life of securities by altering the timing of future projected cash flows.

A significant increase in a conditional prepayment rate in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Conditional prepayment rates are typically inversely correlated to credit spread, i.e. securities with high borrower credit spread typically experience lower prepayment rates, and also tend to experience higher default rates.

Constant default rate

The constant default rate represents an annualised rate of default of the loan principal by the borrower.

A significant increase in a constant default rate in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Constant default rate and conditional prepayment rates are typically inversely correlated: fewer defaults on loans typically will mean higher credit quality and therefore more prepayments.

Correlation

Correlation is a measure of the relationship between the movements of two variables (i.e. how the change in one variable influences a change in the other variable). Correlation is a key input into valuation of derivative contracts with more than one underlying instrument. For example, where an option contract is written on a basket of underlying names, the volatility of the basket, and hence the fair value of the option, will depend on the correlation between the basket components. Credit correlation generally refers to the correlation between default processes for the separate names that make up the reference pool of a CDO structure.

A significant increase in correlation in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Credit spread

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument, and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect funding costs, credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered extremely low credit risk, and have a history of zero defaults since inception. While the overall credit spread is 991bps (2014: 961bps), the vast majority of

17 Fair value of assets and liabilities continued

spreads being concentrated towards the bottom end of the reported range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a movement in fair value that is unfavourable for the holder of a loan.

Forwards

A price or rate that is applicable to a financial transaction that will take place in the future. A forward is generally based on the spot price or rate, adjusted for the cost of carry, and defines the price or rate that will be used to deliver a currency, bond, commodity or some other underlying instrument at a point in the future. A forward may also refer to the rate fixed for a future financial obligation, such as the interest rate on a loan payment. In general, a significant increase in a forward in isolation will result in a movement in fair value that is favourable for the contracted receiver of the underlying (currency, bond, commodity, etc), but the sensitivity is dependent on the specific terms of the instrument.

Loss given default (LGD)

LGD represents the expected loss upon liquidation of the collateral as a percentage of the balance outstanding.

In general, a significant increase in the LGD in isolation will translate to lower recovery and lower projected cash flows to pay to the securitisation, resulting in a movement in fair value that is unfavourable for the holder of the securitised product.

Volatility

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time. In general, volatilities will be implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, as well as reflecting the given strike/maturity profile of a specific option contract.

In general a significant increase in volatility in isolation will result in a movement in fair value that is favourable for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be inter-relationships between unobservable volatilities and other unobservable inputs that can be implied from observation (e.g. when equity prices fall, implied equity volatilities generally rise) but these are specific to individual markets and may vary over time.

Yield

The rate used to discount projected cash flows in a discounted future cash flow analysis.

In general, a significant increase in yield in isolation will result in a movement in fair value that is unfavourable for the holder of a cash instrument.

Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2015 £m	2014 £m
Bid-offer valuation adjustments	**(360)**	(396)
Other exit adjustments	**(149)**	(169)
Uncollateralised derivative funding	**(72)**	(100)
Derivative credit valuation adjustments:		
- Monolines	**(9)**	(24)
- Other derivative credit valuation adjustments	**(318)**	(394)
Derivative debit valuation adjustments	**189**	177

Bid-offer valuation adjustments

The Group uses mid market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the price for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are derived from market sources, such as broker data.

Other exit adjustments

Market data input for exotic derivatives may not have a directly observable bid-offer spread. In such instances, an exit adjustment is applied as a proxy for the bid-offer adjustment. An example of this is correlation risk where an adjustment is applied to reflect the possible range of values that market participants apply. The exit adjustment may be determined by calibrating to derivative prices, by scenario analysis or historical analysis. Other exit adjustments have reduced by £20m to £149m respectively as a result of movements in market bid-offer spreads.

17 Fair value of assets and liabilities continued

Discounting approaches for derivative instruments

Collateralised

In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant CSA. This CSA aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

Uncollateralised

A fair value adjustment of £72m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralized derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as the 'Funding Fair Value Adjustment' (FFVA). FFVA has decreased by £28m to £72m mainly as a result of material trade unwinds and the reduction in the average maturity date of the portfolio as trades tend to maturity.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to these exposures that reflects the market cost of funding. Barclays' internal Treasury rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2015 was to reduce FFVA by £216m (2014: £300m).

Uncollateralised derivative trading activity is used to determine this scaling factor. The trading history analysed includes new trades, terminations, trade restructures and novations. The FFVA balance and movement is driven by the Barclays' own cost of funding spread over LIBOR, counterparty default probabilities and recovery rates, as well as the market value of the underlying derivatives. Movements in the market value of the portfolio in scope for FFVA are mainly driven by interest rates, inflation rates and foreign exchange levels.

Barclays continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate. The above approach has been in use since 2012 with no significant changes.

Derivative credit and debit valuation adjustments

CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and Barclays' own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include, but are not limited to, corporates, monolines, sovereigns and sovereign agencies, supranationals and special purpose vehicles.

Exposure at default is generally based on expected exposure, estimated through the simulation of underlying risk factors. For some complex products, where this approach is not feasible, simplifying assumptions are made, either through approximating with a more vanilla structure, or using current or scenario based mark to market as an estimate of future exposure. Where a strong CSA exists to mitigate counterparty credit risk, the exposure at default is set to zero.

Probability of default and recovery rate information is generally sourced from the CDS markets. For counterparties where this information is not available, or considered unreliable due to the nature of the exposure, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market based default and recovery information. In particular, this applies to sovereign related names where the effect of using the recovery assumptions implied in CDS levels would imply a £56m (2014: £120m) increase in CVA.

Correlation between counterparty credit and underlying derivative risk factors may lead to a systematic bias in the valuation of counterparty credit risk, termed 'wrong way' or 'right way' risk. This is not incorporated into the CVA calculation, but risk of 'wrong way' exposure is controlled at the trade origination stage.

CVA decreased by £91m to £327m, primarily due to reduction in the average maturity date of the portfolio as trades tend to maturity. In addition, there was a reduction in monoline CVA of £15m due to trade unwinds. DVA increased by £12m to £189m, primarily as a result of Barclays' credit spreads deteriorating.

Portfolio exemptions

The Group uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position, i.e. an asset, for a particular risk exposure or to transfer a net short position, i.e. a liability, for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Group measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in income that relates to the difference between the transaction price, i.e. the fair value at initial recognition, and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is £101m (2014: £96m). There are additions of £35m (2014: nil) and £31m (2014: £41m) of amortisation and releases.

17 Fair value of assets and liabilities continued

The reserve held for unrecognised gains is predominantly related to derivative financial instruments.

Third party credit enhancements

Structured and brokered certificates of deposit issued by Barclays Group are insured up to $250,000 per depositor by the Federal Deposit Insurance Corporation (FDIC) in the US. The FDIC is funded by premiums that Barclays and other banks pay for deposit insurance coverage. The carrying value of these issued certificates of deposit that are designated under the IAS 39 *Fair value option* includes this third party credit enhancement. The on-balance sheet value of these brokered certificates of deposit amounted to £3,729m (2014: £3,650m).

Valuation control framework

The valuation control framework covers fair value positions and is a key control in ensuring the material accuracy of valuations.

The valuation control function within Finance is responsible for independent price verification, oversight of prudent and fair value adjustments and escalation of valuation issues. Governance over the valuation process is the responsibility of the Valuation Committee, and this is the governance forum to which valuation issues are escalated.

The Valuation Committee meets on a monthly basis and is responsible for overseeing valuation policy and practice within the Group. It provides reports to the Board Audit Committee, which examines the judgements taken on valuation and related disclosures.

Price verification uses independently sourced data that is deemed most representative of the market. The characteristics against which the data source is assessed are independence, reliability, consistency with other sources and evidence that the data represents an executable price. The most current data available at the balance sheet date is used. Where significant variances are noted in the independent price verification process, an adjustment is made to fair value. Additional fair value adjustments may be made to reflect such factors as bid-offer spreads, market data uncertainty, model limitations and counterparty risk. Further detail on these fair value adjustments is disclosed on page 201.

17 Fair value of assets and liabilities continued

Comparison of carrying amounts and fair values

The following tables summarises the fair value of financial assets and liabilities measured at amortised cost on The Group's and The Bank's balance sheet:

The Group As at 31 December 2015	Carrying amount £m	Fair value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Financial assets					
Loans and advances to banks	41,829	41,781	5,933	34,605	1,243
Loans and advances to customers:					
– Home loans	155,863	151,636	-	-	151,636
– Credit cards, unsecured and other retail lending	67,840	67,600	1,148	284	66,168
– Finance lease receivables	4,777	4,730			
– Corporate loans	170,737	169,697	585	129,847	39,265
Reverse repurchase agreements and other similar secured lending[a]	28,187	28,187	-	28,187	-
Financial liabilities					
Deposits from banks	(47,080)	(47,080)	(4,428)	(42,652)	-
Customer accounts:					
– Current and demand accounts	(147,123)	(147,121)	(130,439)	(16,537)	(145)
– Savings accounts	(135,567)	(135,600)	(122,029)	(13,537)	(34)
– Other time deposits	(135,617)	(135,861)	(43,025)	(84,933)	(7,903)
Debt securities in issue	(69,150)	(69,938)	(190)	(69,197)	(551)
Repurchase agreements and other similar secured lending[a]	(25,035)	(25,035)	-	(25,035)	-
Subordinated liabilities	(21,955)	(23,544)	-	(23,544)	-

The Group As at 31 December 2014	Carrying amount £m	Fair value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Financial assets					
Loans and advances to banks	42,657	42,634	2,693	39,302	639
Loans and advances to customers:					
– Home loans	166,974	159,602	-	-	159,602
– Credit cards, unsecured and other retail lending	63,583	63,759	1,214	488	62,057
– Finance lease receivables	5,439	5,340			
– Corporate loans	191,771	188,805	233	138,817	49,755
Reverse repurchase agreements and other similar secured lending	131,753	131,753	2	131,751	-
Financial liabilities					
Deposits from banks	(58,390)	(58,388)	(4,257)	(54,117)	(14)
Customer accounts:					
– Current and demand accounts	(143,057)	(143,085)	(126,732)	(16,183)	(170)
– Savings accounts	(131,163)	(131,287)	(116,172)	(15,086)	(29)
– Other time deposits	(153,648)	(153,755)	(43,655)	(101,898)	(8,201)
Debt securities in issue	(86,099)	(87,518)	(188)	(87,330)	-
Repurchase agreements and other similar secured lending	(124,479)	(124,479)	(423)	(124,056)	-
Subordinated liabilities	(21,685)	(23,276)	-	(23,259)	(17)

Notes

a During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

17 Fair value of assets and liabilities continued

The Bank As at 31 December 2015	Carrying amount £m	Fair Value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable input (Level 3) £m
Financial assets					
Loans and advances to banks	62,201	62,129	8,925	51,333	1,871
Loans and advances to customers:					
– Home loans	142,623	137,614	-	-	137,614
– Credit cards, unsecured and other retail lending	39,610	39,582	915	227	38,440
– Finance lease receivables	1,060	1,050			
– Corporate loans	211,914	210,915	561	172,687	37,667
Reverse repurchase agreements and other similar secured lending[a]	28,803	28,803	-	28,803	-
Financial liabilities					
Deposits from banks	(63,682)	(63,682)	(5,989)	(57,693)	-
Customer accounts:					
– Current and demand accounts	(204,715)	(204,713)	(181,500)	(23,011)	(202)
– Savings accounts	(119,764)	(119,793)	(107,804)	(11,959)	(30)
– Other time deposits	(87,312)	(87,469)	(27,714)	(54,665)	(5,090)
Debt securities in issue	(45,720)	(46,192)	(125)	(45,702)	(365)
Repurchase agreements and other similar secured lending[a]	(26,164)	(26,164)	-	(26,164)	-
Subordinated liabilities	(21,411)	(22,847)	-	(22,847)	-

The Bank As at 31 December 2014	Carrying amount £m	Fair Value £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable input (Level 3) £m
Financial assets					
Loans and advances to banks	57,438	57,431	3,017	53,981	433
Loans and advances to customers:					
– Home loans	150,896	143,521	-	-	143,521
– Credit cards, unsecured and other retail lending	42,368	42,445	777	37	41,631
– Finance lease receivables	338	332			
– Corporate loans	236,212	233,021	2,269	169,903	60,849
Reverse repurchase agreements and other similar secured lending	102,824	102,824	-	102,085	739
Financial liabilities					
Deposits from banks	(70,342)	(70,341)	(5,729)	(64,526)	(86)
Customer accounts:					
– Current and demand accounts	(221,849)	(221,876)	(115,018)	(99,652)	(7,206)
– Savings accounts	(116,128)	(116,251)	(105,933)	(10,300)	(18)
– Other time deposits	(87,157)	(87,206)	(41,670)	(37,442)	(8,094)
Debt securities in issue	(63,771)	(65,145)	(87)	(65,058)	-
Repurchase agreements and other similar secured lending	(95,373)	(95,373)	(399)	(94,974)	-
Subordinated liabilities	(20,851)	(23,441)	(39)	(23,402)	-

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are often available, it may not be appropriate to directly compare this fair value information to independent market sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Notes

a During 2015, new reverse repurchase agreements and other similar lending and repurchase agreements and other similar secured borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

17 Fair value of assets and liabilities continued

Financial assets

The carrying value of financial assets held at amortised cost (including loans and advances to banks and customers, and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the relevant accounting policy noted on page 212 and 213.

Loans and advances to banks

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates. There is minimal difference between the fair value and carrying amount due to the short term nature of the lending (i.e. deposits predominantly overnight) and the high credit quality of counterparties.

Loans and advances to customers

The fair value of loans and advances to customers, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality.

For retail lending (i.e. home loans and credit cards) tailored discounted cash flow models are used to estimate the fair value of different product types. For example, for home loans different models are used to estimate fair values of tracker, offset and fixed rate mortgage products. Key inputs to these models are the differentials between historic and current product margins and estimated prepayment rates.

The discount of fair value to carrying amount from home loans for The Group has decreased to 2.7% (2014: 4.4%) and The Bank has decreased to 3.5% (2014: 4.9%), both are due to changes in the product mix across the loan portfolio and movements in product margins.

The fair value of Corporate loans is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity. The discount between the carrying and fair value for The Group has decreased to 0.6% (2014: 1.5%) and The Bank has decreased to 0.5% (2014:1.4%).

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy noted on page 233.

Deposits from banks and customer accounts

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently such as customer accounts and other deposits and short term debt securities.

The fair value for deposits with longer term maturities such as time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal.

Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value. The fair value difference for The Group has decreased to 1.1% (2014: 1.6%) and The Bank has decreased to 1.0% (2014: 2.2%).

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issue concerned or issues with similar terms and conditions.

18 Offsetting financial assets and financial liabilities

In accordance with IAS 32 *Financial Instruments: Presentation*, The Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The 'Net amounts' presented below are not intended to represent The Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

The Group	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on-balance sheet			Related amounts not offset[a]				
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2015	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets[e]	**328,692**	**(7,685)**	**321,007**	**(259,582)**	**(42,402)**	**19,023**	**6,863**	**327,870**
Reverse repurchase agreements and other similar secured lending	**33,805**	**(11,220)**	**22,585**	**-**	**(22,299)**	**286**	**5,602**	**28,187**
Reverse repurchase agreements designated at fair value[f]	**135,792**	**(91,668)**	**44,124**	**-**	**(44,101)**	**23**	**5,389**	**49,513**
Total assets	**498,289**	**(110,573)**	**387,716**	**(259,582)**	**(108,802)**	**19,332**	**17,854**	**405,570**
Derivative financial liabilities[e]	**(325,984)**	**7,645**	**(318,339)**	**259,582**	**40,124**	**(18,633)**	**(5,913)**	**(324,252)**
Repurchase agreements and other similar secured borrowing	**(30,525)**	**10,687**	**(19,838)**	**-**	**19,838**	**-**	**(5,197)**	**(25,035)**
Repurchase agreements designated at fair value[f]	**(141,126)**	**92,201**	**(48,925)**	**-**	**48,364**	**(561)**	**(1,913)**	**(50,838)**
Total liabilities	**(497,635)**	**110,533**	**(387,102)**	**259,582**	**108,326**	**(19,194)**	**(13,023)**	**(400,125)**
As at 31 December 2014								
Derivative financial assets	617,981	(182,274)	435,707	(353,631)	(52,278)	29,798	4,369	440,076
Reverse repurchase agreements and other similar secured lending	204,895	(97,254)	107,641	-	(106,436)	1,205	24,112	131,753
Reverse repurchase agreements designated at fair value	4,119	-	4,119	-	(3,918)	201	1,117	5,236
Total assets	826,995	(279,528)	547,467	(353,631)	(162,632)	31,204	29,598	577,065
Derivative financial liabilities	(617,161)	184,496	(432,665)	353,631	54,311	(24,723)	(6,655)	(439,320)
Repurchase agreements and other similar secured borrowing	(202,218)	97,254	(104,964)	-	104,023	(941)	(19,515)	(124,479)
Repurchase agreements designated at fair value	(4,256)	-	(4,256)	-	3,942	(314)	(1,167)	(5,423)
Total liabilities	(823,635)	281,750	(541,885)	353,631	162,276	(25,978)	(27,337)	(569,222)

Notes

a Financial collateral of £42,402m (2014: £52,278m) was received in respect of derivative assets, including £34,918m (2014: £44,047m) of cash collateral and £7,484m (2014: £8,231m) of non-cash collateral. Financial collateral of £40,124m (2014: £54,311m) was placed in respect of derivative liabilities, including £35,464m (2014: £43,768m) of cash collateral and £4,660m (2014: £10,543m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation. Of the £34,918m, (2014: £44,047m) cash collateral held, £27,732m, (2014: £33,769m) was included in deposits from banks and £7,186m (2014: £10,278m), was included in customer accounts. Of the £35,464m, (2014: £43,768m) cash collateral placed, £13,238m (2014: £16,815m) was included in loans and advances to banks and £22,226m (2014: £26,953m) was included in loans and advances to customers.

b Amounts offset for Derivative financial assets include cash collateral netted of £572m (2014: £1,052m). Amounts offset for Derivative liabilities include cash collateral netted of £532m (2014: £3,274m). Settlements assets and liabilities have been offset amounting to £8,886m (2014: £13,258m). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

e The decrease in amounts offset is due to the conversion of Barclays daily collateralised interest rate swaps with LCH Clearnet Ltd, for which the collateral was offset against the derivative exposure, into daily settled interest rate swaps from December 2015.This led to a reduction in gross balances available to be offset. The derivative notional disclosure in Note 14 Derivative financial instruments includes the notional of the daily settled interest rate swaps.

f During 2015, new reverse repurchase and repurchase agreements and other similar secured lending and borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance.

18 Offsetting financial assets and financial liabilities continued

The Bank	Amounts subject to enforceable netting arrangements						Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
	Effects of offsetting on balance sheet			Related amounts not offset[a]				
	Gross amounts	Amounts offset[b]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral	Net amount		
As at 31 December 2015	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets[e]	**308,921**	**(7,685)**	**301,236**	**(241,295)**	**(42,293)**	**17,648**	**15,016**	**316,252**
Reverse repurchase agreements and other similar secured lending	**37,722**	**(16,596)**	**21,126**	**-**	**(20,270)**	**856**	**7,677**	**28,803**
Reverse repurchase agreements designated at fair value[f]	**144,003**	**(104,250)**	**39,753**	**-**	**(39,233)**	**520**	**2,829**	**42,582**
Total Assets	**490,646**	**(128,531)**	**362,115**	**(241,295)**	**(101,796)**	**19,024**	**25,522**	**387,637**
Derivative financial liabilities[e]	**(302,806)**	**7,645**	**(295,161)**	**241,295**	**40,074**	**(13,792)**	**(14,864)**	**(310,025)**
Repurchase agreements and other similar secured borrowing	**(35,459)**	**15,164**	**(20,295)**	**-**	**20,294**	**(1)**	**(5,869)**	**(26,164)**
Repurchase agreements designated at fair value[f]	**(150,682)**	**105,682**	**(45,000)**	**-**	**44,285**	**(715)**	**(458)**	**(45,458)**
Total Liabilities	**(488,947)**	**128,491**	**(360,456)**	**241,295**	**104,653**	**(14,508)**	**(21,191)**	**(381,647)**
As at 31 December 2014								
Derivative financial assets	589,971	(182,274)	407,697	(327,156)	(52,091)	28,450	18,868	426,565
Reverse repurchase agreements and other similar secured lending	197,951	(103,703)	94,248	-	(93,468)	780	8,576	102,824
Reverse repurchase agreements designated at fair value	2,271	-	2,271	-	(2,080)	191	1,053	3,324
Total Assets	790,193	(285,977)	504,216	(327,156)	(147,639)	29,421	28,497	532,713
Derivative financial liabilities	(583,017)	184,496	(398,521)	327,156	53,382	(17,983)	(21,084)	(419,605)
Repurchase agreements and other similar secured borrowing	(189,924)	103,703	(86,221)	-	85,177	(1,044)	(9,152)	(95,373)
Repurchase agreements designated at fair value	(3,720)	-	(3,720)	-	3,407	(313)	(1,147)	(4,867)
Total Liabilities	(776,661)	288,199	(488,462)	327,156	141,966	(19,340)	(31,383)	(519,845)

Derivative assets and liabilities

The ‘Financial instruments’ column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Notes

a Financial collateral of £42,293m (2014: £52,091m) was received in respect of derivative assets, including £34,818m (2014: £43,928m) of cash collateral and £7,475m (2014: £8,163m) of non-cash collateral. Financial collateral of £40,074m (2014: £53,382m) was placed in respect of derivative liabilities, including £35,428m (2014: £43,706m) of cash collateral and £4,646m (2014: £9,676m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.

b Amounts offset for Derivative financial assets includes cash collateral netted of £572m (2014: £1,052m).Amounts offset for Derivative liabilities includes cash collateral netted of £532m (2014: £3,274m).No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of ‘Net amounts reported on the balance sheet’ that are subject to enforceable netting arrangements and ‘Amounts not subject to enforceable netting arrangements’.

e The decrease in amounts offset is due to the conversion of Barclays daily collateralised interest rate swaps with LCH Clearnet Ltd, for which the collateral was offset against the derivative exposure, into daily settled interest rate swaps from December 2015. This led to a reduction in gross balances available to be offset. The derivative notional disclosure in Note 14 Derivative financial instruments includes the notional of the daily settled interest rate swaps.

f During 2015, new reverse repurchase and repurchase agreements and other similar secured lending and borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio’s risk and performance.

18 Offsetting financial assets and financial liabilities continued

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

The 'Amounts offset' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as global master repurchase agreements and global master securities lending agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by The Group are further explained in the Credit risk mitigation section on page 54.

The notes included in this section focus on assets that are held at amortised cost arising from the Group's retail and wholesale lending including loans and advances, finance leases, repurchase and reverse repurchase agreements and similar secured lending. Detail regarding the Group's capital and liquidity position can be found on pages 94 to 115.

19 Loans and advances to banks and customers

Accounting for financial instruments held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability.

In accordance with IAS 39 *Financial instruments: recognition and measurement*, where the Group no longer intends to trade in financial assets, it may transfer them out of the held for trading classification and measure them at amortised cost if they meet the definition of a loan. The initial value used for the purposes of establishing amortised cost is fair value on the date of the transfer.

	The Group		The Bank	
	2015	2014	2015	2014
As at 31 December	£m	£m	£m	£m
Gross loans and advances to banks	**41,829**	42,657	**62,201**	57,438
Loans and advances to banks	**41,829**	42,657	**62,201**	57,438
Gross loans and advances to customers	**404,138**	433,222	**398,488**	433,677
Less: allowance for impairment	**(4,921)**	(5,455)	**(3,281)**	(3,863)
Loans and advances to customers	**399,217**	427,767	**395,207**	429,814

Further information on The Group's loans and advances to banks and customers and impairment allowances is included on pages 65 to 86.

Prior to 2010, the Group reclassified certain financial assets, originally classified as held for trading, that were deemed to be not held for trading purposes to loans and advances. The carrying value and fair value of securities reclassified into loans and advances is £975m (2014: £1,862m) and £958m (2014: £1,834m) respectively.

If the reclassifications had not been made, the Group's income statement for 2015 would have included a net gain on the reclassified trading assets of £12m (2014: gain of £57m).

20 Finance leases

Accounting for finance leases

The Group applies IAS 17 *Leases* in accounting for finance leases, both where it is the lessor or the lessee. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Group is the lessee, the leased asset is recognised in property, plant and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Finance lease receivables

Finance lease receivables are included within loans and advances to customers. The Group engages in asset-based lending and works with a broad range of international technology, industrial equipment and commercial companies to provide customised finance programmes to assist manufacturers, dealers and distributors of assets.

20 Finance leases continued

	2015				2014			
	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values	Gross investment in finance lease receivables	Future finance income	Present value of minimum lease payments receivable	Un-guaranteed residual values
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Not more than one year	**1,826**	**(230)**	**1,596**	**117**	2,139	(304)	1,835	125
Over one year but not more than five years	**3,569**	**(555)**	**3,014**	**275**	4,159	(682)	3,477	293
Over five years	**224**	**(32)**	**192**	**21**	213	(40)	173	17
Total	**5,619**	**(817)**	**4,802**	**413**	6,511	(1,026)	5,485	435
The Bank								
Not more than one year	**-**	**-**	**-**	**-**	14	(9)	5	-
Over one year but not more than five years	**1**	**-**	**1**	**-**	333	(29)	304	-
Over five years	**1**	**-**	**1**	**-**	9	(3)	6	-
Total	**2**	**-**	**2**	**-**	356	(41)	315	-

The impairment allowance for uncollectable finance lease receivables is £56m (2014: £82m).

Finance lease liabilities

The Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease liabilities are included within Note 25 Accruals, deferred income and other liabilities.

As at 31 December 2015, the total future minimum payments under finance leases were nil (2014: £14m) and the total future minimum payments under finance leases for The Bank were nil (2014: £nil). The carrying amount of assets held under finance leases was £nil (2014: £31m).

21 Reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

The Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss.

The Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Assets				
Banks	**8,954**	39,528	**4,762**	22,051
Customers	**19,233**	92,225	**24,041**	80,773
Reverse repurchase agreements and other similar secured lending[a]	**28,187**	131,753	**28,803**	102,824
Liabilities				
Banks	**13,952**	49,940	**7,052**	24,131
Customers	**11,083**	74,539	**19,112**	71,242
Repurchase agreements and other similar secured borrowing[a]	**25,035**	124,479	**26,164**	95,373

Note

a During 2015, new reverse repurchase and repurchase agreements including other similar lending and borrowing in certain businesses have been designated at fair value to better align to the way the business manages the portfolio's risk and performance (see Note 13 Financial assets designated at fair value and Note 16 Financial liabilities designated at fair value for further details).

The notes included in this section focus on the Group's non-current tangible and intangible assets and property, plant and equipment, which provide long term future economic benefits.

22 Property, plant and equipment

Accounting for property, plant and equipment

The Group applies IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Properties*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property	6-10%
Equipment installed in freehold and leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Where leasehold property has a remaining useful life of less than 17 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Investment property

The Group initially recognises investment property at cost, and subsequently at fair value at each balance sheet date reflecting market conditions at the reporting date. Gains and losses on re-measurement are included in the income statement.

22 Property, plant and equipment continued

	The Group					The Bank			
	Investment property £m	Property £m	Equipment £m	Leased assets £m	Total £m	Investment property £m	Property £m	Equipment £m	Total £m
Cost									
As at 1 January 2015	**207**	**4,054**	**4,350**	**10**	**8,621**	**16**	**2,131**	**2,079**	**4,226**
Additions and disposals	**(71)**	**22**	**173**	**49**	**173**	**-**	**71**	**40**	**111**
Change in fair value of investment properties	**10**	**-**	**-**	**-**	**10**	**(2)**	**-**	**-**	**(2)**
Exchange and other movements	**(6)**	**(157)**	**(264)**	**3**	**(424)**	**(1)**	**(51)**	**(39)**	**(91)**
As at 31 December 2015	**140**	**3,919**	**4,259**	**62**	**8,380**	**13**	**2,151**	**2,080**	**4,244**
Accumulated depreciation and impairment									
As at 1 January 2015	**-**	**(1,669)**	**(3,157)**	**(9)**	**(4,835)**	**-**	**(1,076)**	**(1,549)**	**(2,625)**
Depreciation charge	**-**	**(181)**	**(373)**	**-**	**(554)**	**-**	**(96)**	**(178)**	**(274)**
Disposals	**-**	**144**	**159**	**-**	**303**	**-**	**38**	**71**	**109**
Exchange and other movements	**-**	**9**	**194**	**(29)**	**174**	**-**	**15**	**33**	**48**
As at 31 December 2015	**-**	**(1,697)**	**(3,177)**	**(38)**	**(4,912)**	**-**	**(1,119)**	**(1,623)**	**(2,742)**
Net book value	**140**	**2,222**	**1,082**	**24**	**3,468**	**13**	**1,032**	**457**	**1,502**
Cost									
As at 1 January 2014	451	3,924	4,552	10	8,937	68	2,023	2,119	4,210
Additions and disposals	(160)	174	7	-	21	6	120	(26)	100
Change in fair value of investment properties	(1)	-	-	-	(1)	-	-	-	-
Exchange and other movements	(83)	(44)	(209)	-	(336)	(58)	(12)	(14)	(84)
As at 31 December 2014	207	4,054	4,350	10	8,621	16	2,131	2,079	4,226
Accumulated depreciation and impairment									
As at 1 January 2014	-	(1,513)	(3,201)	(7)	(4,721)	-	(985)	(1,501)	(2,486)
Depreciation charge	-	(184)	(399)	(2)	(585)	-	(94)	(199)	(293)
Disposals	-	34	271	-	305	-	14	140	154
Exchange and other movements	-	(6)	172	-	166	-	(11)	11	-
As at 31 December 2014	-	(1,669)	(3,157)	(9)	(4,835)	-	(1,076)	(1,549)	(2,625)
Net book value	207	2,385	1,193	1	3,786	16	1,055	530	1,601

Property rentals of £9m (2014: £5m) and £9m (2014: £14m) have been included in net investment income and other income respectively. Impairment of £38m (2014: £61m) was charged in the period.

The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. Valuations are carried out by management with the support of appropriately qualified independent valuers. Refer to Note 17 Fair value of assets and liabilities for further details.

23 Goodwill and intangible assets

Accounting for goodwill and other intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures, and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the pre tax cash flows, discounted at a rate of interest that reflects the inherent risks of the cash generating unit (CGU) to which the goodwill relates, or the CGU's fair value if this is higher.

23 Goodwill and intangible assets continued

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 *Intangible Assets* and IAS 36 *Impairment of Assets*.

Intangible assets include brands, customer lists, internally generated software, other software, licences and other contracts and core deposit intangibles. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Goodwill	Not amortised
Internally generated software	12 months to 6 years
Other software	12 months to 6 years
Core deposits intangibles	12 months to 6 years
Brands	12 months to 6 years
Customer lists	12 months to 6 years
Licenses and other	12 months to 6 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

	Goodwill £m	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
The Group								
Cost								
As at 1 January 2015	6,329	3,240	482	186	112	1,721	447	12,517
Additions and disposals	(515)	998	75	-	-	-	18	576
Exchange and other movements	(211)	(126)	(15)	(40)	(26)	(56)	6	(468)
As at 31 December 2015	5,603	4,112	542	146	86	1,665	471	12,625
Accumulated amortisation and impairment								
As at 1 January 2015	(1,442)	(1,257)	(194)	(88)	(111)	(962)	(283)	(4,337)
Disposals	518	128	2	-	-	-	3	651
Amortisation charge	-	(421)	(17)	(6)	-	(143)	(30)	(617)
Impairment charge	(102)	(101)	(1)	(1)	-	(12)	-	(217)
Exchange and other movements	28	17	(2)	20	25	36	(7)	117
As at 31 December 2015	(998)	(1,634)	(212)	(75)	(86)	(1,081)	(317)	(4,403)
Net book value	4,605	2,478	330	71	-	584	154	8,222
The Bank								
Cost								
As at 1 January 2015	4,274	2,029	281	5	-	115	116	6,820
Additions and disposals	(50)	588	56	-	-	-	16	610
Exchange and other movements	(10)	(49)	(4)	-	-	(1)	(3)	(67)
As at 31 December 2015	4,214	2,568	333	5	-	114	129	7,363
Accumulated amortisation and impairment								
As at 1 January 2015	(817)	(822)	(99)	(4)	-	(77)	(56)	(1,875)
Disposals	50	127	2	-	-	-	3	182
Amortisation charge	-	(226)	(1)	-	-	(9)	(9)	(245)
Impairment charge	(56)	(42)	(1)	(1)	-	(2)	-	(102)
Exchange and other movements	6	4	4	-	-	1	2	17
As at 31 December 2015	(817)	(959)	(95)	(5)	-	(87)	(60)	(2,023)
Net book value	3,397	1,609	238	-	-	27	69	5,340

23 Goodwill and intangible assets continued

	Goodwill £m	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Licences and other £m	Total £m
The Group								
Cost								
As at 1 January 2014	6,346	2,411	556	194	116	1,543	437	11,603
Additions and disposals	36	702	176	-	-	123	7	1,044
Exchange and other movements	(53)	127	(250)	(8)	(4)	55	3	(130)
As at 31 December 2014	6,329	3,240	482	186	112	1,721	447	12,517
Accumulated amortisation and impairment								
As at 1 January 2014	(1,468)	(999)	(217)	(85)	(97)	(799)	(253)	(3,918)
Disposals	-	98	21	-	-	14	2	135
Amortisation charge	-	(306)	(19)	(7)	(18)	(142)	(30)	(522)
Impairment charge	-	(74)	(21)	-	-	(5)	-	(100)
Exchange and other movements	26	24	42	4	4	(30)	(2)	68
As at 31 December 2014	(1,442)	(1,257)	(194)	(88)	(111)	(962)	(283)	(4,337)
Net book value	4,887	1,983	288	98	1	759	164	8,180
The Bank								
Cost								
As at 1 January 2014	4,276	1,736	238	6	-	117	122	6,495
Additions and disposals	-	271	98	-	-	-	(1)	368
Exchange and other movements	(2)	22	(55)	(1)	-	(2)	(5)	(43)
As at 31 December 2014	4,274	2,029	281	5	-	115	116	6,820
Accumulated amortisation and impairment								
As at 1 January 2014	(817)	(675)	(75)	(4)	-	(69)	(49)	(1,689)
Disposals	-	98	19	-	-	-	2	119
Amortisation charge	-	(216)	(6)	-	-	(10)	(10)	(242)
Impairment charge	-	(40)	(21)	-	-	-	-	(61)
Exchange and other movements	-	11	(16)	-	-	2	1	(2)
As at 31 December 2014	(817)	(822)	(99)	(4)	-	(77)	(56)	(1,875)
Net book value	3,457	1,207	182	1	-	38	60	4,945

Goodwill

Goodwill is allocated to business segments as follows:

	The Group		The Bank	
	2015 £m	2014 £m	2015 £m	2014 £m
Personal and Corporate Banking	**3,472**	3,471	**3,225**	3,225
Africa Banking	**725**	915	**-**	-
Barclaycard	**408**	427	**172**	172
Barclays Non Core	**-**	74	**-**	60
Total net book value of goodwill	**4,605**	4,887	**3,397**	3,457

23 Goodwill and intangible assets continued

Goodwill

Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisation. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. Determining both the expected pre-tax cash flows and the risk adjusted interest rate appropriate to the operating unit requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

Other intangible assets

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimation of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

Impairment testing of goodwill

During 2015, the Group recognised an impairment charge of £102m (2014: nil) primarily attributable to Non-Core and the withdrawal of the Bespoke product in Barclaycard whilst the Bank recognised an impairment charge of £56m (2014: £nil) attributable to Non-Core. This is as a result of the carrying amount of the goodwill relating to these businesses not being supported based on the value in use calculations.

Key assumptions

The key assumptions used for impairment testing are set out below for each significant goodwill balance. Other goodwill of £881m (2014: £1,031m) was allocated to multiple CGUs which are not considered individually significant.

Personal and Corporate Banking (PCB)

Goodwill relating to Woolwich was £3,225m (2014: £3,225m) of the total PCB balance. The carrying value of the CGU is determined using an allocation of total Group shareholder funds excluding goodwill based on the CGU's share of risk weighted assets before goodwill balances are added back. The recoverable amount of the CGU has been determined using cash flow predictions based on financial budgets approved by management and covering a three-year period, with a terminal growth rate of 2.4% (2014: 2.4%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 11.4% (2014: 11.0%). Based on these assumptions, the recoverable amount exceeded the carrying amount including goodwill by £24,811m (2014: £17,260m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £4,860m (2014: £2,888m) and £3,422m (2014: £2,070m) respectively. A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £4,835m (2014: £2,697m).

Africa

Goodwill relating to the Absa Retail Bank CGU was £499m (2014: £631m) of the total Africa Banking balance. The carrying value of the CGU has been determined by using net asset value. The recoverable amount of Absa Retail Bank has been determined using cash flow predictions based on financial budgets approved by management and covering a three year period, with a terminal growth rate of 6% (2014: 6%) applied thereafter. The forecast cash flows have been discounted at a pre-tax rate of 18.5% (2014: 18.7%). The recoverable amount calculated based on value in use exceeded the carrying amount including goodwill by £2,946m (2014: £1,623m). A one percentage point change in the discount rate or the terminal growth rate would increase or decrease the recoverable amount by £349m (2014: £329m) and £221m (2014: £206m) respectively. A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £469m (2014: £440m).

24 Operating leases

Accounting for operating leases

The Group applies IAS 17 *Leases*, for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group holds the leased assets on-balance sheet within property, plant and equipment.

Where the Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Operating lease receivables

The Group acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The future minimum lease payments expected to be received under non-cancellable operating leases was £1m (2014: £1m).

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable.

Operating lease rentals of £500m (2014: £594m) have been included in administration and general expenses.

The future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	The Group				The Bank			
	2015		2014		2015		2014	
	Property	Equipment	Property	Equipment	Property	Equipment	Property	Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Not more than one year	**376**	**1**	403	41	**194**	**-**	200	40
Over one year but not more than five years	**1,127**	**11**	1,147	106	**622**	**11**	618	106
Over five years	**1,874**	**-**	2,036	-	**908**	**-**	1,046	-
Total	**3,377**	**12**	3,586	147	**1,724**	**11**	1,864	146

Total future minimum sublease payments to be received under non-cancellable subleases were £1m (2014: £99m) for The Group and £nil (2014:£98m) for The Bank.

The notes included in this section focus on the Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

25 Accruals, deferred income and other liabilities

Accounting for insurance contracts

The Group applies IFRS 4 *Insurance Contracts* to its insurance contracts. An insurance contract is a contract that compensates a third party against a loss from non-financial risk. Some wealth management and other products, such as life assurance contracts, combine investment and insurance features; these are treated as insurance contracts when they pay benefits that are at least 5% more than they would pay if the insured event does not occur.

Insurance liabilities include current best estimates of future contractual cash flows, claims handling, and administration costs in respect of claims. Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities. Where a deficiency is highlighted by the tests, insurance liabilities are increased with any deficiency being recognised in the income statement.

Insurance premium revenue is recognised in the income statement in the period earned, net of reinsurance premiums payable, in net premiums from insurance contracts. Increases and decreases in insurance liabilities are recognised in the income statement in net claims and benefits on insurance contracts.

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Accruals and deferred income	4,271	4,780	1,903	1,968
Other Creditors	3,772	3,850	15,876	16,681
Obligations under finance leases (see Note x)	-	36	-	-
Insurance contract liabilities including unit-linked liabilities	2,569	2,766	-	-
Accruals, deferred income and other liabilities	**10,612**	**11,432**	**17,779**	**18,649**

Accruals and deferred income decreased by 10% to £4.3bn mainly driven by lower staff costs and administration and general costs accrued as at 31 December 2015.

Insurance liabilities relate principally to the Group's long-term business. Insurance contract liabilities associated with the Group's short term non-life business are £115m (2014: £157m). The maximum amounts payable under all of the Group's insurance products, ignoring the probability of insured events occurring and the contribution from investments backing the insurance policies, were £65bn (2014: £82bn) or £49bn (2014: £74bn) after reinsurance. Of this insured risk, £55bn (2014: £69bn) or £43bn (2014: £66bn) after reinsurances was concentrated in short-term insurance contracts in Africa.

The impact to the income statement and equity under a reasonably possible change in the assumptions used to calculate the insurance liabilities would be £5m (2014: £8m).

26 Provisions

Accounting for provisions

The Group applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. This is the case when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

	Onerous contracts	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided	Conduct redress: Payment protection insurance	Conduct redress: Other customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
As at 1 January 2015	205	291	94	1,059	586	1,690	210	4,135
Additions	120	190	25	2,200	821	1,559	177	5,092
Amounts utilised	(42)	(136)	(2)	(1,171)	(440)	(2,616)	(49)	(4,456)
Unused amounts reversed	(149)	(140)	(37)	-	(32)	(136)	(86)	(580)
Exchange and other movements	7	(19)	(20)	18	(39)	(8)	12	(49)
As at 31 December 2015	141	186	60	2,106	896	489	264	4,142
The Bank								
As at 1 January 2015	102	261	89	1,010	551	1,619	158	3,790
Additions	47	144	23	2,077	719	1,255	104	4,369
Amounts utilised	(43)	(126)	(2)	(1,092)	(407)	(2,393)	(14)	(4,077)
Unused amounts reversed	(17)	(114)	(34)	-	(19)	(111)	(60)	(355)
Exchange and other movements	9	(17)	(18)	-	(34)	-	14	(46)
As at 31 December 2015	98	148	58	1,995	810	370	202	3,681

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2015 were £2,113m (2014: £3,464m) and for The Bank were £1,769m (2014: £3,179m).

Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts where the liability is higher than the amount of economic benefit to be received.

Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Undrawn contractually committed facilities and guarantees

Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of our business activities. Provisions for other customer redress includes £282m (2014: nil) in respect of Packaged Bank Accounts and £290m (2014: nil) in respect of historic pricing practices associated with certain Foreign Exchange transactions for certain customers between 2005 and 2012 and smaller provisions across the retail and corporate businesses which are likely to be utilized within the next 12 months.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Legal, competition and regulatory matters

The Group is engaged in various legal proceedings, both in the UK and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, please see Note 28 Legal, competition and regulatory matters.

Notes to the financial statements

Accruals, provisions, contingent liabilities and legal proceedings

26 Provisions continued

Critical accounting estimates and judgements

Payment Protection Insurance redress

As at 31 December 2015, Barclays had recognised cumulative provisions totalling £7.4bn (2014: £5.2bn) against the cost of Payment Protection Insurance (PPI) redress and associated processing costs with utilisation of £5.3bn (2014: £4.2bn), leaving a residual provision of £2.1bn (2014 £1.1bn).

Through to 31 December 2015, 1.6m (2014: 1.3m) customer initiated claims[a] had been received and processed. The volume of claims received during 2015 decreased 9%[b] from 2014. This rate of decline however was slower than previously expected, due to steady levels of claims from Claims Management Companies (CMC) in particular.

During 2015, claims volumes continued to decline, but at a slower rate than had been projected at the start of the year based on historic experience. As a result, management has revised upwards its estimate of future volumes and recognised additional provisions totalling £2.2bn during the year. The provision estimate reflects an assessment of the proposals contained in a consultation published by the FCA on 26 November 2015 which, if enacted, would impact on the timing and volume of future claims flow. This includes estimating the impact of a proposed 2018 complaint deadline and guidance on the impact of a 2014 UK Supreme Court judgment (Plevin vs Paragon Personal Finance Limited). The potential impact of these proposals is difficult to estimate and the outcome of the consultation is not yet known.

The provision is calculated using a number of key assumptions which continue to involve significant management judgement and modelling:

- customer initiated claim volumes – claims received but not yet processed plus an estimate of future claims initiated by customers where the volume is anticipated to decline over time
- proactive response rate – volume of claims in response to proactive mailing
- uphold rate – the percentage of claims that are upheld as being valid upon review
- average claim redress – the expected average payment to customers for upheld claims based on the type and age of the policy/policies
- processing cost per claim – the cost to Barclays of assessing and processing each valid claim

These assumptions remain subjective, in particular due to the uncertainty associated with future claims levels, which include complaints driven by CMC activity.

The current provision represents Barclays' revised best estimate of all future expected costs of PPI redress, however, it is possible the eventual outcome may differ from the current estimate. If this were to be material, the provision will be increased or decreased accordingly.

The following table details by key assumption, actual data through to 31 December 2015, forecast assumptions used in the provision calculation and a sensitivity analysis illustrating the impact on the provision if the future expected assumptions prove too high or too low.

Assumption	Cumulative actual to 31.12.15	Future expected	Sensitivity analysis increase/decrease in provision	Cumulative actual to 31.12.14
Customer initiated claims received and processed[a]	1,570k	730k	50k = £103m	1,300k
Proactive mailing	680k	150k	50k = £16m	680k
Response rate to proactive mailing	28%	26%	1% = £2m	28%
Average uphold rate per claim[c]	86%[d]	88%	1% = £18m	79%
Average redress per valid claim[e]	£1,808	£1,810	£100 = £87m	£1,740
Processing cost per claim[f]	£300	£295	50k = £15m	£294

Notes
a Total claims received to date, including those received via CMCs but excluding those for which no PPI policy exists and excluding responses to proactive mailing.
b Gross volumes received.
c Average uphold rate per claim excludes those for which no PPI policy exists.
d Change in average uphold rate mainly due to increased remediation in 2015.
e Average redress stated on a per policy basis and excludes remediation.
f Processing cost per claim on an upheld complaints basis, includes direct staff costs and associated overheads.

27 Contingent liabilities and commitments

Accounting for contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not classified as on-balance sheet but are disclosed unless the outflow of economic resources is remote.

The following table summarises the nominal amount of contingent liabilities and commitments which are not classified on balance sheet:

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Guarantees and letters of credit pledged as collateral security	**16,065**	14,547	**20,327**	17,125
Performance guarantees, acceptances and endorsements	**4,556**	6,777	**4,312**	5,549
Contingent liabilities	**20,621**	21,324	**24,639**	22,674
Documentary credits and other short-term trade related transactions	**845**	1,091	**693**	955
Forward starting reverse repurchase agreements[a]	**93**	13,856	**14**	11,412
Standby facilities, credit lines and other commitments	**281,369**	276,315	**222,141**	220,535

The Financial Services Compensation Scheme

The Financial Compensation Scheme (the FSCS) is the UK government-backed compensation scheme for customers of authorised institutions that are unable to pay claims. It provides compensation to depositors in the event that UK licensed deposit-taking institutions are unable to meet their claims. The FSCS raises levies on UK licensed deposit-taking institutions to meet such claims based on their share of UK deposits on 31 December of the specified years preceding the scheme year (which runs from 1 April to 31 March).

Compensation has previously been paid out by the FSCS, funded by loan facilities totalling approximately £18bn provided by HM Treasury to FSCS in support of FSCS's obligations to the depositors of banks declared in default. The interest rate chargeable on the loan and levied to the industry is subject to a floor equal to the higher of HM Treasury's own cost of borrowing (typically 2024 UK Gilt yield), and GBP LIBOR with 12-month maturity plus a spread. The FSCS recovered £1bn capital shortfall in respect of the legacy facility from industry in three instalments across 2013, 2014 and 2015. A separate shortfall in respect of Dunfermline Building Society was levied on the industry in both 2014 and 2015. The FSCS liability for the interest and capital levy for 2015-2016 was recognised and paid in 2015. Barclays has included an accrual of £56m in other liabilities as at 31 December 2015 (2014: £88m) in respect of the Barclays' portion of the Interest Levy. Capital Levies for 2015-2016 were recognised in 2015 and settled in the same year.

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 28 Legal, competition and regulatory matters.

28 Legal, competition and regulatory matters

Barclays PLC (BPLC), Barclays Bank PLC (BBPLC) and the Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact on BPLC, BBPLC and the Group of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances. The Group has not disclosed an estimate of the potential financial effect on the Group of contingent liabilities where it is not currently practicable to do so.

Investigations into certain agreements and Civil Action

The Financial Conduct Authority (FCA) has alleged that BPLC and BBPLC breached their disclosure obligations in connection with two advisory services agreements entered into by BBPLC. The FCA has imposed a £50m fine. BPLC and BBPLC are contesting the findings. The UK Serious Fraud Office (SFO), the US Department of Justice (DOJ) and the US Securities and Exchange Commission (SEC) are also investigating these agreements.

Background Information

The FCA has investigated certain agreements, including two advisory services agreements entered into by BBPLC with Qatar Holding LLC (Qatar Holding) in June and October 2008 respectively, and whether these may have related to BPLC's capital raisings in June and November 2008. The FCA issued warning notices (Warning Notices) against BPLC and BBPLC in September 2013.

Note

a Forward starting reverse repurchase agreements were previously disclosed as loan commitments. Following the business designation of reverse repurchase and repurchase agreements at fair value through profit and loss new forward starting reverse repurchase agreements are within the scope of IAS 39 and are recognised as derivatives on the balance sheet.

28 Legal, competition and regulatory matters continued

The existence of the advisory services agreement entered into in June 2008 was disclosed but the entry into the advisory services agreement in October 2008 and the fees payable under both agreements, which amount to a total of £322m payable over a period of five years, were not disclosed in the announcements or public documents relating to the capital raisings in June and November 2008. While the Warning Notices consider that BPLC and BBPLC believed at the time that there should be at least some unspecified and undetermined value to be derived from the agreements, they state that the primary purpose of the agreements was not to obtain advisory services but to make additional payments, which would not be disclosed, for the Qatari participation in the capital raisings.

The Warning Notices conclude that BPLC and BBPLC were in breach of certain disclosure-related listing rules and BPLC was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the Company's shares). In this regard, the FCA considers that BPLC and BBPLC acted recklessly. The financial penalty in the Warning Notices against the Group is £50m. BPLC and BBPLC continue to contest the findings.

Recent Developments

The FCA has agreed that the FCA enforcement process be stayed pending progress in the SFO's investigation into the agreements referred to above, in respect of which the Group has received and has continued to respond to requests for further information.

In January 2016, PCP Capital Partners LLP and PCP International Finance Limited (PCP) served a claim on BBPLC seeking damages of £721.4m plus interest and costs for fraudulent misrepresentation and deceit, arising from alleged statements made by BBPLC to PCP in relation to the terms on which securities were to be issued to investors, including PCP, in the November 2008 capital raising. BBPLC is defending the claim.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period. PCP has made a claim against BBPLC totalling £721.4m plus interest and costs. This amount does not necessarily reflect BBPLC's potential financial exposure if a ruling were to be made against it.

Investigations into certain business relationships

The DOJ and SEC are undertaking an investigation into whether the Group's relationships with third parties who assist BPLC to win or retain business are compliant with the US Foreign Corrupt Practices Act. Certain regulators in other jurisdictions have also been briefed on the investigations. Separately, the Group is cooperating with the DOJ and SEC in relation to an investigation into certain of its hiring practices in Asia and is keeping certain regulators in other jurisdictions informed.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Alternative Trading Systems and High-Frequency Trading

The SEC, the New York State Attorney General (NYAG), the FCA and regulators in certain other jurisdictions have been investigating a range of issues associated with alternative trading systems (ATSs), including dark pools, and the activities of high-frequency traders. Various parties, including the NYAG, have filed complaints against BPLC and Barclays Capital Inc. (BCI) and certain of the Group's current and former officers in connection with ATS related activities. BPLC and BCI have settled with the NYAG and the SEC, and BCI continues to provide information to other relevant regulatory authorities in response to their enquiries. BPLC and BCI continue to defend against the class actions described below.

Background Information

Civil complaints have been filed in the New York Federal Court on behalf of a putative class of plaintiffs against BPLC and BCI and others generally alleging that the defendants violated the federal securities laws by participating in a scheme in which high-frequency trading firms were given informational and other advantages so that they could manipulate the US securities market to the plaintiffs' detriment. These complaints were consolidated (Trader Class Action) and Barclays filed a motion to dismiss this action.

In June 2014, the NYAG filed a complaint (NYAG Complaint) against BPLC and BCI in the Supreme Court of the State of New York (NY Supreme Court) alleging, amongst other things, that BPLC and BCI engaged in fraud and deceptive practices in connection with LX, the Group's SEC-registered ATS.

BPLC and BCI have also been named in a class action by an institutional investor client under California law based on allegations similar to those in the NYAG Complaint. This California class action has been consolidated with the Trader Class Action.

Also, following the filing of the NYAG Complaint, BPLC and BCI were named in a shareholder securities class action along with certain of its former CEOs, and its current and a former CFO and an employee in Equities Electronic Trading on the basis that investors suffered damages when their investments in Barclays American Depository Receipts declined in value as a result of the allegations in the NYAG Complaint. BPLC and BCI filed a motion to dismiss the complaint, which the court granted in part and denied in part. In February 2016, the court granted plaintiffs' motion to conduct the litigation as a class action.

28 Legal, competition and regulatory matters continued

Recent Developments

In August 2015, the Court granted Barclays' motion to dismiss the Trader Class Action, and the plaintiffs have chosen not to appeal. Also in August 2015, the Court granted Barclays' motion to dismiss the California class action, and later transferred that action to the Central District of California. The California class action plaintiffs have filed an amended complaint, which Barclays has filed a motion to dismiss.

On 1 February 2016, Barclays reached separate settlement agreements with each of the SEC and the NYAG to resolve those agencies' claims against BPLC and BCI relating to the operation of LX for $35m each.

Claimed Amounts/Financial Impact

The remaining complaints seek unspecified monetary damages and injunctive relief. It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

FERC

The US Federal Energy Regulatory Commission (FERC) has filed a civil action against BBPLC and certain of its former traders in the US District Court in California seeking to collect on an order assessing a $435m civil penalty and the disgorgement of $34.9m of profits, plus interest, in connection with allegations that BBPLC manipulated the electricity markets in and around California. The US Attorney's Office in the Southern District of New York (SDNY) has informed BBPLC that it is looking into the same conduct at issue in the FERC matter, and a civil class action complaint was filed in the US District Court for the SDNY against BBPLC asserting antitrust allegations that mirror those raised in the civil suit filed by FERC.

Background Information

In October 2012, FERC issued an Order to Show Cause and Notice of Proposed Penalties (Order and Notice) against BBPLC and four of its former traders in relation to their power trading in the western US. In the Order and Notice, FERC asserted that BBPLC and its former traders violated FERC's Anti-Manipulation Rule by manipulating the electricity markets in and around California from November 2006 to December 2008, and proposed civil penalties and profit disgorgement to be paid by BBPLC.

In October 2013, FERC filed a civil action against BBPLC and its former traders in the US District Court in California seeking to collect the $435m civil penalty and disgorgement of $34.9m of profits, plus interest.

In September 2013, the criminal division of the US Attorney's Office in SDNY advised BBPLC that it is looking at the same conduct at issue in the FERC matter.

In June 2015, a civil class action complaint was filed in the US District Court for the SDNY against BBPLC by Merced Irrigation District, a California utility company, asserting antitrust allegations in connection with BBPLC's purported manipulation of the electricity markets in and around California. The allegations mirror those raised in the civil suit filed by FERC against BBPLC currently pending in the US District Court in California.

Recent Developments

In October 2015, the US District Court in California ordered that it would bifurcate its assessment of liabilities and penalties from its assessment of disgorgement. FERC has filed and BBPLC is opposing a brief seeking summary affirmance of the penalty assessment. The court has indicated that it will either affirm the penalty assessment, or require further evidence to determine this issue.

BBPLC has appealed the bifurcation order to the US Court of Appeals for the Ninth Circuit and has also filed a motion with the US District Court in California to stay the proceedings pending the outcome of the appeal.

In December 2015, BBPLC filed a motion to dismiss the civil class action for failure to state a claim.

Claimed Amounts/Financial Impact

FERC has made claims against BBPLC and certain of its former traders totalling $469.9m, plus interest, for civil penalties and profit disgorgement. The civil class action complaint refers to damages of $139.3m. These amounts do not necessarily reflect BBPLC's potential financial exposure if a ruling were to be made against it in either action.

Investigations into LIBOR and other Benchmarks

Regulators and law enforcement agencies from a number of governments have been conducting investigations relating to BBPLC's involvement in manipulating certain financial benchmarks, such as LIBOR and EURIBOR. BBPLC, BPLC and BCI have reached settlements with the relevant law enforcement agency or regulator in certain of the investigations, but others, including the investigations by the US State Attorneys General, the SFO and the prosecutors' office in Trani, Italy remain pending.

Background Information

In June 2012, BBPLC announced that it had reached settlements with the Financial Services Authority (FSA) (as predecessor to the FCA), the US Commodity Futures Trading Commission (CFTC) and the DOJ Fraud Section (DOJ-FS) in relation to their investigations concerning certain benchmark interest rate submissions, and BBPLC agreed to pay total penalties of £290m. The settlement with the DOJ-FS was made by entry into a

28 Legal, competition and regulatory matters continued

Non-Prosecution Agreement (LIBOR NPA) which has now expired. In addition, BBPLC was granted conditional leniency from the DOJ Antitrust Division (DOJ-AD) in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR.

Investigations by the US State Attorneys General

Following the settlements announced in June 2012, a group of 31 US State Attorneys General (SAGs) commenced its own investigations into LIBOR, EURIBOR and the Tokyo Interbank Offered Rate. The Group has cooperated with the investigation throughout and is in advanced discussions with the SAGs about a potential resolution.

Investigation by the SFO

In July 2012, the SFO announced that it had decided to investigate the LIBOR matter, in respect of which BBPLC has received and continues to respond to requests for information.

For a discussion of civil litigation arising in connection with these investigations see 'LIBOR and other Benchmarks Civil Actions'.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

LIBOR and other Benchmark Civil Actions

Following the settlements of the investigations referred to above in 'Investigations into LIBOR and other Benchmarks', a number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group in relation to LIBOR and/or other benchmarks. While several of such cases have been dismissed and certain have settled subject to approval from the court, other actions remain pending and their ultimate impact is unclear.

Background Information

A number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to manipulation of LIBOR and/or other benchmark rates.

USD LIBOR Cases in MDL Court

The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes before a single judge in the SDNY (MDL Court).

The complaints are substantially similar and allege, amongst other things, that BBPLC and the other banks individually and collectively violated provisions of the US Sherman Antitrust Act, the Commodity Exchange Act (CEA), the US Racketeer Influenced and Corrupt Organizations Act (RICO) and various state laws by manipulating USD LIBOR rates.

The lawsuits seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of $1.25bn in actual damages against all defendants, including BBPLC, plus punitive damages. Some of the lawsuits also seek trebling of damages under the US Sherman Antitrust Act and RICO.

The proposed class actions purport to be brought on behalf of (amongst others) plaintiffs that (i) engaged in USD LIBOR-linked over-the-counter transactions (OTC Class); (ii) purchased USD LIBOR-linked financial instruments on an exchange (Exchange-Based Class); (iii) purchased USD LIBOR-linked debt securities (Debt Securities Class); (iv) purchased adjustable-rate mortgages linked to USD LIBOR (Homeowner Class); or (v) issued loans linked to USD LIBOR (Lender Class).

In August 2012 the MDL Court stayed all newly filed proposed class actions and individual actions (Stayed Actions), so that the MDL Court could address the motions pending in three lead proposed class actions (Lead Class Actions) and three lead individual actions (Lead Individual Actions).

In March 2013, August 2013 and June 2014, the MDL Court issued a series of decisions effectively dismissing the majority of claims against BBPLC and other panel bank defendants in the Lead Class Actions and Lead Individual Actions.

As a result, the:

- Debt Securities Class was dismissed entirely
- The claims of the Exchange-Based Class were limited to claims under the CEA
- The claims of the OTC Class were limited to claims for unjust enrichment and breach of the implied covenant of good faith and fair dealing.

The Debt Securities Class has appealed the dismissal of their action to the US Court of Appeals for the Second Circuit (Second Circuit). Multiple other plaintiffs in the litigation before the MDL Court also joined the appeal, which has been briefed and argued. A decision is pending.

Additionally, the MDL Court has begun to address the claims in the Stayed Actions, many of which, including state law fraud and tortious interference claims, were not asserted in the Lead Class Actions. As a result, in October 2014, the direct action plaintiffs (those who have brought

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suits individually rather than as part of a class action) filed their amended complaints and in November 2014, the defendants filed their motions to dismiss. In August 2015, the MDL Court granted in part and denied in part the motion to dismiss the direct action plaintiffs' claims. Although the MDL Court dismissed a number of claims on various grounds, a number of state law claims will proceed to discovery.

In November 2014, the plaintiffs in the Lender Class and Homeowner Class actions filed their amended complaints. In January 2015, the defendants filed their motions to dismiss. In November 2015, the MDL Court granted in part and denied in part the motions to dismiss these actions, dismissing all claims against BBPLC brought by the Homeowner Class and reserving judgment with respect to the claims asserted by the Lender Class. In December 2015, the MDL Court approved a schedule for litigation of class certification issues, with the associated discovery beginning in 2016 and extending through 2017.

Until there are further decisions, the ultimate impact of the MDL Court's decisions will be unclear, although it is possible that the decisions will be interpreted by the courts to affect other litigation, including the actions described further below, some of which concern different benchmark interest rates.

In December 2014, the MDL Court granted preliminary approval for the settlement of the remaining Exchange-Based Class claims for $20m. Final approval of the settlement is awaiting plaintiff's submission of a plan for allocation of the settlement proceeds acceptable to the MDL Court.

In November 2015, the outstanding OTC Class claims were settled for $120m. The settlement is subject to approval by the MDL Court.

EURIBOR Cases

In February 2013, a EURIBOR-related class action was filed against BPLC, BBPLC, BCI and other EURIBOR panel banks. The plaintiffs assert antitrust, CEA, RICO, and unjust enrichment claims. In particular, BBPLC is alleged to have conspired with other EURIBOR panel banks to manipulate EURIBOR. The lawsuit is brought on behalf of purchasers and sellers of NYSE LIFFE EURIBOR futures contracts, purchasers of Euro currency-related futures contracts and purchasers of other derivative contracts (such as interest rate swaps and forward rate agreements that are linked to EURIBOR) during the period 1 June 2005 through 31 March 2011. In October 2015, the class action was settled for $94m subject to court approval. The settlement has been preliminarily approved by the court but remains subject to final approval.

Securities Fraud Case in the SDNY

BPLC, BBPLC and BCI were also named as defendants along with four former officers and directors of BBPLC in a securities class action in the SDNY in connection with BBPLC's role as a contributor panel bank to LIBOR. The complaint principally alleged that BBPLC's Annual Reports for the years 2006 to 2011 contained misstatements and omissions and that BBPLC's daily USD LIBOR submissions constituted false statements in violation of US securities law. In November 2015, the class action was settled for $14m. The settlement has been preliminarily approved by the court but remains subject to final approval.

Additional USD LIBOR Case in the SDNY

An additional individual action was commenced in February 2013 in the SDNY against BBPLC and other panel bank defendants. The plaintiff alleged that the panel bank defendants conspired to increase USD LIBOR, which caused the value of bonds pledged as collateral for a loan to decrease, ultimately resulting in the sale of the bonds at a low point in the market. The panel bank defendants moved to dismiss the action, and the motion was granted in April 2015. In June 2015, the plaintiff sought leave to file a further amended complaint; that motion is pending.

Sterling LIBOR Cases in SDNY

In May 2015, a putative class action was commenced in the SDNY against BBPLC and other Sterling LIBOR panel banks by a plaintiff involved in exchange-traded and over-the-counter derivatives that were linked to Sterling LIBOR. The complaint alleges, among other things, that BBPLC and other panel banks manipulated the Sterling LIBOR rate between 2005 and 2010 and, in so doing, committed CEA, antitrust, and RICO violations. Proceedings are ongoing.

In January 2016, an additional putative class action concerning Sterling LIBOR was commenced in the SDNY against BBPLC and BCI, as well as other Sterling LIBOR panel banks. This additional class action similarly alleges manipulation of the Sterling LIBOR rate between 2005 and 2010, and asserts claims for violations of the CEA, antitrust, and RICO statutes, as well as common law violations. Proceedings are ongoing.

Complaint in the US District Court for the Central District of California

In July 2012, a purported class action complaint in the US District Court for the Central District of California was amended to include allegations related to USD LIBOR and names BBPLC as a defendant. The amended complaint was filed on behalf of a purported class that includes holders of adjustable rate mortgages linked to USD LIBOR. In January 2015, the court granted BBPLC's motion for summary judgment and dismissed all of the remaining claims against BBPLC. The plaintiff has appealed the court's decision to the US Court of Appeals for the Ninth Circuit.

Japanese Yen LIBOR Case in SDNY

A class action was commenced in April 2012 in the SDNY against BBPLC and other Japanese Yen LIBOR panel banks by a plaintiff involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (Euroyen TIBOR) panel, of which BBPLC is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and US Sherman Antitrust Act between 2006 and 2010. In March 2014, the court dismissed the plaintiff's antitrust claims in full, but sustained the plaintiff's CEA claims. The plaintiff moved for leave to file a third amended complaint adding additional

28 Legal, competition and regulatory matters continued
claims, including a RICO claim, which was denied in March 2015. The Plaintiff has sought an immediate appeal of that decision, and that request is pending. Discovery is continuing.

In July 2015, a second class action concerning Yen LIBOR was filed in the SDNY against BPLC, BBPLC and BCI. The complaint names members of the Yen LIBOR panel, the Euroyen TIBOR panel, and certain of their affiliates and brokers. The complaint alleges breaches of the US Sherman Antitrust Act and RICO between 2006 and 2010 based on factual allegations that are substantially similar to those in the April 2012 class action.

Non-US Benchmarks Cases
In addition to US actions, legal proceedings have been brought or threatened against the Group in connection with alleged manipulation of LIBOR and EURIBOR in a number of jurisdictions. The number of such proceedings in non-US jurisdictions, the benchmarks to which they relate, and the jurisdictions in which they may be brought have increased over time.

Claimed Amounts/Financial Impact
Aside from the settlements discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect they might have on the Group's operating results, cash flows or financial position in any particular period.

Foreign Exchange Investigations
Various regulatory and enforcement authorities have been investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading. Certain of these investigations involve multiple market participants in various countries. The Group has reached settlements with the CFTC, the DOJ, the New York State Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (Federal Reserve) and the FCA (together, the Resolving Authorities) with respect to certain of these investigations as further described below. Investigations by the European Commission (Commission), the Administrative Council for Economic Defence in Brazil and the South African Competition Commission, amongst others, remain pending.

Background Information
In May 2015, the Group announced that it had reached settlements with the Resolving Authorities in relation to investigations into certain sales and trading practices in the Foreign Exchange market, that it had agreed to pay total penalties of approximately $2.38bn, including a $60m penalty imposed by the DOJ as a consequence of certain practices continuing after entry into the LIBOR NPA, and that BPLC had agreed to plead guilty to a violation of US anti-trust law.

Under the plea agreement with the DOJ, BPLC agreed to pay a criminal fine of $650m and a term of probation of three years from the date of the final judgment in respect of the plea agreement during which BPLC must, amongst other things, (i) commit no crime whatsoever in violation of the federal laws of the United States, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement and (iii) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies.

Pursuant to the settlement with the CFTC, BBPLC consented to, among other things, pay a civil monetary penalty of $400m.

Pursuant to its settlement with the Federal Reserve, BBPLC and BBPLC's New York branch consented to an order imposing a civil monetary penalty of $342m and ordering BBPLC and BBPLC's New York branch to submit in writing to the Federal Reserve Bank of New York for its approval certain programs to enhance internal controls and compliance. Under the Federal Reserve order, BBPLC and its institution-affiliated parties must not in the future directly or indirectly retain certain individuals who participated in the misconduct underlying the order.

Pursuant to the settlement with the NYDFS, BBPLC and BBPLC's New York branch consented to an order imposing a civil monetary penalty of $485m and requiring BBPLC and BBPLC's New York branch to take all steps necessary to terminate four identified employees. BBPLC and BBPLC's New York branch must also continue to engage the independent monitor previously selected by the NYDFS to conduct a comprehensive review of certain compliance programs, policies, and procedures.

The FCA issued a Final Notice and imposed a financial penalty of £284m on BBPLC.

The full text of the DOJ plea agreement, the CFTC, NYDFS and Federal Reserve orders, and the FCA Final Notice referred to above are publicly available on the Resolving Authorities' respective websites.

The settlements reached in May 2015 did not encompass ongoing investigations of electronic trading in the Foreign Exchange market. The Group is cooperating with certain authorities which continue to investigate sales and trading practices of various sales and trading personnel, including Foreign Exchange personnel, among multiple market participants, including BBPLC, in various countries.

The FCA is also investigating historic pricing practices by BBPLC associated with certain Foreign Exchange transactions for certain customers between 2005 and 2012. BBPLC is cooperating with the FCA regarding the proposed terms and timing for appropriate customer redress.

For a discussion of civil litigation arising in connection with these investigations see 'Civil Actions in Respect of Foreign Exchange Trading' below.

28 Legal, competition and regulatory matters continued

Recent Developments

In November 2015, BBPLC announced that it had reached a settlement with the NYDFS in respect of its investigation into BBPLC and BBPLC's New York branch electronic trading of Foreign Exchange and Foreign Exchange trading systems in the period between 2009 to 2014. Pursuant to the settlement the NYDFS imposed a civil monetary penalty of $150m, primarily for certain internal systems and controls failures. The Group continues to cooperate with other ongoing investigations.

Claimed Amounts/Financial Impact

The fines in connection with the May 2015 settlements with the Resolving Authorities were covered by the Group's provisions of £2.05bn.

A provision of £290m in redress costs for certain customers was recognised in Q3 2015 in relation to the FCA investigation into historic pricing practices by BBPLC associated with certain Foreign Exchange transactions referred to above. It is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect they might have on the Group's operating results, cash flows or financial position in any particular period.

Civil Actions in respect of Foreign Exchange

Since November 2013, a number of civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the US Sherman Antitrust Act and New York state law and naming several international banks as defendants, including BBPLC. In February 2014, the SDNY combined all then-pending actions alleging a class of US persons in a single consolidated action. Settlements have been agreed with certain proposed classes of plaintiffs in the consolidated class action subject to court approval. The remaining proceedings are ongoing.

Since February 2015, several additional civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs alleging injuries related to Barclays' alleged manipulation of Foreign Exchange rates and naming several international banks as defendants, including BPLC, BBPLC and BCI. One of the newly filed actions asserts claims under the US Employee Retirement Income Security Act (ERISA) statute and includes allegations that are duplicative of allegations in the other cases, as well as additional allegations about Foreign Exchange sales practices and ERISA plans. Another action was filed in the Northern District of California on behalf of a putative class of individuals that exchanged currencies on a retail basis at bank branches.

Recent Developments

In September 2015, BBPLC and BCI settled with certain proposed classes of plaintiffs in the consolidated action for $384m subject to court approval.

In addition, in November 2015 and December 2015, two additional civil actions were filed in the SDNY on behalf of proposed classes of plaintiffs alleging injuries based on Barclays' purported improper rejection of customer trades through Barclays Last Look system. In February 2016, BBPLC and BCI agreed a settlement with plaintiffs in one of the actions on a class-wide basis subject to court approval. The amount of the proposed settlement is $50m. In February 2016, the plaintiffs in the second action voluntarily dismissed their claims.

Claimed Amounts/Financial Impact

Aside from the settlements discussed above, the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period is currently uncertain.

ISDAFIX Investigation

Regulators and law enforcement agencies, including the CFTC, have conducted separate investigations into historical practices with respect to ISDAFIX, amongst other benchmarks.

In May 2015, the CFTC entered into a settlement order with BPLC, BBPLC and BCI pursuant to which BPLC, BBPLC and BCI agreed to pay a civil monetary penalty of $115m in connection with the CFTC's industry-wide investigation into the setting of the US Dollar ISDAFIX benchmark. In addition, the CFTC order requires BPLC, BBPLC and BCI to cease and desist from violating provisions of the CEA, fully cooperate with the CFTC in related investigations and litigation and undertake certain remediation efforts to the extent not already undertaken.

Investigations by other regulators and law enforcement agencies remain pending. For a discussion of civil litigation arising in connection with these investigations see 'Civil Actions in Respect of ISDAFIX' below.

Claimed Amounts/Financial Impact

The fine in connection with the May 2015 settlement with the CFTC was covered by the Group's provisions of £2.05bn.

It is not currently practicable to provide an estimate of any further financial impact of the actions described on the Group or what effect they might have on the Group's operating results, cash flows or financial position in any particular period.

28 Legal, competition and regulatory matters continued

Civil Actions in respect of ISDAFIX

Since September 2014, a number of ISDAFIX related civil actions have been filed in the SDNY on behalf of a proposed class of plaintiffs, alleging that BBPLC, a number of other banks and one broker, violated the US Sherman Antitrust Act and several state laws by engaging in a conspiracy to manipulate the USD ISDAFIX. A consolidated amended complaint was filed in February 2015.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Precious Metals Investigation

BBPLC has been providing information to the DOJ and other authorities in connection with investigations into precious metals and precious metals-based financial instruments.
For a discussion of civil litigation arising in connection with these investigations see 'Civil Actions in Respect of the Gold Fix' below.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Civil Actions in respect of the Gold Fix

Since March 2014, a number of civil complaints have been filed in US Federal Courts, each on behalf of a proposed class of plaintiffs, alleging that BBPLC and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of the CEA, the US Sherman Antitrust Act, and state antitrust and consumer protection laws. All of the complaints have been transferred to the SDNY and consolidated for pre-trial purposes. In April 2015, defendants filed a motion to dismiss the claims. Proceedings are ongoing.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

US Residential and Commercial Mortgage-related Activity and Litigation

The Group's activities within the US residential mortgage sector during the period from 2005 through 2008 included

- sponsoring and underwriting of approximately $39bn of private-label securitisations
- economic underwriting exposure of approximately $34bn for other private-label securitisations
- sales of approximately $0.2bn of loans to government sponsored enterprises (GSEs)
- sales of approximately $3bn of loans to others
- sales of approximately $19.4bn of loans (net of approximately $500m of loans sold during this period and subsequently repurchased) that were originated and sold to third parties by mortgage originator affiliates of an entity that the Group acquired in 2007 (Acquired Subsidiary).

Throughout this time period affiliates of the Group engaged in secondary market trading of US residential mortgaged-backed securities (RMBS) and US commercial mortgage-backed securities (CMBS), and such trading activity continues today.

In connection with its loan sales and certain private-label securitisations, on 31 December 2015, the Group had unresolved repurchase requests relating to loans with a principal balance of approximately $2.3bn at the time they were sold, and civil actions have been commenced by various parties alleging that the Group must repurchase a substantial number of such loans.

In addition, the Group is party to a number of lawsuits filed by purchasers of RMBS asserting statutory and/or common law claims. The current outstanding face amount of RMBS related to these pending claims against the Group as of 31 December 2015 was approximately $0.4bn.

Regulatory and governmental authorities, including amongst others, the DOJ, SEC, Special Inspector General for the US Troubled Asset Relief Program, the US Attorney's Office for the District of Connecticut and the US Attorney's Office for the Eastern District of New York have initiated wide-ranging investigations into market practices involving mortgage-backed securities, and the Group is cooperating with several of those investigations.

RMBS Repurchase Requests

Background

The Group was the sole provider of various loan-level representations and warranties (R&Ws) with respect to:

- Approximately $5bn of Group sponsored securitisations
- Approximately $0.2bn of sales of loans to GSEs
- Approximately $3bn of loans sold to others.

In addition, the Acquired Subsidiary provided R&Ws on all of the $19.4bn of loans it sold to third parties.

28 Legal, competition and regulatory matters continued

R&Ws on the remaining Group sponsored securitisations were primarily provided by third-party originators directly to the securitisation trusts with a Group subsidiary, such as the depositor for the securitisation, providing more limited R&Ws. There are no stated expiration provisions applicable to most R&Ws made by the Group, the Acquired Subsidiary or these third parties.

Under certain circumstances, the Group and/or the Acquired Subsidiary may be required to repurchase the related loans or make other payments related to such loans if the R&Ws are breached.

The unresolved repurchase requests received on or before 31 December 2015 associated with all R&Ws made by the Group or the Acquired Subsidiary on loans sold to GSEs and others and private-label activities had an original unpaid principal balance of approximately $2.3bn at the time of such sale.

A substantial number (approximately $2.2bn) of the unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain RMBS securitisations in which the trustees allege that the Group and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. Such trustees and other parties making repurchase requests have also alleged that the operative R&Ws may have been violated with respect to a greater (but unspecified) amount of loans than the amount of loans previously stated in specific repurchase requests made by such trustees. All of the litigation involving repurchase requests remain at early stages.

In addition, the Acquired Subsidiary is subject to a civil action seeking, among other things, indemnification for losses allegedly suffered by a loan purchaser as a result of alleged breaches of R&Ws provided by the Acquired Subsidiary in connection with loan sales to the purchaser during the period 1997 to 2007. This litigation is ongoing.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

RMBS Securities Claims

Background

As a result of some of the RMBS activities described above, the Group is party to a number of lawsuits filed by purchasers of RMBS sponsored and/or underwritten by the Group between 2005 and 2008. As a general matter, these lawsuits allege, among other things, that the RMBS offering materials allegedly relied on by such purchasers contained materially false and misleading statements and/or omissions and generally demand rescission and recovery of the consideration paid for the RMBS and recovery of monetary losses arising out of their ownership.

Recent Developments

The Group has settled a number of these claims, including in October 2015 a settlement with the National Credit Union Administration to resolve two outstanding civil lawsuits for $325m.

Claimed Amounts/Financial Impact

If the Group were to lose the pending actions the Group believes it could incur a loss of up to the outstanding amount of the RMBS at the time of judgment, plus any cumulative losses on the RMBS at such time and any interest, fees and costs, less the market value of the RMBS at such time and less any provisions taken to date.

The original face amount of RMBS related to the pending civil actions against the Group total approximately $1.3bn, of which approximately $0.4bn was outstanding as at 31 December 2015. Cumulative realised losses reported on these RMBS as at 31 December 2015 were approximately $0.1bn.

Although the purchasers in the remaining securities actions have generally not identified a specific amount of alleged damages, the Group has estimated the total market value of these RMBS as at 31 December 2015 to be approximately $0.3bn. The Group may be entitled to indemnification for a portion of such losses.

Mortgage-related Investigations

In addition to the RMBS Repurchase Requests and RMBS Securities Claims, numerous regulatory and governmental authorities, amongst them the DOJ, SEC, Special Inspector General for the US Troubled Asset Relief Program, the US Attorney's Office for the District of Connecticut and the US Attorney's Office for the Eastern District of New York have been investigating various aspects of the mortgage-related business, including issuance and underwriting practices in primary offerings of RMBS and trading practices in the secondary market for both RMBS and CMBS. The Group continues to respond to requests relating to the RMBS Working Group of the Financial Fraud Enforcement Task Force (RMBS Working Group), which was formed to investigate pre-financial crisis mortgage-related misconduct. In connection with several of the investigations by members of the RMBS Working Group, a number of financial institutions have entered into settlements involving substantial monetary payments.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period, but the cost of resolving these investigations could individually or in aggregate prove to be substantial.

28 Legal, competition and regulatory matters continued

American Depositary Shares

BPLC, BBPLC and various former members of BPLC's Board of Directors have been named as defendants in a securities class action consolidated in the SDNY alleging misstatements and omissions in offering documents for certain American Depositary Shares issued by BBPLC in April 2008 with an original face amount of approximately $2.5 billion (the April 2008 Offering).

Background Information

The plaintiffs have asserted claims under the Securities Act of 1933, alleging that the offering documents for the April 2008 Offering contained misstatements and omissions concerning (amongst other things) BBPLC's portfolio of mortgage-related (including US subprime-related) securities, BBPLC's exposure to mortgage and credit market risk, and BBPLC's financial condition. The plaintiffs have not specifically alleged the amount of their damages.

In June 2014, the SDNY denied the defendants' motion to dismiss the claims. The case is in discovery.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

BDC Finance L.L.C.

BDC Finance L.L.C. (BDC) filed a complaint against BBPLC in the NY Supreme Court alleging breach of contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement). Parties related to BDC have also sued BBPLC and BCI in Connecticut State Court in connection with BBPLC's conduct relating to the Agreement.

Background Information

In October 2008, BDC filed a complaint in the NY Supreme Court alleging that BBPLC breached the Agreement when it failed to transfer approximately $40m of alleged excess collateral in response to BDC's October 2008 demand (Demand).

BDC asserts that under the Agreement BBPLC was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled BBPLC to dispute the Demand before making the transfer, BBPLC failed to dispute the Demand. BDC demands damages totalling $298m plus attorneys' fees, expenses, and prejudgment interest. Proceedings are currently pending before the NY Supreme Court.

In September 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued BBPLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from BBPLC's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. The parties have agreed to a stay of that case.

Claimed Amounts/Financial Impact

BDC has made claims against the Group totalling $298m plus attorneys' fees, expenses, and pre-judgment interest. This amount does not necessarily reflect the Group's potential financial exposure if a ruling were to be made against it.

Civil Actions in respect of the US Anti-Terrorism Act

In April 2015, an amended civil complaint was filed in the US Federal Court in the Eastern District of New York by a group of approximately 250 plaintiffs, alleging that BBPLC and a number of other banks engaged in a conspiracy and violated the US Anti-Terrorism Act (ATA) by facilitating US dollar denominated transactions for the Government of Iran and various Iranian banks, which in turn funded Hezbollah attacks that injured the plaintiffs' family members. Plaintiffs seek to recover for pain, suffering and mental anguish pursuant to the provisions of the ATA, which allows for the tripling of any proven damages. BBPLC has filed a motion to dismiss the action which is fully briefed.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

Interest Rate Swap US Civil Action

In November 2015, an antitrust class action was filed against BPLC, BBPLC, BCI and other financial institutions in the SDNY by a US retirement and pension fund. The complaint alleges that the defendants that act as market makers for certain types of derivatives and Tradeweb conspired to prevent the development of exchanges for interest rate swaps (IRS) and demands unspecified money damages, treble damages and legal fees. The plaintiff claims to represent a class of buy-side investors that transacted in fixed-for-floating IRS with defendants in the US from 1 January 2008 to the present, including other retirement funds, university endowments, municipalities, corporations and insurance companies.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect it have upon the Group's operating results, cash flows or financial position in any particular period.

28 Legal, competition and regulatory matters continued

Treasury Auction Securities Civil Actions

Numerous putative class action complaints have been filed US Federal Courts against BCI and other financial institutions that have served as primary dealers in US Treasury securities. The complaints have been or are in the process of being consolidated in the Federal Court in New York. The complaints generally allege that defendants conspired to manipulate the US Treasury securities market in violation of US federal antitrust laws, the CEA and state common law. Some complaints also allege that defendants engaged in illegal "spoofing" of the US Treasury market. The Group is considering the allegations in the complaints and is keeping all relevant agencies informed.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Investigation into Americas Wealth & Investment Management Advisory Business

The SEC is investigating the non-performance of certain due diligence on third-party managers by the Manager Research division of Barclays' Wealth & Investment Management, Americas investment advisory business and the Group is responding to requests for information.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the investigation on the Group or what effect that it might have upon the Group's operating results, cash flows or financial position in any particular period.

Retail Structured Products Investigation

The Group is cooperating with an enforcement investigation commenced by the FCA in connection with structured deposit products provided to UK customers from June 2008 to the present.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of these matters or what effect that they may have upon operating results, cash flows or the Group's financial position in any particular period.

Investigation into suspected money laundering related to foreign exchange transactions in South African operation

ABSA Bank Limited, a subsidiary of Barclays Africa Group Limited, has identified potentially fraudulent activity by certain of its customers using import advance payments to effect foreign exchange transfers from South Africa to beneficiary accounts located in Asia, UK, Europe and the US. As a result, the Group is conducting a review of relevant activity, processes, systems and controls. The Group is keeping relevant agencies and regulators informed as to the ongoing status of this matter.

It is too early to reliably assess the outcome.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

Portuguese Competition Authority Investigation

The Portuguese Competition Authority is investigating whether competition law was infringed by the exchange of information about retail credit products amongst 15 banks in Portugal, including the Group, over a period of 11 years with particular reference to mortgages, consumer lending and lending to small and medium enterprises. The Group is cooperating with the investigation.

Claimed Amounts/Financial Impact

It is not currently practicable to provide an estimate of the financial impact of these matters or what effect that they may have upon operating results, cash flows or the Group's financial position in any particular period.

Credit Default Swap (CDS) Antitrust Investigations and Civil Actions

The Commission and the DOJ-AD commenced investigations into the CDS market, in 2011 and 2009, respectively. In December 2015 the Commission announced its decision to close its investigations in respect of BBPLC and 12 other banks. The Commission continues to pursue its case in respect of Markit Ltd. and ISDA, which could indirectly expose BBPLC to financial loss. The case relates to concerns about actions to delay and prevent the emergence of exchange traded credit derivative products.

The DOJ-AD's investigation is a civil investigation and relates to similar issues.

In September 2015, the BBPLC settled a proposed, consolidated class action that had been filed in the US alleging similar issues for $178m subject to court approval.

Claimed Amounts/Financial Impact

Aside from the settlement discussed above, it is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

28 Legal, competition and regulatory matters continued

Lehman Brothers

Since September 2009, BCI and BBPLC have been engaged in litigation with various entities that have sought to challenge certain aspects of the transaction pursuant to which BCI, BBPLC and other companies in the Group acquired most of the assets of Lehman Brothers Inc. in September 2008, as well as the court order (Order) approving the sale (Sale). All of the claims challenging the Sale were ultimately resolved in favour of BCI. In May 2015, BCI and BBPLC reached a settlement with the SIPA Trustee for Lehman Brothers Inc. (Trustee) to resolve the remaining outstanding litigation between them relating to the Sale. Pursuant to the settlement, BBPLC has received all of the assets that BBPLC asserted it was entitled to receive with the exception of $80m of assets that the Trustee is entitled to retain and approximately $0.3bn of margin for exchange-traded derivatives still owed to BBPLC but expected to be received from third parties. The settlement was approved by the United States Bankruptcy Court for the SDNY on 29 June 2015, thereby bringing the litigation relating to the Sale to an end.

General

The Group is engaged in various other legal, competition and regulatory matters both in the UK and a number of overseas jurisdictions. It is subject to legal proceedings by and against the Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged. The Group is keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's operating results or cash flows for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The notes included in this section focus on the Group's loan capital and shareholders equity including issued share capital, retained earnings, other equity balances and interests of minority shareholders in our subsidiary entities (non-controlling interests). For more information on capital management and how the Group maintains sufficient capital to meet our regulatory requirements see pages 57 to 58.

29 Subordinated liabilities

Accounting for subordinated debt

Subordinated debt is measured at amortised cost using the effective interest method under IAS 39.

Subordinated liabilities include accrued interest and comprise undated and dated loan capital as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
Undated subordinated liabilities	5,248	5,640	5,311	5,439
Dated subordinated liabilities	16,707	16,045	16,100	15,412
Total subordinated liabilities	21,955	21,685	21,411	20,851

None of the Group's loan capital is secured.

Undated subordinated liabilities		The Group		The Bank	
		Subodaridnated liabilitites per balance shsst			
		2015	2014	2015	2014
	Initial call date	£m	£m	£m	£m
Barclays Bank PLC externally issued					
Tier One Notes (TONs)					
6% Callable Perpetual Core Tier One Notes	2032	16	16	16	16
6.86% Callable Perpetual Core Tier One Notes (USD 569m)	2032	626	604	626	604
Reserve Capital Instruments (RCIs)					
5.926% Step-up Callable Perpetual Reserve Capital Instruments (USD 159m)	2016	113	112	113	112
7.434% Step-up Callable Perpetual Reserve Capital Instruments (USD 117m)	2017	85	85	85	85
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	38	39	38	39
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	3,062	3,065	3,062	3,065
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	51	52	51	52
Undated Notes					
6.875% Undated Subordinated Notes	2015	-	140	-	140
6.375% Undated Subordinated Notes	2017	143	146	143	146
7.7% Undated Subordinated Notes (USD 99m)	2018	69	69	69	69
8.25% Undated Subordinated Notes	2018	149	152	149	152
7.125% Undated Subordinated Notes	2020	195	202	195	202
6.125% Undated Subordinated Notes	2027	245	249	245	249
Junior Undated Floating Rate Notes (USD 109m)	Any interest payment date	74	70	137	130
Undated Floating Rate Primary Capital Notes Series 3	Any interest payment date	145	145	145	145
Bonds					
9.25% Perpetual Subordinated Bonds (ex-Woolwich PLC)	2021	91	94	91	94
9% Permanent Interest Bearing Capital Bonds	At any time	45	46	45	46
Loans					
5.03% Reverse Dual Currency Undated Subordinated Loan (JPY 8,000m)	2028	42	39	42	39
5% Reverse Dual Currency Undated Subordinated Loan (JPY 12,000m)	2028	59	54	59	54
Barclays SLCSM Funding B.V. guaranteed by the Bank					
6.14% Fixed Rate Guaranteed Perpetual Subordinated Notes	2015	-	261	-	-
Total undated subordinated liabilities		5,248	5,640	5,311	5,439

Undated loan capital

Undated loan capital is issued by the Bank and its subsidiaries for the development and expansion of their business and to strengthen their capital bases. The principal terms of the undated loan capital are described below.

29 Subordinated liabilities continued

Subordination

All undated loan capital ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital in the following order: Junior Undated Floating Rate Notes; other issues of Undated Notes, Bonds and Loans ranking pari passu with each other; followed by TONs and RCIs ranking pari passu with each other.

Interest

All undated loan capital bears a fixed rate of interest until the initial call date, with the exception of the 9% Bonds which are fixed for the life of the issue, and the Junior and Series 3 Undated Notes which are floating rate.

After the initial call date, in the event that they are not redeemed, the 6.375%, 7.125%, 6.125% Undated Notes, and the 9.25% Bonds will bear interest at rates fixed periodically in advance for five-year periods based on market rates. All other undated loan capital except the two floating rate Undated Notes will bear interest, and the two floating rate Undated Notes currently bear interest, at rates fixed periodically in advance based on London interbank rates.

Payment of interest

The Bank is not obliged to make a payment of interest on its Undated Notes, Bonds and Loans excluding the 7.7% Undated Notes, 8.25% Undated Notes and 9.25% Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months' interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the 7.7% Undated Notes and 8.25% Undated Notes. Until such time as any deferred interest has been paid in full, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares, preference shares, or other share capital or satisfy any payments of interest or coupons on certain other junior obligations.

The Bank may elect to defer any payment of interest on the RCIs. Any such deferred payment of interest must be paid on the earlier of: (i) the date of redemption of the RCIs, (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment, and (iii) in respect of the 14% RCIs only, substitution. While such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the PRA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

All undated loan capital is repayable, at the option of the Bank generally in whole at the initial call date and on any subsequent coupon or interest payment date or in the case of the 6.375%, 7.125%, 6.125% Undated Notes and the 9.25% Bonds on any fifth anniversary after the initial call date. In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the PRA.

Other

All issues of undated subordinated liabilities are non-convertible.

29 Subordinated liabilities continued

Dated subordinated liabilities

	Initial call date	Maturity date	The Group 2015 £m	The Group 2014 £m	The Bank 2015 £m	The Bank 2014 £m
Barclays Bank PLC externally issued						
4.38% Fixed Rate Subordinated Notes (USD 75m)		2015	**-**	49	**-**	49
4.75% Fixed Rate Subordinated Notes (USD 150m)		2015	**-**	98	**-**	98
6.05% Fixed Rate Subordinated Notes (USD 1,556m)		2017	**1,124**	1,102	**1,124**	1,102
Floating Rate Subordinated Notes (EUR 40m)		2018	**29**	31	**29**	31
6% Fixed Rate Subordinated Notes (EUR 1,750m)		2018	**1,377**	1,462	**1,377**	1,462
CMS-Linked Subordinated Notes (EUR 100m)		2018	**77**	82	**77**	82
CMS-Linked Subordinated Notes (EUR 135m)		2018	**103**	109	**103**	109
Fixed/Floating Rate Subordinated Callable Notes	2018	2023	**555**	565	**555**	565
7.75% Contingent Capital Notes (USD 1,000m)	2018	2023	**850**	823	**850**	823
Floating Rate Subordinated Notes (EUR 50m)		2019	**36**	38	**36**	38
5.14% Lower Tier 2 Notes (USD 1,094m)		2020	**808**	767	**808**	767
6% Fixed Rate Subordinated Notes (EUR 1,500m)		2021	**1,252**	1,338	**1,252**	1,338
9.5% Subordinated Bonds (ex-Woolwich PLC)		2021	**293**	306	**293**	306
Subordinated Floating Rate Notes (EUR 100m)		2021	**73**	77	**73**	77
10% Fixed Rate Subordinated Notes		2021	**2,317**	2,362	**2,317**	2,361
10.179% Fixed Rate Subordinated Notes (USD 1,521m)		2021	**1,083**	1,062	**1,083**	1,062
Subordinated Floating Rate Notes (EUR 50m)		2022	**37**	39	**37**	39
6.625% Fixed Rate Subordinated Notes (EUR 1,000m)		2022	**891**	947	**891**	947
7.625% Contingent Capital Notes (USD 3,000m)		2022	**2,313**	2,206	**2,313**	2,205
Subordinated Floating Rate Notes (EUR 50m)		2023	**37**	39	**37**	39
5.75% Fixed Rate Subordinated Notes		2026	**802**	828	**802**	828
5.4% Reverse Dual Currency Subordinated Loan (JPY 15,000m)		2027	**80**	74	**80**	74
6.33% Subordinated Notes		2032	**60**	62	**60**	62
Subordinated Floating Rate Notes (EUR 100m)		2040	**74**	78	**74**	78
Other loans from subsidiaries			**-**	-	**40**	60
Barclays Bank PLC issued intra-group to Barclays PLC[a]						
2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)	2020	2025	**915**	-	**915**	-
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**874**	810	**874**	810
Absa Bank Issued						
8.1% Subordinated Callable Notes (ZAR 2,000m)	2015	2020	**-**	114	**-**	-
10.28% Subordinated Callable Notes (ZAR 600m)	2017	2022	**26**	34	**-**	-
Subordinated Callable Notes (ZAR 400m)	2017	2022	**18**	22	**-**	-
Subordinated Callable Notes (ZAR 1,805m)	2017	2022	**79**	101	**-**	-
Subordinated Callable Notes (ZAR 2,007m)	2018	2023	**88**	112	**-**	-
8.295% Subordinated Callable Notes (ZAR 1,188m)	2018	2023	**42**	64	**-**	-
5.50% CPI-linked Subordinated Callable Notes (ZAR 1,500m)	2023	2028	**86**	109	**-**	-
Barclays Africa Group Limited Issued						
Subordinated Callable Notes (ZAR 370m)	2019	2024	**16**	21	**-**	-
10.835% Subordinated Callable Notes (ZAR 130m)	2019	2024	**6**	7	**-**	-
Subordinated Callable Notes (ZAR 1,693m)	2020	2025	**74**	-	**-**	-
10.05% Subordinated Callable Notes (ZAR 807m)	2020	2025	**36**	-	**-**	-
11.4% Subordinated Callable Notes (ZAR 288m)	2020	2025	**13**	-	**-**	-
11.365% Subordinated Callable Notes (ZAR 508m)	2020	2025	**23**	-	**-**	-
Subordinated Callable Notes (ZAR 437m)	2020	2025	**19**	-	**-**	-
11.81% Subordinated Callable Notes (ZAR 737m)	2022	2027	**33**	-	**-**	-
Subordinated Callable Notes (ZAR 30m)	2022	2027	**1**	-	**-**	-
Other capital issued by Barclays Africa and Japan		2016-2019	**87**	107	**-**	-
Total subordinated liabilities			**16,707**	16,045	**16,100**	15,412

Dated loan capital

Dated loan capital is issued by the Bank and respective subsidiaries for the development and expansion of their business and to strengthen their respective capital bases. The principal terms of the dated loan capital are described below:

Note
a Please see Note 45 in 2015 Barclays PLC Annual Report for further details on the internal loans issued intra-group from Barclays Bank PLC to Barclays PLC

29 Subordinated liabilities continued

Subordination

Dated loan capital issued by the Company ranks behind the claims against the Company of unsecured unsubordinated creditors but before the claims of the holders of its equity.

All dated loan capital, both externally issued and issued intra-group to Barclays PLC, ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated loan capital and the holders of their equity. The dated loan capital issued by subsidiaries, are similarly subordinated.

Interest

Interest on the Floating Rate Notes are fixed periodically in advance, based on the related interbank or local central bank rates.

Interest on the 7.75% Contingent Capital Notes is fixed until the call date. After the call date, in the event that it is not redeemed, the interest rate will be re-set and fixed until maturity based on a market rate.

Repayment

Those Notes with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole. The remaining dated loan capital outstanding at 31 December 2015 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, to certain changes in legislation or regulations.

Any repayments prior to maturity require, in the case of the Bank, the prior approval of the PRA, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction and of the PRA in certain circumstances.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

Other

The 7.625% Contingent Capital Notes will be automatically transferred from investors to Barclays PLC (or another entity within the Group) for nil consideration in the event the Barclays PLC consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) falls below 7.0%.

The 7.75% Contingent Capital Notes will be automatically written-down and investors will lose their entire investment in the notes in the event the Barclays PLC consolidated CRD IV CET 1 ratio (FSA October 2012 transitional statement) falls below 7.0%.

30 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

	Ordinary share capital £m	Preference share capital £m	Share premium £m	Total share capital and share premium £m	Other equity instruments £m
As at 1 January 2015	**2,342**	**38**	**12,092**	**14,472**	**4,350**
AT1 securities issuance	**-**	**-**	**-**	**-**	**1,000**
As at 31 December 2015	**2,342**	**38**	**12,092**	**14,472**	**5,350**
As at 1 January 2014	2,342	60	12,092	14,494	2,078
AT1 securities issuance	-	-	-	-	2,272
Other movements	-	(22)	-	(22)	-
As at 31 December 2014	2,342	38	12,092	14,472	4,350

Ordinary shares

The issued ordinary share capital of Barclays Bank PLC, as at 31 December 2015, comprised 2,342 million ordinary shares of £1 each (2014: 2,342 million).

Ordinary share capital constitutes 60% (2014: 60%) of total share capital issued.

Preference shares

The issued preference share capital of Barclays Bank PLC, as at 31 December 2015, comprised 1,000 Sterling Preference Shares of £1 each (2014: 1,000); 31,856 Euro Preference Shares of €100 each (2014: 31,856); 20,930 Sterling Preference Shares of £100 each (2014: 20,930); 58,133 US Dollar Preference Shares of $100 each (2014: 58,133); and 237 million US Dollar Preference Shares of $0.25 each (2014: 237 million).

Preference share capital constitutes 40% (2014: 40%) of total share capital issued.

Sterling £1 Preference Shares

1,000 Sterling cumulative callable preference shares of £1 each (the £1 Preference Shares) were issued on 31 December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive Sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the Sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if: (1) it has profits available for the purpose of distribution under the Companies Act 2006 as at each dividend payment date; and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if: (1) it is able to pay its debts to senior creditors as they fall due; and (2) its auditors have reported within the previous six months that its assets exceed its liabilities. If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital.

The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act 2006 and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

30 Ordinary shares, share premium, and other equity continued

Euro Preference Shares

140,000 Euro 4.75% non-cumulative callable preference shares of €100 each (the 4.75% Preference Shares) were issued on 15 March 2005 for a consideration of €1,383.3m (£966.7m), of which the nominal value was €14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of €10,000 per preference share until 15 March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits. The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 March 2020, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares

75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the 6.0% Preference Shares) were issued on 22 June 2005 for a consideration of £743.7m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15 December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 December 2017, and on each dividend payment date thereafter at £10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

US Dollar Preference Shares

100,000 US Dollar 6.278% non-cumulative callable preference shares of $100 each (the 6.278% Preference Shares), represented by 100,000 American Depositary Shares, Series 1, were issued on 8 June 2005 for a consideration of $995.4m (£548.1m), of which the nominal value was $10m and the balance was share premium. The 6.278% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a fixed rate of 6.278% per annum on the amount of $10,000 per preference share until 15 December 2034, and thereafter quarterly at a rate reset quarterly equal to 1.55% per annum above the London interbank offered rate for three-month US Dollar deposits.

The 6.278% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15 December 2034, and on each dividend payment date thereafter at $10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

30 million US Dollar 6.625% non-cumulative callable preference shares of $0.25 each (the 6.625% Preference Shares), represented by 30 million American Depositary Shares, Series 2, were issued on 25 and 28 April 2006 for a consideration of $727m (£406m), of which the nominal value was $7.5m and the balance was share premium. The 6.625% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 6.625% per annum on the amount of $25 per preference share.

The 6.625% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

55 million US Dollar 7.1% non-cumulative callable preference shares of $0.25 each (the 7.1% Preference Shares), represented by 55 million American Depositary Shares, Series 3, were issued on 13 September 2007 for a consideration of $1,335m (£657m), of which the nominal value was $13.75m and the balance was share premium. The 7.1% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.1% per annum on the amount of $25 per preference share.

The 7.1% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

46 million US Dollar 7.75% non-cumulative callable preference shares of $0.25 each (the 7.75% Preference Shares), represented by 46 million American Depositary Shares, Series 4, were issued on 7 December 2007 for a consideration of $1,116m (£550m), of which the nominal value was $11.5m and the balance was share premium. The 7.75% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.75% per annum on the amount of $25 per preference share.

The 7.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

30 Ordinary shares, share premium, and other equity continued
106 million US Dollar 8.125% non-cumulative callable preference shares of $0.25 each (the 8.125% Preference Shares), represented by 106 million American Depositary Shares, Series 5, were issued on 11 April 2008 and 25 April 2008 for a total consideration of $2,650m (£1,345m), of which the nominal value was $26.5m and the balance was share premium. The 8.125% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 8.125% per annum on the amount of $25 per preference share.

The 8.125% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on any dividend payment date at $25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

No redemption or purchase of any 4.75% Preference Shares, the 6.0% Preference Shares, the 6.278% Preference Shares, the 6.625% Preference Shares, the 7.1% Preference Shares, the 7.75% Preference Shares and the 8.125% Preference Shares (together, the Preference Shares) may be made by Barclays Bank PLC without the prior approval of the UK PRA and any such redemption will be subject to the Companies Act 2006 and the Articles of Barclays Bank PLC.

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders: (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares; (2) equally in all respects with holders of other preference shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares; and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the £13m 6% Callable Perpetual Core Tier One Notes and the $569m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the TONs) and the holders of the £35m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the $159m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the £33m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments, the $117m 7.434% Step-up Callable Perpetual Reserve Capital Instruments and the £3,000m 14% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the RCIs) would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of preference shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the preference shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the preference shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the preference shares).

Subject to such ranking, in such event, holders of the preference shares will be entitled to receive out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of €10,000 per 4.75% Preference Share, £10,000 per 6.0% Preference Share, $10,000 per 6.278% Preference Share, $25 per 6.625% Preference Share, $25 per 7.1% Preference Share, $25 per 7.75% Preference Share and $0.25 per 8.125% Preference Share, plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding-up or other such return of capital. If a dividend is not paid in full on any preference shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other preference shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of: (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend; and (2) the date on or by which all the preference shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the preference shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the preference shares, save with the sanction of a special resolution of a separate general meeting of the holders of the preference shares (requiring a majority of not less than three-fourths of the holders of the preference shares voting at the separate general meeting) or with the consent in writing of the holders of three-fourths of the preference shares.

Except as described above, the holders of the preference shares have no right to participate in the surplus assets of Barclays Bank PLC.

30 Ordinary shares, share premium, and other equity continued

Other equity instruments

Other equity instruments of £5,350m (2014: £4,350m) include AT1 securities issued by Barclays Bank PLC. In 2015, there was one issuance of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities, with a principal amount of £1.0bn.

The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

Other shareholders' equity

	The Group		The Bank	
	2015	2014	2015	2014
	£m	£m	£m	£m
As at 1 January	485	485	549	549
As at 31 December	485	485	549	549

Included in other shareholders' equity are capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC.

31 Reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of the effects of hedging.

As at 31 December 2015 there was a debit balance of £623m (2014: £582m debit) in the currency translation reserve. The increase in the debit balance of £41m (2014: £560m decrease to a debit balance) principally reflected the depreciation of ZAR and EUR against GBP, offset by the appreciation of USD against GBP. The currency translation reserve movement associated with non-controlling interests was a £435m debit (2014: £74m debit) reflecting the depreciation of ZAR against GBP.

During the year a £65m net loss (2014: £91m net gain) from recycling of the currency translation reserve was recognised in the income statement.

Available for sale reserve

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

As at 31 December 2015 there was a credit balance of £338m in the available for sale reserve (2014: £578m credit). The decrease of £240m (2014: £427m increase) principally reflected a £350m loss from changes in fair value on government bonds, predominantly held in the liquidity pool, £148m of losses from related hedging, £378m of net gains transferred to the income statement, partially offset by a £396m gain from changes in fair value of equity investments in Visa Europe and an £86m change in insurance liabilities. A tax credit of £132m was recognised in the period relating to these items. The tax credit on AFS movements represented an effective rate of tax of 35.5% (2014: 19.4%). This is significantly higher than the UK corporation tax rate of 20.25% (2014: 21.5%) due to AFS movements including the Visa Europe gain that will be offset by existing UK capital losses for which a deferred tax asset has not been recognised.

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

As at 31 December 2015 there was a credit balance of £709m (2014: £1,817m credit) in the cash flow hedging reserve. The decrease of £1,108m (2014: £1,544m increase) principally reflected a £1,062m decrease in the fair value of interest rate swaps held for hedging purposes as interest rate forward curves increased and £255m gains recycled to the income statement in line with when the hedged item affects profit or loss, partially offset by a tax credit of £206m. The tax credit on cash flow hedging reserve movements represented an effective rate of tax of 15.7% (2014: 19.8%). This is significantly lower than the UK corporation tax rate of 20.25% (2014: 21.5%) due to tax rate changes introduced by the UK Summer Budget increasing associated deferred tax liabilities.

32 Non-controlling interests

	Profit attributable to Non-Controlling interest		Equity attributable to Non-Controlling interest		Dividends paid to Non-Controlling interest	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Barclays Africa Group Limited	**325**	320	**1,902**	2,247	**209**	189
Other non-controlling interests	**2**	6	**12**	4	**-**	1
Total	**327**	326	**1,914**	2,251	**209**	190

Barclays Bank PLC owns 62.5% (2014: 62.3%) of Barclays Africa Group Limited.

Summarised financial information for Barclays Africa Group Limited

Summarised financial information for Barclays Africa Group Limited, before intercompany eliminations, is set out below:

	Barclays Africa Group Limited 2015 £m	Barclays Africa Group Limited 2014 £m
Income statement information		
Total income net of insurance claims	**3,418**	3,530
Profit after tax	**781**	765
Total other comprehensive income for the year, after tax	**26**	(7)
Total comprehensive income for the year	**807**	758
Statement of cash flows information		
Net cash inflows	**923**	43
Balance sheet information		
Total assets	**49,471**	55,378
Total liabilities	**45,200**	50,150
Shareholder equity	**4,271**	5,228

Full financial statements for Barclays Africa Group Limited can be obtained at barclaysafrica.com/barclaysafrica/Investor-Relations.

Protective rights of non-controlling interests

Barclays Africa Group Limited

BarclaysPLC owns 62.5% (62.3% including treasury shares) of the share capital of Barclays Africa Group Limited. Barclays PLC's' rights to access the assets of Barclays Africa and its group companies are restricted by virtue of the South African Companies Act which requires 75% shareholder approval to dispose of all or the greater part of Barclays Africa Group Limited's assets or to complete the voluntary winding up of the entity.

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Notes to the financial statements
Employee benefits

The notes included in this section focus on the costs and commitments associated with employing our staff.

33 Staff costs

Accounting for staff costs

The Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits - salaries, and accrued performance costs, social security and the Bonus Payroll Tax are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs - recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

Deferred cash bonus awards and deferred share bonus awards are made to employees to incentivise performance over the vesting period. To receive payment under an award, employees must provide service over the vesting period, typically three years from the grant date. The period over which the expense for deferred cash and share bonus awards is recognised is based upon the common understanding between the employee and the Group and the terms and conditions of the award. The Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest as this is the period over which the employees understand that they must provide service in order to receive awards. The table on page 92 of the 2015 Barclays PLC Annual Report details the relevant award dates, payment dates and the period in which the income statement charge arises for bonuses. No expense has been recognised in 2015 for the deferred bonuses that will be granted in March 2016, as they are dependent upon future performance rather than performance during 2015.

The accounting policies for share based payments and pensions and other post retirement benefits are under Note 34 and Note 35 respectively.

	2015 £m	2014 £m
Deferred bonus charge	**874**	1,067
Current year bonus charge	**839**	885
Commissions, commitments and other incentives	**171**	110
Performance costs	**1,884**	2,062
Salaries	**4,954**	4,998
Social security costs	**594**	659
Post-retirement benefits [a]	**116**	624
Allowances and trading incentives	**147**	170
Other compensation costs	**215**	378
Total compensation costs [b]	**7,910**	8,891
Other resourcing costs		
Outsourcing	**1,034**	1,055
Redundancy and restructuring	**134**	358
Temporary staff costs	**697**	530
Other	**185**	171
Total other resourcing costs	**2,050**	2,114
Total staff costs	**9,960**	**11,005**

Total staff costs decreased 9% to £9,960m, principally reflecting a 9% decrease in performance costs and a 63% decrease in redundancy and restructuring charges .

Performance costs decreased by 9%, reflecting an 18% decrease in the charges for deferred bonuses, a 5% decrease in the bonus charge partially offset by an increase in other performance charges.

Redundancy and restructuring charges decreased 63% to £134m, predominantly due to the non-recurrence of the 2014 restructuring costs in the Investment Bank.

The average total number of persons employed by the Group was 129,400 (2014: 135,300).

Note
a Post retirement benefits charge includes £246m (2014: £242m) in respect of defined contribution schemes and £(130)m credit (2014: £382m) in respect of defined benefit schemes.
b In addition, £236m (2014: £250m) of Group compensation was capitalised as internally generated software.

34 Share based payments

Accounting for share based payments

The Group applies IFRS 2 *Share Based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The share awards are granted as shares in Barclays plc and Barclays Bank PLC acquires these shares to grant to its employees from Barclays PLC at the current market price.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share based savings scheme.

The charge for the year arising from share based payment schemes was as follows:

	Charge for the year	
	2015	2014
	£m	£m
Share Value Plan	442	575
Others	100	84
Total equity settled	542	659
Cash settled	24	43
Total share based payments	566	702

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for Executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three years in equal annual tranches. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Other schemes

In addition to the SVP, the Group operates a number of other schemes including schemes operated by and settled in. the shares of subsidiary undertakings, none of which are individually material in relation to the charge for the year or the dilutive effect of outstanding share options. Included within other schemes are Sharesave (both UK and overseas), the Barclays' Long Term Incentive Plan and the Executive Share Award Scheme.

Share option and award plans

The weighted average fair value per award granted and weighted average share price at the date of exercise/release of shares during the year was:

	Weighted average fair value per award granted in year		Weighted average share price at exercise/release during year	
	2015	2014	2015	2014
	£	£	£	£
SVP[a]	2.54	2.33	2.53	2.31
Others[a]	0.49-2.54	0.52-2.39	2.37-2.67	2.23-2.56

SVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

34 Share based payments continued

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP[a,b]		Others[a,c]			
	Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2015	2014	2015	2014	2015	2014
Outstanding at beginning of year/acquisition date	**480,042**	524,260	**185,599**	231,989	**1.61**	1.55
Granted in the year	**186,397**	275,152	**55,982**	64,326	**2.27**	1.78
Exercised/released in the year	**(252,031)**	(287,319)	**(50,538)**	(71,594)	**1.41**	1.44
Less: forfeited in the year	**(27,938)**	(32,051)	**(20,811)**	(32,784)	**1.76**	1.66
Less: expired in the year	**-**	-	**(3,257)**	(6,338)	**2.39**	2.24
Outstanding at end of year	**386,470**	480,042	**166,975**	185,599	**1.75**	1.61
Of which exercisable:	**30**	44	**26,058**	20,025	**1.48**	1.88

Certain of the Group's share option plans enable certain directors and employees to subscribe for new ordinary shares of Barclays PLC.

The weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date are as follows:

	2015		2014	
	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)
SVP[a,b]	**1**	**386,470**	1	480,042
Others[a]	**0-2**	**166,975**	0-3	185,599

There were no significant modifications to the share based payments arrangements in 2015 and 2014.

As at 31 December 2015, the total liability arising from cash-settled share based payments transactions was £13m (2014: £45m).

Holdings of Barclays PLC Shares

Various employee benefit trusts established by the Group hold shares in Barclays PLC to meet obligations under the Barclays share based payment schemes. The total number of Barclays shares held in these employee benefit trusts at 31 December 2015 was 5.1 million (2014: 5.2 million). Dividend rights have been waived on all of these shares. The total market value of the shares held in trust based on the year end share price of £2.19 (2014: £2.43) was £11.2m (2014: £12.6m).

Notes
a Options/awards granted over Barclays PLC shares.
b Nil cost award and therefore the weighted average exercise price was nil.
c The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 12,479,264). The weighted average exercise price relates to Sharesave.

35 Pensions and post retirement benefits

Accounting for pensions and post retirement benefits

The Group operates a number of pension schemes (including defined contribution and defined benefit) and post-employment benefit schemes.

Defined contribution schemes – the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Defined benefit schemes – the Group recognises its obligations to members of the scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test. The clarifications contained in the proposed amendments to IFRIC 14 as to when an entity has an unconditional right to benefit from a scheme surplus are not expected to have a material impact on the Group.

Each scheme's obligations are calculated using the projected unit credit method on the assumptions set out in the note below. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

Post-employment benefits – the cost of providing health care benefits to retired employees is accrued as a liability in the financial statements over the period that the employees provide services to the Group, using a methodology similar to that for defined benefit pension schemes.

Pension schemes

UK Retirement Fund (UKRF)

The UKRF is the Group's main scheme, representing 92% of the Group's total retirement benefit obligations. The UKRF was closed to new entrants on 1 October 2012, and comprises 10 sections, the two most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An investment related increase of up to 2% a year may also be added at Barclays' discretion. Between 1 October 2003 and 1 October 2012 the majority of new employees outside of the Investment Bank were eligible to join this section. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are limited to needing to make additional contributions if pre-retirement investment returns are not sufficient to provide for the benefits.

- the 1964 Pension Scheme. Most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010, members became eligible to accrue future service benefits in either Afterwork or the Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 section are typical of final salary pension schemes, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)

- From 1 October 2012, a new UK pension scheme, the BPSP, was established to satisfy Auto Enrolment legislation. The BPSP is a defined contribution scheme (Group Personal Pension) providing benefits for all new Barclays UK hires from 1 October 2012, Investment Bank UK employees who were in PIP as at 1 October 2012, and also all UK employees who were not members of a pension scheme at that date. As a defined contribution scheme, BPSP is not subject to the same investment return, inflation or longevity risks for Barclays that defined benefit schemes are. Members' benefits reflect contributions paid and the level of investment returns achieved.

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement health care plans globally, the largest of which are the US and South African defined benefit schemes. Many of the schemes are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided, the approach to funding, and the legal basis of the schemes, reflect their local environments.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays or the UKRF, plus three Member Nominated Directors selected from eligible active staff and pensioner members who apply for the role.

35 Pensions and post retirement benefits continued

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Group's other pension schemes, although different legislation covers overseas schemes where, in most cases, the Group has the power to determine the funding rate.

Amounts recognised

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all Group defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

Income statement charge	2015 £m	2014 £m
Current service cost	**303**	324
Net finance cost/(income)	**42**	78
Past service cost	**(434)**	(5)
Settlements	**1**	(15)
Total	**(88)**	382

Past Service costs includes a £429m (2014: nil) gain on valuation of a component of the defined retirement benefit liability.

Balance sheet reconciliation	2015			2014		
	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m	The Group Total £m	The Bank Total £m	Of which relates to UKRF £m
Benefit obligation at beginning of the year	**(30,392)**	**(28,388)**	**(27,931)**	(27,568)	(25,494)	(25,093)
Current service cost	**(303)**	**(239)**	**(234)**	(324)	(264)	(258)
Interest costs on scheme liabilities	**(1,147)**	**(1,024)**	**(1,010)**	(1,261)	(1,111)	(1,101)
Past service cost	**434**	**429**	**429**	5	2	2
Settlements	**-**	**-**	**-**	83	39	-
Remeasurement gain/(loss) - financial	**1,161**	**1,126**	**1,121**	(2,493)	(2,437)	(2,382)
Remeasurement loss - demographic	**(159)**	**(162)**	**(160)**	(370)	(351)	(340)
Remeasurement gain - experience	**609**	**612**	**611**	407	406	418
Employee contributions	**(36)**	**(2)**	**(2)**	(35)	(3)	(2)
Benefits paid	**1,172**	**1,036**	**1,021**	999	838	825
Exchange and other movements	**382**	**122**	**128**	165	(13)	-
Benefit obligation at end of the year	**(28,279)**	**(26,490)**	**(26,027)**	(30,392)	(28,388)	(27,931)
Fair value of scheme assets at beginning of the year	**28,874**	**27,079**	**26,827**	25,743	23,906	23,661
Interest income on scheme assets	**1,105**	**987**	**979**	1,183	1,053	1,042
Employer contribution	**689**	**593**	**586**	347	253	241
Settlements	**-**	**-**	**-**	(68)	(27)	-
Remeasurement - return on plan assets greater than discount rate	**(476)**	**(454)**	**(446)**	2,736	2,723	2,705
Employee contributions	**36**	**2**	**2**	35	3	2
Benefits paid	**(1,172)**	**(1,036)**	**(1,021)**	(999)	(838)	(825)
Exchange and other movements	**(304)**	**(87)**	**(98)**	(103)	6	1
Fair value of scheme assets at the end of the year	**28,752**	**27,084**	**26,829**	28,874	27,079	26,827
Net surplus/(deficit)	**473**	**594**	**802**	(1,518)	(1,309)	(1,104)
Irrecoverable Surplus (Effect of Asset Ceiling)	**(60)**	**-**	**-**	-	-	-
Net recognised assets/(liabilities)	**413**	**594**	**802**	(1,518)	(1,309)	(1,104)
Retirement benefit assets	**836**	**807**	**802**	56	-	-
Retirement benefit liabilities	**(423)**	**(213)**	**-**	(1,574)	(1,309)	(1,104)
Net retirement benefit assets/(liabilities)	**413**	**594**	**802**	(1,825)	(1,309)	(1,104)

Included within the benefit obligation was £2,050m (2014: £2,272m) relating to overseas pensions and £202m (2014: £189m) relating to other post-employment benefits. Of the total benefit obligation of £28,279m (2014: £30,392m), £245m (2014: £286m) was wholly unfunded. Included

Notes to the financial statements
Employee benefits

35 Pensions and post retirement benefits continued
within The Bank's benefit obligation was £359m (2014: £359m) relating to overseas pensions and £104m (2014: £98m) relating to other post retirement benefits. Out of The Bank's benefit obligations of £26,490m (2014: £28,388m), £204m was wholly unfunded.

As at 31 December 2015, the UKRF scheme assets were in surplus versus IAS 19R obligations by £802m (2014: deficit of £1,104m).
The movement for the UKRF is mainly due to a £1.9bn decrease in the defined benefit obligation. The decrease in defined benefit obligation can be linked to an increase in discount rate, membership experience, and a change to the calculation of statutory underpin for certain benefits.

Critical accounting estimates and judgments
Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions, below is a summary of the main financial and demographic assumptions adopted for UKRF.

UKRF financial assumptions	2015 % p.a.	2014 % p.a.
Discount rate	**3.82**	3.67
Inflation rate	**3.05**	3.05
Rate of increase in salaries	**2.55**	2.55
Rate of increase for pensions in payment	**2.87**	2.98
Rate of increase for pensions in deferment	**2.87**	2.98
Afterwork revaluation rate	**3.27**	3.35

The UKRF discount rate assumption for 2015 was based on a variant of the standard Willis Towers Watson RATE Link model. This variant includes all bonds rated AA by at least one of the four major ratings agencies, and assumes that yields after year 30 are flat. For 2014, the discount rate assumption was based on the single equivalent discount rate implied by the standard Willis Towers Watson RATE Link model.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2014 of Barclays' own post-retirement mortality experience, and taking account of the recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2013 core projection model published by the Continuous Mortality Investigation Bureau subject to a long-term trend of 1.25% p.a. in future improvements. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the past three years:

Assumed life expectancy	2015	2014	2013
Life expectancy at 60 for current pensioners (years)			
– Males	**28.4**	28.3	27.9
– Females	**30.0**	29.9	29.0
Life expectancy at 60 for future pensioners currently aged 40 (years)			
– Males	**30.2**	30.1	29.3
– Females	**32.0**	31.9	30.6

Sensitivity analysis on actuarial assumptions
The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

Change in key assumptions	2015		2014	
	Impact on UKRF defined benefit obligation		Impact on UKRF defined benefit obligation	
	(Decrease)/ Increase %	(Decrease)/ Increase £bn	(Decrease)/ Increase %	(Decrease)/ Increase £bn
0.5% increase in discount rate	**(8.2)**	**(2.1)**	(9.0)	(2.5)
0.5% increase in assumed price inflation	**5.4**	**1.4**	7.3	2.0
One-year increase to life expectancy at 60	**3.5**	**0.9**	3.5	1.0

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 18 years.

35 Pensions and post retirement benefits continued

Assets

A long term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long term returns and some asset classes may be more volatile than others. The long term investment strategy ensures, among other aims, that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long term investment strategy within control ranges agreed with the Trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the assets held by the scheme, with any derivative holdings reflected on a fair value basis.

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

Analysis of scheme assets	The Group Total Value	% of total fair value of scheme assets	The Bank Total Value	% of total fair value of scheme assets	Of which relates to UKRF Value	% of total fair value of scheme assets
	£m	%	£m	%	£m	%
As at 31 December 2015						
Equities - quoted	**7,764**	**27**	**7,003**	**25.9**	**6,947**	**25.9**
Equities - non quoted	**1,757**	**6.1**	**1,750**	**6.5**	**1,750**	**6.5**
Bonds - fixed government[a]	**1,105**	**3.8**	**634**	**2.3**	**577**	**2.2**
Bonds - index-linked government[a]	**9,677**	**33.7**	**9,670**	**35.7**	**9,670**	**36.0**
Bonds - corporate and other[a]	**5,856**	**20.4**	**5,735**	**21.2**	**5,680**	**21.2**
Property - commercial[b]	**1,602**	**5.6**	**1,581**	**5.8**	**1,581**	**5.9**
Derivatives[b]	**183**	**0.6**	**183**	**0.7**	**183**	**0.7**
Cash	**67**	**0.2**	**51**	**0.2**	**47**	**0.2**
Other[b]	**741**	**2.6**	**477**	**1.7**	**394**	**1.4**
Fair value of scheme assets	**28,752**	**100.0**	**27,084**	**100.0**	**26,829**	**100.0**
As at 31 December 2014						
Equities - quoted	6,813	23.6	5,885	21.7	5,808	21.6
Equities - non quoted	1,549	5.4	1,542	5.7	1,537	5.7
Bonds - fixed government[a]	934	3.2	649	2.4	609	2.3
Bonds - index-linked government[a]	7,114	24.6	7,114	26.3	7,114	26.5
Bonds - corporate and other[a]	5,599	19.4	5,428	20.0	5,317	19.8
Property - commercial[b]	2,023	7.0	1,946	7.2	1,945	7.3
Derivatives[b]	1,472	5.1	1,472	5.4	1,472	5.5
Cash	2,897	10.0	2,665	9.8	2,644	9.9
Investment funds[c]	284	1.0	284	1.0	284	1.1
Other[b]	189	0.7	94	0.5	97	0.3
Fair value of scheme assets	28,874	100.0	27,079	100.0	26,827	100.0

Included within the fair value of scheme assets were: £5m (2014: £3m) relating to shares in Barclays PLC, £23m (2014: £39m) relating to bonds issued by the Barclays Group, £6m (2014: £6m) relating to property occupied by Group companies, and £7m (2014: £14m) relating to other investments. The UKRF also invests in investment vehicles which may hold shares or debt issued by the Barclays Group.

The UKRF scheme assets also include £36m (2014: £36m) relating to UK private equity investments and £1,714m (2014: £1,502m) relating to overseas private equity investments. These are disclosed above within Equities – non-quoted.

Approximately a third of the UKRF assets are invested in liability-driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

Notes
a Assets held are predominantly quoted.
b Assets held are predominantly non-quoted
c Pooled funds relate to a variety of investments which are predominantly non-quoted.

35 Pensions and post retirement benefits continued

Funding

The latest triennial funding valuation of the UKRF was carried out with an effective date of 30 September 2013. This was completed in 2014 and showed a deficit of £3.6bn and a funding level of 87.4%. The next funding valuation of the UKRF is due to be completed in 2017 with an effective date of 30 September 2016. In non-valuation years, the Scheme Actuary prepares an annual update of the funding position. The latest annual update was carried out as at 30 September 2015 and showed a deficit of £6.0bn and a funding level of 82.7%. The increase in funding deficit over the year to 30 September can be mainly attributed to the fall in real gilt yields over the year.

The Bank and Trustee agreed a scheme specific funding target, statement of funding principles, a schedule of contributions and a recovery plan to eliminate the deficit in the Fund. The main differences between the funding and IAS 19 assumptions are a more prudent longevity assumption for funding and a different approach to setting the discount rate.

The recovery plan to eliminate the deficit will result in the Bank paying deficit contributions to the Fund until 2021. Deficit contributions of £300m were paid in 2015, and also are payable in 2016. Further deficit contributions of £740m per annum are payable during 2017 to 2021. Up to £500m of the 2021 deficit contribution is payable in 2017 depending on the deficit level at that time. These deficit contributions are in addition to the regular contributions to meet the Group's share of the cost of benefits accruing over each year.

In non-valuation years, the Scheme Actuary prepares an annual update of the funding position. The latest annual update was carried out as at 30 September 2015 and showed a deficit of £6.0bn and a funding level of 82.7%. The increase in funding deficit over the year to 30 September 2015 can be mainly attributed to the fall in real gilt yields over the year.

Defined benefit contributions paid with respect to the UKRF were as follows:

Contributions paid	£m
2015	**586**
2014	241
2013	238

The Group's expected contribution to the UKRF in respect of defined benefits in 2016 is £632m (2015: £586m). In addition, the expected contributions to UK defined contribution schemes in 2016 is £49m (2015: £52m) to the UKRF and £140m (2015: £126m) to the BPSP. For the material non-UK defined benefit schemes, the expected contributions in 2016 are £78m (2015: £107m).

Notes to the financial statements

Scope of consolidation

This section presents information on the Group's investments in subsidiaries, joint ventures and associates and its interests in structured entities. Detail is also given on securitisation transactions the Group has entered into and arrangements that are held off-balance sheet.

36 Principal subsidiaries

Barclays applies IFRS 10 *Consolidated Financial Statements*. The consolidated financial statements combine the financial statements of Barclays Bank PLC and all of its subsidiaries. Subsidiaries are entities over which the Group has control. Under IFRS 10, this is when the Group is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect the amount of its returns.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not result in loss of control.

The significant judgements used in applying this policy are set out below.

Accounting for investment in subsidiaries

In the individual financial statements of Barclays Bank PLC, investments in subsidiaries are stated at cost less impairment.

Investments in subsidiaries, the principal of which are engaged in banking related activities, are recorded on the balance sheet at historical cost less any impairment. At 31 December 2015 the historical cost of investments in subsidiaries was £22,742m (2014: £22,623m), and allowances recognised against these investments were £4,960m (2014: £4,278m) of impairment.

Principal subsidiaries for the Group are set out below. This includes those subsidiaries that are most significant in the context of the Group's business, results or financial position.

Company name	Principal place of business or incorporation	Nature of business	Percentage of voting rights held %	Non-controlling interests - proportion of ownership interests %	Non-controlling interests - proportion of voting interests %
Barclays Capital Securities Limited	England	Securities dealing	100	-	-
Barclays Private Clients International Limited	Isle of Man	Banking	100*	-	-
Barclays Securities Japan Limited	Japan	Securities dealing	100	-	-
Barclays Africa Group Limited	South Africa	Banking	62	38	38
Barclays Capital Inc.	United States	Securities dealing	100	-	-
Barclays Bank Delaware	United States	Credit card issuer	100	-	-

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. Investments in subsidiaries held directly by Barclays Bank PLC are marked *. See Note 45 Related undertakings for further information on the Group's undertakings.

Ownership interests are in some cases different to voting interests due to the existence of non-voting equity interests, such as preference shares. See Note 32 Non-controlling interests for more information.

Barclays Bank SAU was considered a principal subsidiary in 2014. Barclays Bank SAU and its subsidiaries, comprising all its associated assets and liabilities, was sold to a third party, Caixabank, SA on the 2 January 2015.

Significant judgements and assumptions used to determine the scope of the consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the managers of the structured entity are acting as its agent and therefore will consolidate the structured entity.

36 Principal subsidiaries continued

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However, certain entities, as set out below, are excluded from consolidation because the Group does not have exposure to their variable returns.

Country of registration or incorporation	Company name	Percentage of voting rights held (%)	Equity shareholder's funds (£m)	Retained profit for the year (£m)
UK	Fitzroy Finance Limited	100	-	-
Cayman Islands	Palomino Limited	100	2	-

These entities are managed by external counterparties and consequently are not controlled by the Group. Where appropriate, of interests relating to these entities are included in Note 37 Structured Entities.

Significant restrictions

As is typical for a Group of its size and international scope, there are restrictions on the ability of Barclays Bank PLC to obtain distributions of capital, access the assets or repay the liabilities of members of its Group due to the statutory, regulatory and contractual requirements of its subsidiaries and due to the protective rights of non-controlling interests. These are considered below.

Regulatory requirements

Barclays' Bank PLC principal subsidiary companies have assets and liabilities before intercompany eliminations of £391bn (2014: £490bn) and £378bn (2014: £474bn) respectively. The assets and liabilities are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital levels which cannot be returned to the parent company, Barclays Bank PLC, on a going concern basis.

In order to meet capital requirements, subsidiaries may hold certain equity-accounted and debt-accounted issued financial instruments and non-equity instruments such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liability. See Note 32 Non-controlling interests and Note 29 Subordinated liabilities for particulars of these instruments. These instruments may be subject to cancellation clauses or preference share restrictions that would limit the ability of the entity to repatriate the capital on a timely basis.

Liquidity requirements

Regulated subsidiaries of the Group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are Barclays Africa Group Limited and Barclays Capital Inc. which must maintain daily compliance with the regulatory minimum. See pages 98 to 115 or further details of liquidity requirements , including those of significant subsidiaries.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Barclays Bank PLC, the ultimate parent, except in the event of a legal capital reduction or liquidation. In most cases, the regulatory restrictions referred to above exceed the statutory restrictions.

Contractual requirements

Asset encumbrance

The Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets affected are disclosed in Note 40 Assets pledged.

Assets held by consolidated structured entities

£80m (2014: £ 379m) of assets included in the Group's balance sheet relate to consolidated investment funds and are held to pay return and principal to the holders of units in the funds. The assets held in these funds cannot be transferred to other members of the Group. The decrease is materially driven by the sale of the Spanish business in January 2015 which included certain European wealth funds, and the disposal of a French wealth fund during the year.

Other restrictions

The Group is required to maintain balances with central banks and other regulatory authorities, and these amounted to £4,369m (2014: £4,448m).

Barclays Africa Group Limited assets are subject to exchange control regulation determined by the South African Reserve Bank (SARB). Special dividends and loans in lieu of dividends cannot be transferred without SARB approval.

37 Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 39 Securitisations for further detail.

The Group provides liquidity facilities to certain securitisation vehicles. At 31 December 2015, there were outstanding loan commitments to these entities totalling £135m (2014: £201m).

Commercial paper (CP) and medium-term note conduits

The Group provided £8.5bn (2014: £9.1bn) in undrawn contractual backstop liquidity facilities to CP conduits.

Fund management entities

Barclays has contractually guaranteed the performance of certain cash investments in a number of managed investment funds which have resulted in their consolidation. As at 31 December 2015, the notional value of the guarantee was £257m (2014: £585m). The decrease is primarily due to the closure of a number of European wealth funds during the year.

Employee benefit and other trusts

The Group provides capital contributions to employee share trusts to enable them to meet their obligations to employees under share-based payment plans. During 2015, the Group provided undrawn liquidity facilities of £784m (2014: £332m) to certain trusts.

Unconsolidated Structured Entities in which the Group has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Group, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Group to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

37 Structured Entities continued
The nature and extent of the Group's interests in structured entities is summarised below:

Summary of interests in unconsolidated structured entities

	Secured financing £m	Short-term traded interests £m	Traded derivatives £m	Other interests £m	Total £m
As at December 2015					
Assets					
Trading portfolio assets	-	8,949	-	1,648	10,597
Financial assets designated at fair value	12,382	-	-	353	12,735
Derivative financial instruments	-	-	4,427	1,926	6,353
Available for sale investments	-	-	-	1,060	1,060
Loans and advances to banks	-	-	-	4,067	4,067
Loans and advances to customers	-	-	-	27,700	27,700
Reverse repurchase agreements and other similar secured lending	7,117	-	-	-	7,117
Other assets	-	-	-	31	31
Total assets	19,499	8,949	4,427	36,785	69,660
Liabilities					
Derivative financial instruments	-	-	2,761	1,926	4,687
As at December 2014					
Assets					
Trading portfolio assets	-	14,538	-	3,668	18,206
Financial assets designated at fair value	-	-	-	963	963
Derivative financial instruments	-	-	5,207	1,594	6,801
Available for sale investments	-	-	-	1,216	1,216
Loans and advances to banks	-	-	-	4,277	4,277
Loans and advances to customers	-	-	-	30,067	30,067
Reverse repurchase agreements and other similar secured lending	37,139	-	-	-	37,139
Other assets	-	-	-	38	38
Total assets	37,139	14,538	5,207	41,823	98,707
Liabilities					
Derivative financial instruments	-	-	5,222	1,514	6,736

Secured financing arrangements, short term traded interests and traded derivatives are typically managed under market risk management described on page 87 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include a Non-Core portfolio which is being managed down, conduits and corporate lending where the interest is driven by normal customer demand.

Secured financing
The Group routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Group has minimal exposure to the performance of the structured entity counterparty. A description of these transactions is included in Note 21 Reverse repurchase and repurchase agreements including other similar lending and borrowing.

Short-term traded interests
The Group buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage backed securities, CDOs and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Group typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2015, £8,576m (2014: £12,058m) of the Group's £8,949m (2014: £14,538m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

37 Structured Entities continued

Traded derivatives

The Group enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 14 Derivative financial instruments. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Group's normal credit policies.

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. Included in the traded derivatives total are £409m (2014: £445m) of derivative assets which are 'cleared derivative' type arrangements. These are transactions where the Group enters into a contract with an exchange on behalf of a structured entity client and holds an opposite position with it. The Group is exposed to settlement risk only on these derivatives which is mitigated through daily margining. Total notionals amounted to £117,642m (2014: £176,584m).

Except for CDS where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Group's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets on a daily basis in most cases.

Other interests in unconsolidated structured entities

The Group's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

37 Structured Entities continued

Nature of interest	Structured credit portfolio £m	Multi-seller conduit programmes £m	Lending £m	Mortgage-backed securities £m	Investment funds and trusts £m	Others £m	Total £m
As at December 2015							
Trading portfolio assets							
– Debt securities	1,545	-	-	-	-	40	1,585
– Equity securities	-	-	-	-	-	63	63
Financial assets designated at fair value							
– Loans and advances to customers	-	-	247	-	-	6	253
– Debt securities	-	-	41	-	-	57	98
– Equity securities	-	-	-	-	-	2	2
Derivative financial instruments	-	-	-	-	-	1,926	1,926
Available for sale investments							
– Debt securities	537	-	-	515	-	8	1,060
Loans and advances to customers	1,599	5,029	20,571	-	-	501	27,700
Loans and advances to banks	-	-	4,051	-	-	16	4,067
Other assets	-	4	7	-	20	-	31
Total on-balance sheet exposures	3,681	5,033	24,917	515	20	2,619	36,785
Total off-balance sheet notional amounts	708	3,042	10,225	-	-	1,409	15,384
Maximum exposure to loss	4,389	8,075	35,142	515	20	4,028	52,169
Total assets of the entity	36,290	81,355	376,296	115,351	21,766	5,084	636,142
As at December 2014							
Trading portfolio assets							
– Debt securities	3,590	-	-	-	-	51	3,641
– Equity securities	-	-	-	-	-	27	27
Financial assets designated at fair value							
– Loans and advances to customers	-	-	881	-	-	11	892
– Debt securities	-	-	-	-	-	35	35
– Equity securities	-	-	-	-	-	36	36
Derivative financial instruments	-	-	80	-	-	1,514	1,594
Available for sale investments							
– Debt securities	1	575	-	626	-	14	1,216
Loans and advances to customers	3,390	8,236	17,780	-	-	661	30,067
Loans and advances to banks	-	-	4,277	-	-	-	4,277
Other assets	-	5	9	-	21	3	38
Total on-balance sheet exposures	6,981	8,816	23,027	626	21	2,352	41,823
Total off-balance sheet notional amounts	1,078	8,075	6,359	-	-	2,104	17,616
Maximum exposure to loss	8,059	16,891	29,386	626	21	4,456	59,439
Total assets of the entity	50,279	97,298	390,522	147,422	25,556	5,816	716,893

Maximum exposure to loss

Unless specified otherwise below, the Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Structured Credit Portfolio

This comprises interests in debt securities issued by securitisation vehicles, mainly CLOs, CDOs, Residential and Commercial Mortgage-Backed Securitisation structures (RMBSs and CMBSs), and drawn and undrawn loan facilities to these entities. In some cases, the securities are 'wrapped' with credit protection from a monoline insurer, which transfers the credit risk to the monoline. The entities are wholly debt financed through the issuance of tranches of debt securities or through direct funding, such as the loan facilities provided by the Group. As the underlying assets of the entities amortise and pay down, the debt securities issued by the entities are repaid in order of seniority. Where the entities experience significant credit deterioration, debt securities may be written off or cancelled in reverse order of seniority.

37 Structured Entities continued

As at 31 December 2015 the Group's funded exposures comprised £1,545m (2014: £3,591m) debt securities at fair value and £1,599m (2014: £3,390m) amortised cost loans and advances. Of the £3,681m (2014: £6,981m), £2,783m (2014: £4,822m) is investment grade, with the remainder either non-investment grade or not rated. The Group also had £708m (2014: £1,078m) of unfunded exposures in the form of undrawn liquidity commitments. Of the £4,389m (2014: £8,059m) of funded and unfunded exposures, £4,387m (2014: £7,897m) is senior in the capital structure of the entity.

Though the Group's funded exposures are primarily investment grade and senior in the capital structure, there are cases where the interests that are subordinate to the Group's senior and mezzanine interests have minimal or no value, due to decreases in the fair value of the underlying collateral held by the entity.

The Group's income from these entities comprises trading income (largely gains and losses on changes in the fair value and interest earned on bonds) on items classified as held for trading and interest income on interests classified as loans and receivables.

During 2015, the Group recorded a fair value loss of £4m (2014: £91m loss) on debt securities. Impairment losses recorded on loans and advances were immaterial in both the current and prior year.

The fair value of the Group's interests in certain CLOs and CDOs is influenced by the protection directly provided to the structured entities by monoline insurers in addition to the value of the collateral held by the entities. The protection provided to the entities by the monoline insurers is in the form of a CDS. However, the ability of the monolines to make payments is uncertain, which is reflected in the valuation of the Group's interests in the monoline wrapped CLOs and CDOs.

Multi-seller conduit programmes

The conduits engage in providing financing to various clients and hold whole or partial interests in pools of receivables or similar obligations. These instruments are protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduits. The Group's off balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduits for the benefit of the holders of the commercial paper issued by the conduits and will only be drawn where the conduits are unable to access the commercial paper market. If these facilities are drawn, the Group is protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduits. The Group earns income from fees received on the liquidity facility and the letter of credit provided to the conduits. There were no impairment losses on this lending in either of the current year or the prior year.

Lending

The portfolio includes lending provided by the Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Group incurred an impairment of £35m (2014: £31m) against such facilities. The main types of lending are £3bn (2014: £4bn) of funding loans to bankruptcy remote structured entities to either invest or develop properties, £4bn (2014: £5bn) of loans to structured entities which have been created by an individual to hold one or more assets, £2bn (2014: £2bn) to entities whose operations are limited to financing or funding the acquisition of specific assets such as schools, hospitals, roads and renewable energy projects under the Private Finance Initiative (PFI), and £1bn (2014: £1bn) of funding loans to bankruptcy remote structured entities to enable them to purchase capital equipment for parent companies and are supported by government export guarantees.

Mortgage-backed securities

This represents a portfolio of floating rate notes, mainly mortgage-backed security positions, used as an accounting hedge of interest rate risk under the Group's structural hedging programme. All notes are investment grade. The portfolio has decreased owing to a reduced requirement for hedge accounting capacity in sterling.

Investment funds and trusts

In the course of its fund management activities, the Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

The Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. Barclays has no other risk exposure to the trusts.

Other

This includes £2bn (2014: £1.5bn) of derivative transactions with structured entities where the market risk is materially hedged with corresponding derivative contracts.

Assets transferred to sponsored unconsolidated structured entities

Assets transferred to sponsored unconsolidated structured entities were immaterial.

38 Investments in associates and joint ventures

Accounting for associates and joint ventures

Barclays applies IAS 28 *Investments in Associates* and IFRS 11 *Joint Arrangements*. Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. Generally the Group holds more than 20%, but less than 50%, of their voting shares. Joint ventures are arrangements where the Group has joint control and rights to the net assets of the entity.

The Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post acquisition profit/(loss). The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

There are no individually significant investments in joint ventures or associates held by Barclays.

	2015			2014		
	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	£m	£m	£m	£m	£m	£m
Equity accounted	**217**	**356**	**573**	303	408	711
Held at fair value through profit or loss	**77**	**475**	**552**	307	366	673
Total	**294**	**831**	**1,125**	610	774	1,384

Summarised financial information for the Group's equity accounted associates and joint ventures is set out below. The amounts shown are the net income of the investees, not just the Group's share for the year ended 31 December 2015, with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

	Associates		Joint ventures	
	2015	2014	2015	2014
	£m	£m	£m	£m
Profit/(loss) from continuing operations	**6**	(9)	**86**	146
Other comprehensive income	**-**	13	**(24)**	(5)
Total comprehensive income	**6**	4	**62**	141

Unrecognised shares of the losses of individually immaterial associates and joint ventures were nil (2014: nil).

The Group's associates and joint ventures are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to Barclays Bank PLC without agreement from the external parties.

The Group's share of commitments and contingencies of its associates and joint ventures comprised unutilised credit facilities provided to customers of £1,450m (2014: £1,566m). In addition, the Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £177m (2014: £183m).

39 Securitisations

Accounting for securitisations

The Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

In the course of its normal banking activities, the Group makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficial (where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Group may retain an interest in it (continuing involvement) requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

Securitisations

The Group was party to securitisation transactions involving its residential mortgage loans, business loans and credit card balances.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

39 Securitisations continued

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2015				2014			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m	£m	£m
The Group								
Loans and advances to customers								
Residential mortgage loans	376	362	(168)	(170)	2,830	2,619	(2,352)	(2,360)
Credit card, unsecured lending and other retail lending	5,433	5,472	(4,604)	(4,606)	7,060	7,162	(5,160)	(5,178)
Corporate loans	8	8	(8)	(8)	157	154	(135)	(146)
Total	5,817	5,842	(4,780)	(4,784)	10,047	9,935	(7,647)	(7,684)
Loans and advances to customers								
Retained interests in residential mortgage loans	-	-	-	-	66	n/a	-	n/a
Retained interests in corporate loans	42	42	n/a	n/a	-	-	-	-
The Bank								
Loans and advances to customers								
Residential mortgage loans	376	362	(168)	(170)	2,830	2,619	(2,352)	(2,360)
Credit card, unsecured lending and other retail lending	2,510	2,489	(1,911)	(1,884)	10,758	10,858	(10,448)	(10,423)
Corporate loans	-	-	-	-	350	316	(301)	(298)
Total	2,886	2,851	(2,079)	(2,054)	13,938	13,793	(13,101)	(13,081)

Balances included within loans and advances to customers represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

Retained interests in transfers of financial assets that resulted in partial derecognition are securities which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets. For the Group only, the carrying amount of the loans before transfer was £78m (2014: £120m). The retained interest is initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained.

For transfers of assets in relation to repurchase agreements, see Note 21 Reverse repurchase agreements including other similar and secured lending and borrowing and Note 40 Assets pledged.

39 Securitisations continued

Continuing involvement in financial assets that have been derecognised

In some cases, the Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Group's involvement with CLOs, CDOs, RMBS and CMBS. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

The table below shows the potential financial implications of such continuing involvement:

	Continuing involvement as at 31 December 2015			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount	Fair value	Maximum exposure to loss	For the year ended 31 December 2015	Cumulative to 31 December 2015
	£m	£m	£m	£m	£m
CLO and other assets	686	684	686	7	(36)
US sub-prime and Alt-A	38	37	38	-	(426)
Commercial mortgage backed securities	-	-	-	-	-
Total	724	721	724	7	(462)

	Continuing involvement as at 31 December 2014			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount	Fair value	Maximum exposure to loss	For the year ended 31 December 2014	Cumulative to 31 December 2014
	£m	£m	£m	£m	£m
CLO and other assets	1,370	1,354	1,370	14	(720)
US sub-prime and Alt-A	208	195	208	-	(1,365)
Commercial mortgage backed securities	200	200	200	15	(8)
Total	1,778	1,749	1,778	29	(2,093)

Assets which represent the Group's continuing involvement in derecognised assets are recorded in the following line items:

Type of transfer	Loans and advances	Trading portfolio assets	Total
	£m	£m	£m
As at 31 December 2015			
CLO and other assets	327	359	686
US sub-prime and Alt-A	38	-	38
Commercial mortgage backed securities	-	-	-
Total	365	359	724
As at 31 December 2014			
CLO and other assets	829	541	1,370
US sub-prime and Alt-A	200	8	208
Commercial mortgage backed securities	-	200	200
Total	1,029	749	1,778

40 Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as collateral posted against derivative margin requirements. The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	The Group		The Bank	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Trading portfolio assets	**49,308**	50,782	**17,331**	19,988
Financial assets at fair value	**2,534**	2,324	**-**	-
Loans and advances to customers	**51,038**	62,459	**46,751**	56,764
Cash collateral	**62,599**	72,562	**53,569**	58,135
Available for sale financial investments	**11,666**	8,732	**13,690**	10,116
Non current assets held for sale	**1,930**	4,693	**1,930**	-
Assets pledged	**179,075**	201,552	**133,271**	145,003

Barclays has an additional £13bn (2014: £9bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuance.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

	The Group		The Bank	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Fair value of securities accepted as collateral	**308,162**	396,480	**295,483**	336,758
Of which fair value of securities re-pledged/transferred to others	**266,015**	313,354	**268,704**	246,441

The full disclosure as per IFRS7 has been included in collateral and other credit enhancements see page 67.

Notes

a 2014 has been revised to align categories largely to the balance sheet

The notes included in this section focus on related party transactions, auditors' remuneration and Directors' remuneration. Related party transactions include any subsidiaries, associates, joint ventures, entities under common directorships and Key Management Personnel.

41 Related party transactions and Directors' remuneration

a) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and The Group's pension schemes.

(i) The Group

Parent company

The parent company, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank PLC.

Subsidiaries

Transactions between Barclays Bank PLC and subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in The Group Financial Statements. A list of The Group's principal subsidiaries is shown in Note 36 Principal subsidiaries.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures, The Group pension funds (principally the UK Retirement Fund) and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts as well as other services. Group companies also provide investment management and custodian services to The Group pension schemes.

All of these transactions are conducted on the same terms as third party transactions. Summarised financial information for The Group's associates and joint ventures is set out in Note 38 Investments in associates and joint ventures.

Amounts included in The Group's financial statements, in aggregate, by category of related party entity are as follows:

	Parent	Associates	Joint ventures	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m
For the year ended and as at 31 December 2015				
Income	**28**	**(19)**	**40**	**4**
Impairment	**-**	**(4)**	**(2)**	**-**
Total assets	**584**	**36**	**1,578**	**-**
Total liabilities	**67**	**158**	**133**	**184**
For the year ended and as at 31 December 2014				
Income	(1)	(5)	9	4
Impairment	-	-	(1)	-
Total assets	620	130	1,558	-
Total liabilities	173	264	188	149

Guarantees, pledges or commitments given in respect of these transactions in the year were £881m (2014: £911m) predominantly relating to Joint Ventures. No guarantees, pledges or commitments were received in the year. Derivatives transacted on behalf of the pension funds, unit trusts and investment funds were £13m (2014: £587m).

(ii) The Bank

Subsidiaries

Details of principal subsidiaries are shown in Note 36 Principal subsidiaries.

The Bank provides certain banking and financial services to subsidiaries as well as a number of normal current and interest bearing cash accounts to The Group pension funds (principally the UK Retirement Fund) in order to facilitate the day to day financial administration of the funds. Group companies also provide investment management and custodian services.

In aggregate, amounts included in the accounts are as follows:

41 Related party transactions and Directors' remuneration continued

	Parent	Subsidiaries	Associates	Joint ventures	Pension funds, unit trusts and investment funds
	£m	£m	£m	£m	£m
For the year ended and as at 31 December 2015					
Total assets	**497**	**198,649**	**36**	**1,578**	**-**
Total liabilities	**67**	**187,091**	**158**	**133**	**184**
For the year ended and as at 31 December 2014					
Total assets	543	230,822	130	1,558	-
Total liabilities	173	203,212	264	188	149

It is the normal practice of The Bank to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities. For dividends paid to Barclays PLC see Note 11 Dividends on ordinary shares.

Key Management Personnel

The Group's Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays Bank PLC (directly or indirectly) and comprise the Directors of Barclays Bank PLC and the Officers of the Group, certain direct reports of The Group Chief Executive and the heads of major business units and functions.

There were no material related party transactions with entities under common directorship where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays.

The Group provides banking services to Directors and other Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding at 31 December were as follows:

The loans outstanding	2015 £m	2014 £m
As at 1 January	**11.5**	13.5
Loans issued during the year	**1.1**	1.3
Loan repayments during the year	**(2.8)**	(3.3)
As at 31 December	**9.8**	11.5

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person).

The deposits outstanding	2015 £m	2014 £m
As at 1 January	**103.0**	100.3
Deposits received during the year	**44.9**	25.7
Deposits repaid during the year	**(31.3)**	(23.0)
As at 31 December	**116.5**	103.0

Total commitments outstanding

Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding were £0.5m (2014: £1.3m).

All loans to Directors and other Key Management Personnel (and persons connected to them), (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features; with the exception of £4,380 (2014: £4,380) provided on an interest free basis.

The loan of £4,380 (2014: £4,380) provided on an interest free basis was granted to a non-Director member of Barclays key management to purchase commuter rail tickets. The maximum loan outstanding during the year was £5,256 (2014 £5,256). Commuter rail ticket loans are provided to all Barclays staff members upon request on the same terms.

41 Related party transactions and Directors' remuneration continued

Remuneration of Directors and other Key Management Personnel

Total remuneration awarded to Directors and other Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions, and is consistent with the approach adopted for disclosures set out on pages 83 to 116 of the Barclays PLC Annual Report. Costs recognised in the income statement reflect the accounting charge for the year and are included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Directors and other Key Management Personnel.

	2015 £m	2014 £m
Salaries and other short-term benefits	31.5	28.3
Pension costs	0.3	0.3
Other long-term benefits	4.7	8.1
Share-based payments	11.0	15.0
Employer social security charges on emoluments	5.3	5.9
Costs recognised for accounting purposes	52.8	57.6
Employer social security charges on emoluments	(5.3)	(5.9)
Other long term benefits - difference between awards granted and costs recognised	2.5	(4.3)
Share-based payment awards - difference between awards granted and costs recognised	(2.3)	(8.4)
Total remuneration awarded	47.7	39.0

Disclosure required by the Companies Act 2006

The following information regarding Directors is presented in accordance with the Companies Act 2006:

	2015 £m	2014 £m
Aggregate emoluments[a]	7.0	7.8
Gains made on the exercise of share options	-	-
Amounts paid under long-term incentive schemes[b]	2.2	-
	9.2	7.8

There were no pension contributions paid to defined contribution schemes on behalf of Directors. There were no notional pension contributions to defined contribution schemes (2014: nil).

As at 31 December 2015, there were no Directors accruing benefits under a defined benefit scheme (2014: nil).

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows:

	2015 £m	2014 £m
Aggregate emoluments	1.6	3.0
Amounts paid under long-term incentive schemes	2.2	-

There were no actual pension contributions paid to defined contribution schemes (2014: £nil). There were no notional pension contributions to defined contribution schemes in 2015 or 2014.

Advances and credit to Directors and guarantees on behalf of Directors

In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2015 to persons who served as Directors during the year was £0.3m (2014: £0.4m). The total value of guarantees entered into on behalf of Directors during 2015 was nil (2014: nil).

Notes

a. The aggregate emoluments include amounts paid for the 2015 year. In addition, deferred share awards will be made to Antony Jenkins and Tushar Morzaria which will only vest subject to meeting certain conditions. The total of the deferred share awards is £0.7m for 2015 (£1.2m for 2014).

b. The figure shown for 2015 in 'Amounts paid under long-term incentive schemes' is the amount that was released in 2015 in respect of the 2012-2014 Barclays Long Term Incentive Plan ('LTIP') cycle. The LTIP amount in the single total figure table for executive Directors' 2015 remuneration in the Directors' Remuneration report relates to the award that is scheduled to be released in 2016 in respect of the 2013-2015 LTIP cycle.

42 Auditors' remuneration

Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
2015					
Audit of The Group's annual accounts	13	-	-	-	13
Other services:					
Fees payable for the Company's associates pursuant to legislation[a]	21	-	-	-	21
Other services supplied pursuant to such legislation[b]	-	3	-	-	3
Other services relating to taxation					
- compliance services	-	-	1	-	1
- advisory services[c]	-	-	-	-	-
Other	-	4	-	1	5
Total auditors' remuneration	**34**	**7**	**1**	**1**	**43**
2014					
Audit of The Group's annual accounts	11	-	-	-	11
Other services:					
Fees payable for the Company's associates pursuant to legislation[a]	24	-	-	-	24
Other services supplied pursuant to such legislation[b]	-	4	-	-	4
Other services relating to taxation					
- compliance services	-	-	1	-	1
- advisory services[c]	-	-	-	-	-
Other	-	3	-	1	4
Total auditors' remuneration	35	7	1	1	44

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates for continuing operations of business. Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company's subsidiaries were £4m (2014: £4m).

43 Financial risks, liquidity and capital management

To improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication, disclosures required under IFRS relating to financial risks and capital resources have been included within the Risk management and governance section as follows:

- Credit risk, on pages 65 to 86
- Market risk, on pages 87 to 93
- Capital resources, on pages 94 to 97
- Liquidity risk, on pages 98 to 115

Notes
a Comprises the fees for the statutory audit of the subsidiaries and associated pension schemes both inside and outside Great Britain and fees for the work performed by associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company. Fees relating to the audit of the associated pension schemes were nil (2014: £0.2m).
b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.
c Includes consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

44 Non-current assets held for sale and associated liabilities

Accounting for non-current assets held for sale and associated liabilities

The Group applies IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less cost to sell.

The Group

Assets classified as held for sale

	Portugal 2015 £m	BVP 2015 £m	Italy 2015 £m	Other 2015 £m	Total 2015 £m	Total 2014 £m
Available for sale financial investments	7	1,220	-	3	1,230	162
Loans and advances to customers	3,407	-	2,091	15	5,513	14,943
Property, plant and equipment	42	-	-	86	128	92
Deferred tax assets	-	22	-	-	22	291
Other assets	28	756	27	104	915	557
Total	**3,484**	**1,998**	**2,118**	**208**	**7,808**	**16,045**
Balance of impairment unallocated under IFRS 5	(180)	(22)	(242)	-	(444)	(471)
Total agreed to Consolidated Balance Sheet	**3,304**	**1,976**	**1,876**	**208**	**7,364**	**15,574**

Liabilities classified as held for sale

	Portugal 2015 £m	BVP 2015 £m	Italy 2015 £m	Other 2015 £m	Total 2015 £m	Total 2014 £m
Deposits from banks	-	-	-	-	-	(4,313)
Customer accounts	(1,826)	-	(2,174)	-	(4,000)	(6,827)
Repurchase agreements and other similar secured borrowing	-	-	-	-	-	(77)
Other liabilities	(37)	(1,858)	(66)	(36)	(1,997)	(1,898)
Total	**(1,863)**	**(1,858)**	**(2,240)**	**(36)**	**(5,997)**	**(13,115)**

44 Non-current assets held for sale and associated liabilities continued

The Bank

Assets classified as held for sale

	Portugal 2015 £m	Italy 2015 £m	Total 2015 £m	Total 2014 £m
Available for sale financial investments	7	-	7	152
Loans and advances to customers	3,407	2,091	5,498	390
Property, plant and equipment	42	-	42	41
Other assets	28	27	55	37
Total	3,484	2,118	5,602	620
Balance of impairment unallocated under IFRS 5	(180)	(242)	(422)	-
Total agreed to consolidated balance sheet	3,304	1,876	5,180	620

Liabilities classified as held for sale

	Portugal 2015 £m	Italy 2015 £m	Total 2015 £m	Total 2014 £m
Deposits from banks	-	-	-	(1)
Customer accounts	(1,826)	(2,174)	(4,000)	(215)
Other liabilities	(37)	(66)	(103)	(59)
Total	(1,863)	(2,240)	(4,103)	(275)

Sale of the Portuguese business

The disposal group includes all assets and liabilities of the Portuguese Retail Banking, Wealth and Investment Management businesses and part of the Portuguese Corporate banking business. This sale is part of the divestment of the Non-Core segment of the Group.

The Portuguese disposal was announced on 2 September 2015 and the sale is due to complete in Q116. A loss of £180m has been recognised in the income statement within (loss)/profit on disposal of subsidiaries, associates and joint ventures.

Sale of Barclays Vida Y Pensiones

The disposal group includes all assets and liabilities of Barclays Vida Y Pensiones (BVP), a company offering life insurance, pension products and services in Spain, Portugal and Italy. BVP was classified as held for sale in the first half of 2015 and is expected to be sold in the first half of 2016. A loss of £22m has been recognised in the income statement within (loss)/profit on disposal of subsidiaries, associates and joint ventures.

Sale of the Italian business

The disposal group includes the assets and liabilities of the Italian Retail Banking business including mortgages. This sale is part of the divestment of the Non-Core segment of the Group.

The Italian disposal was announced on 3 December 2015 and the sale is expected to complete in the first half of 2016. A loss of £258m has been recognised in the income statement within (loss)/profit on disposal of subsidiaries, associates and joint ventures.

Other held for sale assets

Other assets includes the Barclays Risk Analysis Index Solutions business. A pre-tax gain of approximately £480m is expected to be recognised on completion during 2016.

During the year, a number of held for sale assets have been disposed of. The sale of the Spanish business (Barclays Bank SAU) took place in January 2015. Losses of £446m in 2014 and £117m in 2015 have been recognised in the income statement within (loss)/ profit on disposal of subsidiaries, associates and joint ventures. Of the 2015 loss, £97m relates to recycling of the related currency translation reserve with the remainder due to revision of the estimated closing net asset value of the disposal group on completion. The sale of the Pakistan business took place in June 2015, and UKSL in September 2015 with gains of £14m and £7m respectively recognised in other income.

45 Related undertakings

The Group's corporate structure consists of a number of related undertakings, comprising subsidiaries, joint ventures, associates and significant other interests. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2015.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation. Barclays' 2015 Country Snapshot provides details of where the Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays and the share capital disclosed comprises ordinary or common shares which are held by Group subsidiaries. Where multiple share classes are held the proportion of the nominal value of each class of shares held is 100% unless otherwise stated.

Wholly owned subsidiaries	Note
United Kingdom	
54 Lombard Street Investments	F, I
Aequor Investments Limited	
Alynore Investments Limited Partnership	B
Ardencroft Investments Limited	F, I
Astraea Investment Funds	J, K
Axis Partners	B
B D & B Investments Limited	A
B.P.B. (Holdings) Limited	
Barafor Limited	
Barclay Leasing Limited	
Barclaycard Funding PLC	A
Barclays (Security Realisation) Limited	A
Barclays Africa Group Holdings Limited	A, J, K
Barclays Aldersgate Investments Limited	A
Barclays Asset Management Limited	A
Barclays Bank Trust Company Limited	A, I, P
Barclays Bayard Investments Trust	D
Barclays BCL FI Trust	D
Barclays Bedivere Trust	D
Barclays BR Holdings Trust	D
Barclays BR Investments Trust	D
Barclays Cantal Investments Trust	D
Barclays Capital Asia Holdings Limited	A
Barclays Capital Finance Limited	A
Barclays Capital Japan Securities Holdings Limited	
Barclays Capital Luxembourg S.àr.l. Trust	D
Barclays Capital Margin Financing Limited	A
Barclays Capital Nominees (No.2) Limited	
Barclays Capital Nominees (No.3) Limited	A
Barclays Capital Nominees Limited	
Barclays Capital Principal Investments Limited	A
Barclays Capital Securities Client Nominee Limited	
Barclays Capital Securities Limited	A, F, I
Barclays Capital Services Limited	A
Barclays Capital Strategic Advisers Limited	A
Barclays Capital Trading Luxembourg Trust	D
Barclays CCP Funding LLP	A, B
Barclays Claudas Investments Partnership	B
Barclays Converted Investments (No.2) Limited	
Barclays Converted Investments Limited	A
Barclays Darnay Euro Investments Limited (In Liquidation)	
Barclays Direct Investing Nominees Limited	A
Barclays Directors Limited	A
Barclays Equity Index Investments Bare Trust	D
Barclays Executive Schemes Trustees Limited	A
Barclays Export and Finance Company Limited (In Liquidation)	
Barclays Fiduciary Services (UK) Limited	A
Barclays Financial Planning	A
Barclays Financial Planning Nominee Company Limited	A
Barclays Funds Investments Limited	A
Barclays Global Investors Finance Limited (In Liquidation)	
Barclays Global Investors UK Holdings Limited (in Liquidation)	A, J, K
Barclays Global Shareplans Nominee Limited	A
Barclays Group Holdings Limited	A
Barclays Group Operations Limited	A
Barclays Industrial Development Limited	A
Barclays Industrial Investments Limited	A
Barclays Insurance Services Company Limited	A
Barclays Investment Management Limited	A

Wholly owned subsidiaries	Note
Barclays Lamorak Trust	D
Barclays Leasing (No.9) Limited	
Barclays Long Island Limited	A
Barclays Luxembourg EUR Holdings Trust	D
Barclays Luxembourg Finance Index Trust	D
Barclays Luxembourg GBP Holdings Trust	D
Barclays Luxembourg USD Holdings Trust	D
Barclays Marlist Limited	A
Barclays Mercantile Business Finance Limited	A
Barclays Mercantile Highland Finance Limited (In Liquidation)	
Barclays Mercantile Limited	A
Barclays Metals Limited	
Barclays Nominees (Branches) Limited	A
Barclays Nominees (George Yard) Limited	A
Barclays Nominees (K.W.S.) Limited	A
Barclays Nominees (Monument) Limited	
Barclays Nominees (Provincial) Limited	A
Barclays Nominees (United Nations For UNJSPF) Limited	A
Barclays Operational Services Limited	A
Barclays Pelleas Investments Limited Partnership	B
Barclays Pelleas Trust	D
Barclays Pension Funds Trustees Limited	A
Barclays Physical Trading Limited	A
Barclays Private Bank	
Barclays Private Banking Services Limited	
Barclays Private Trust	
Barclays Risk Analytics and Index Solutions Limited	A
Barclays SAMS Limited	A
Barclays Services (Japan) Limited	
Barclays Sharedealing	
Barclays Shea Limited	A
Barclays Singapore Global Shareplans Nominee Limited	A
Barclays SLCSM (No.1) Limited	A
Barclays Stockbrokers (Holdings) Limited	A
Barclays Stockbrokers Limited	A
Barclays UK and Europe PLC	A
Barclays Unquoted Investments Limited	A
Barclays Unquoted Property Investments Limited	A
Barclays USD Funding LLP	B
Barclays Wealth Nominees Limited	
Barclayshare Nominees Limited	
Barcosec Limited	A
Barley Investments Limited	I, J, K
Barometers Limited	A
Barsec Nominees Limited	
BB Client Nominees Limited	
BBUK Private Credit Partners Limited (In Liquidation)	A
BCLI GP Trust	D
Blossom Finance General Partnership	B
BMBF (Bluewater Investments) Limited	A
BMBF (No.12) Limited	
BMBF (No.18) Limited (Dissolved 20/01/2016)	
BMBF (No.21) Limited	
BMBF (No.24) Limited	
BMBF (No.3) Limited	
BMBF (No.6) Limited	
BMBF (No.9) Limited	
BMBF USD NO 1 Limited	
BMI (No.6) Limited (Dissolved 16/01/2016)	
BMI (No.9) Limited	

45 Related undertakings continued

Wholly owned subsidiaries	Note
United Kingdom (continued)	
BNRI ENG 2013 Limited Partnership	B
BNRI ENG 2014 Limited Partnership	B
BNRI ENG GP LLP	B
BNRI England 2010 Limited Partnership	B
BNRI England 2011 Limited Partnership	B
BNRI England 2012 Limited Partnership	B
BNRI PIA Scot GP Limited	A
BNRI Scots GP, LLP	B
Boudeuse Limited	A
Capel Cure Sharp Limited	
Carnegie Holdings Limited	A, I, J, K
Chapelcrest Investments Limited	A
Clearlybusiness.com Limited (In Liquidation)	A
Clydesdale Financial Services Limited	
Cobalt Investments Limited	A
Condor No.1 Limited Partnership	B
Condor No.2 Limited Partnership	B
CP Flower Guaranteeco (UK) Limited	A, E
CP Propco 1 Limited	
CP Propco 2 Limited	
CP Topco Limited	J, K
CPIA England 2008 Limited Partnership	B
CPIA England 2009 Limited Partnership	B
CPIA England No.2 Limited Partnership	B
Denham Investments Limited	
DMW Realty Limited	A
Durlacher Nominees Limited	
Eagle Financial and Leasing Services (UK) Limited	A
Ebbgate Investments Limited (In Liquidation)	A
Eldfell Investments Limited (In Liquidation)	A
EM Investments No.1 Limited (In Liquidation)	A
Equity Value Investments Limited Liability Partnership	B
Equity Value Investments No.1 Limited	A
Equity Value Investments No.2 Limited	F, I
Exshelfco (DZBC)	
Fair and Square Limited (In Liquidation)	A
Finpart Nominees Limited	
FIRSTPLUS Financial Group PLC	A
Fitzroy Finance Limited	Z
Foltus Investments Limited	
Gerrard (OMH) Limited	
Gerrard Financial Planning Limited	
Gerrard Investment Management Limited	
Gerrard Management Services Limited	A
Gerrard Nominees Limited	
Global Dynasty Natural Resource Private Equity Limited Partnership	B
Globe Nominees Limited	
GM Computers Limited	
Greig Middleton Holdings Limited	
Greig Middleton Nominees Limited	
Hawkins Funding Limited	A
Heraldglen Limited	G, H, I
Hoardburst Limited (In Liquidation)	
Investors In Infrastructure Limited	A
J.V. Estates Limited	
Keepier Investments	A
Kirsche Investments Limited	A
Laser Investment Company 1 Limited (In Liquidation)	A
Laser Investment Company 2 Limited (In Liquidation)	A
Leonis Investments LLP	B
Lindley Developments Limited	A, U
Lombard Street Nominees Limited	A
Long Island Assets Limited	
Luscinia Investments Funds	
Maloney Investments Limited	A
MCC Leasing (No. 6) Limited (In Liquidation)	
MCC Leasing (No.24) Limited (Dissolved 04/02/2016)	
Menlo Investments Limited	A
Mercantile Credit Company Limited	A
Mercantile Industrial Leasing Limited (In Liquidation)	
Mercantile Leasing Company (No.132) Limited	A
Mercers Debt Collections Limited	A
MK Opportunities LP	B

Wholly owned subsidiaries	Note
Muleta Investments Limited (In Liquidation)	
Murray House Investment Management Limited	A
Naxos Investments Limited	A
North Colonnade Investments Limited	
Northwharf Investments Limited	A, I, X
Northwharf Nominees Limited	A
Odysseus (Martins) Investments Limited (In Liquidation)	
Pecan Aggregator LP	B
Pendle Shipping Limited	A
PIA England No.2 Limited Partnership	B
Preferred Liquidity Limited Partnership	B
R.C. Greig Nominees Limited	
Real Estate Participation Management Limited	
Real Estate Participation Services Limited	
Reflex Nominees Limited	A
Relative Value Investments UK Limited Liability Partnership	B
Relative Value Trading Limited	
Roder Investments No. 1 Limited	A, I, Y
Roder Investments No. 2 Limited	A, I, Y
Ruthenium Investments Limited	A
RVT CLO Investments LLP	B
Scotlife Home Loans (No.3) Limited	A
Sharelink Nominees Limited	
Solution Personal Finance Limited	A, J, K, L
Stellans Investments Limited (In Liquidation)	A
Surety Trust Limited	
Swan Lane Investments Limited	F, I
The Logic Group Enterprises Limited	
The Logic Group Holdings Limited	A. J
US Real Estate Holdings No.3 Limited	A
W.D. Pension Fund Limited	
Wedd Jefferson (Nominees) Limited	
Westferry Investments Limited	A
Woolwich Assured Homes Limited	A
Woolwich Homes (1987) Limited	E
Woolwich Homes Limited	A
Woolwich Limited	A
Woolwich Plan Managers Limited	A
Woolwich Qualifying Employee Share Ownership Trustee Limited	A
Woolwich Surveying Services Limited	A
Wysteria Euro Investments Limited (In Liquidation)	A
Zeban Nominees Limited	A
Argentina	
Compañia regional del Sur S.A.	
Compañía Sudamerica S.A.	A
Belgium	
Belgian Turbine Lease Corporation NV	A
Brazil	
Banco Barclays S.A.	A
Barclays Corretora de Titulos e Valores Mobiliarios S.A.	
Canada	
Barclays Canadian Commodities Limited	
Barclays Capital Canada Inc	
Barclays Corporation Limited	A
CPIA Canada Holdings	B
Cayman Islands	
Alymere Investments Limited	G, H, I
Alymere Investments Two Limited (In Liquidation)	
Analytical Trade UK Limited	A
Aquitaine Investments Limited (In Liquidation)	
Aubisque UK Investments Limited (In Liquidation)	
Barclays Capital (Cayman) Limited	A
Barclays Trust Company (Cayman) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Nominees Limited (Sold 14/01/2016)	
Beille Investments Limited (In Liquidation)	
Bigorre UK Investments Limited (In Liquidation)	A
Blaytell Limited	A
Braven Investments No.1 Limited	
Brule 1 Investments Limited (In Liquidation)	A
Calthorpe Investments Limited	
Capton Investments Limited	A
Claudas Investments Limited	A, G, H, I
Claudas Investments Two Limited	
Colombiere UK Investments Limited (In Liquidation)	

45 Related undertakings continued

Wholly owned subsidiaries	Note
Coskwo Limited	A
CPIA Investments No.1 Limited	V
CPIA Investments No.2 Limited	F, I
Cureton Investments No. 1 Limited (In Liquidation)	A
Cuth Investments Limited	F, I, T
Eagle Holdings Ltd (Sold 14/01/2016)	
Eagle Management Services Limited (Sold 14/01/2016)	
Feste Investments Limited (In Liquidation)	A
Furbridge Investments Limited	
Gallen Investments Limited	H, I
Gironde Investments Limited (In Liquidation)	A
Godler Limited	A
Golden Eagle Holdings Ltd (Sold 14/01/2016)	
Hamar Investments Limited	A
Harflane Limited	A
Hauteville UK Investments Limited (In Liquidation)	
Hentock Limited	A
Hollygrice Limited	A
Hurley Investments No.1 Limited	A, I, W
Hurley Investments No.2 Limited (In Liquidation)	
HYMF (Cayman) Limited	
Iris Investments 1 Limited	A, G, H, I
JV Assets Limited	
Mintaka Investments No. 4 Limited	
Moselle No 3 UK Investments Limited (In Liquidation)	A
OGP Leasing Limited	
Palomino Limited	A, Z
Pelleas Investments Limited	A
Pelleas Investments Two Limited	
Pilkbull Limited	A
Pippin Island Investments Limited	
Raglan Investments Limited	
Razzoli Investments Limited	F, I
RVH Limited	A, F, I
Spargi Investments Limited (In Liquidation)	
Spatial Investments Limited (In Liquidation)	
Spoonhill Investments Limited (In Liquidation)	
Strickyard Limited	A
Tourmalet UK Investments Limited (In Liquidation)	
Ventotene Investments Limited (In Liquidation)	
Wessex Investments Limited	
Winhall Limited	A
Zane Investments Limited	
Zanonne Investments Limited (In Liquidation)	
Zinc Holdings Limited (In Liquidation)	A
Zumboorok Investments Limited	, F, I, T
China	
Barclays Technology Centre (Shanghai) Company Limited	
Egypt	
Barclays Bank Egypt SAE	A
France	
Barclays Courtage SAS	A
Barclays Diversification	A
Barclays France SA	A
Barclays Patrimoine S.C.S.	A
Barclays Vie SA	A
Barclays Wealth Managers France SA	A
BBAIL SAS	A
Germany	
Barclaycard Bank AG	A
Barclays Capital Effekten GmbH	A
Baubecon Holding 1 GmbH (In Liquidation)	A
Opal 110. GmbH (In Liquidation)	
Sulm Investments GmbH	A
Gibraltar	
Barclays Gibraltar Nominees Company Limited	A
Frankland Properties Limited	A
Norfolk LP	A, B
Ringmer Properties Limited	A
Saveway Properties Limited	A
Stowmarket Investments Limited	A
Townmead Properties Limited	A
Trefield Holdings Limited	A

Wholly owned subsidiaries	Note
Guernsey	
Barclays Insurance Guernsey PCC Limited	A, Q
Barclays Nominees (Guernsey) Limited	
Barclays Wealth Advisory Holdings (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Officers (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Services (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Directors (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Fund Managers (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Nominees (Guernsey) Limited (Sold 14/01/2016)	
Barclays Wealth Trustees (Guernsey) Limited (Sold 14/01/2016)	
Bormio Limited (Sold 14/01/2016)	
Lindmar Trust Company Limited (Sold 14/01/2016)	
Regency Secretaries Limited (Sold 14/01/2016)	
Hong Kong	
Barclays Asia Limited	A
Barclays Bank (Hong Kong Nominees) Limited (In Liquidation)	A
Barclays Capital Asia Limited	A
Barclays Capital Asia Nominees Limited (In Liquidation)	
Barclays Wealth Nominees (Hong Kong) Limited (Sold 14/01/2016)	
India	
Barclays Holdings India Private Limited (In Liquidation)	A
Barclays Investments & Loans (India) Limited	A, F, I
Barclays Securities (India) Private Limited	
Barclays Shared Services Private Limited	
Barclays Technology Centre India Private Limited	
Barclays Wealth Trustees (India) Private Limited	
Indonesia	
PT Bank Barclays Indonesia (In Liquidation)	A
PT Bhadra Buana Persada (In Liquidation)	A
Ireland	
Barclaycard International Payments Limited	A
Barclays Assurance (Dublin) Limited	
Barclays Bank Ireland Public Limited Company	A
Barclays Equities Trading (Ireland) Limited (In Liquidation)	A
Barclays Insurance (Dublin) Limited	
Barclays Ireland Nominees Limited	A
Isle of Man	
Barclays Holdings (Isle of Man) Limited	A
Barclays Nominees (Manx) Limited	
Barclays Portfolio (IoM GP) No.2 Limited	A
Barclays Private Clients International Limited	A, J, K
Barclays Trust Company (Isle of Man) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Officers (Isle of Man) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Services (IOM) Limited (Sold 14/01/2016)	
Barclays Wealth Directors (Isle of Man) Limited (Sold 14/01/2016)	
Barclays Wealth Nominees (IOM) Limited (Sold 14/01/2016)	
Barclays Wealth Trustees (Isle of Man) Limited (Sold 14/01/2016)	
Barclaytrust (Nominees) Isle of Man Limited (Sold 14/01/2016)	
Barclaytrust International Nominees (Isle of Man) Limited (Sold 14/01/2016)	
Island Nominees Limited (Sold 14/01/2016)	
Stowell Limited (Sold 14/01/2016)	
Walbrook (IOM) 2006 Nominees (No. 1) Limited (Sold 14/01/2016)	
Walbrook (IOM) Nominees (No. 23) Limited (Sold 14/01/2016)	
Walbrook (IOM) Nominees (No. 3) Limited (Sold 14/01/2016)	
Walbrook (IOM) Nominees (No. 4) Limited (Sold 14/01/2016)	
Walbrook (IOM) Nominees (No. 5) Limited (Sold 14/01/2016)	
Walbrook (IOM) Nominees (No. 6) Limited (Sold 14/01/2016)	
Italy	
Barclays Private Equity S.p.A. (In Liquidation)	A
Barclays Services Italia S.p.A. (In Liquidation)	A
Japan	
Barclays Funds and Advisory Japan Limited	
Barclays Securities Japan Limited	
Barclays Wealth Services Limited	
Jersey	
Barbridge Limited	A
Barclays Nominees (Jersey) Limited	
Barclays Services Jersey Limited	A
Barclays Trust Company (Jersey) Limited (Sold 14/01/2016)	
Barclays Wealth Corporate Officers (Jersey) Limited (Sold 14/01/2016)	
Barclays Wealth Directors (Jersey) Limited (Sold 14/01/2016)	
Barclays Wealth Fund Managers (Jersey) Limited (Sold 14/01/2016)	
Barclays Wealth Management Jersey Limited	A

45 Related undertakings continued

Wholly owned subsidiaries	Note
Barclays Wealth Signatories Limited (Sold 14/01/2016)	
Barclays Wealth Trustees (Jersey) Limited (Sold 14/01/2016)	
Barclaytrust Channel Islands Limited	
Barclaytrust International (Jersey) Limited (Sold 14/01/2016)	
Barclaytrust Jersey Limited (Sold 14/01/2016)	
BIFML PTC Limited	A
CP Newco 1 Limited	A
CP Newco2 Limited	J, K
CP Newco3 Limited	
Karami Holdings Limited (Sold 14/01/2016)	
MK Opportunities GP Ltd	A
Sandringham Nominees Limited (Sold 14/01/2016)	
Tiara Trustees (Jersey) Limited (Sold 14/01/2016)	
Walbrook Executors Limited (Sold 14/01/2016)	
Walbrook Properties Limited (Sold 14/01/2016)	
Korea, Republic of	
Barclays Korea GP Limited	
Luxembourg	
Adler Toy Holding Sarl	
Barclays Aegis Investments S.à r.l.	
Barclays Alzin Investments S.à r.l.	
Barclays Bayard Investments S.à r.l.	J, K
Barclays BCL Fixed Income S.à.r.l.	
Barclays BCLI no.1 S.à r.l.	
Barclays BCLI no.2 S.à r.l.	
Barclays Bedivere Investments S.à r.l.	
Barclays Bordang Investments S.à r.l.	
Barclays BR Holdings S.à r.l.	
Barclays BR Investments S.à r.l.	
Barclays Cantal Investments S.à r.l.	
Barclays Capital Luxembourg S.à r.l.	
Barclays Capital Trading Luxembourg S.à r.l.	I, N
Barclays Equity Index Investments S.à r.l.	
Barclays Lamorak Investments S.à r.l.	
Barclays Leto Investments S.à r.l.	
Barclays Luxembourg EUR Holdings S.à r.l	
Barclays Luxembourg Finance S.à r.l.	I, K
Barclays Luxembourg GBP Holdings S.à r.l.	
Barclays Luxembourg Holdings S.à r.l.	
Barclays Luxembourg Holdings SSC	B
Barclays Luxembourg USD Holdings S.à r.l.	
Barclays Pelleas Investments S.à r.l.	G, I
Barclays US Investments S.à r.l.	J, K
Malaysia	
Barclays Capital Markets Malaysia Sdn Bhd.	A, F, I
Mauritius	
Barclays (H&B) Mauritius Limited	A
Barclays Capital Mauritius Limited	A
Barclays Capital Securities Mauritius Limited	A
Barclays Mauritius Overseas Holdings Limited	A
Mexico	
Barclays Bank Mexico, S.A.	K, M
Barclays Capital Casa de Bolsa, S.A. de C.V.	K, M
Grupo Financiero Barclays Mexico, S.A. de C.V.	A, K, M
Servicios Barclays, S.A. de C.V.	
Monaco	
Barclays Wealth Asset Management (Monaco) S.A.M.	
Netherlands	
Barclays SLCSM Funding B.V.	
Chewdef BidCo BV. (In Liquidation)	A
Nigeria	
Barclays Group Representative Office (NIG) Limited	A
Philippines	
Meridian (SPV-AMC) Corporation	
Portugal	
Barclays Wealth Managers Portugal - SGFIM, S.A.	A
Russian Federation	
Limited Liability Company Barclays Capital	A
Saudi Arabia	
Barclays Saudi Arabia (In Liquidation)	A
Singapore	
Barclays Bank (Singapore Nominees) Pte Ltd.	A
Barclays Bank (South East Asia) Nominees Private Limited	A
Barclays Capital Futures (Singapore) Private Limited	

Wholly owned subsidiaries	Note
Barclays Capital Holdings (Singapore) Private Limited	A
Barclays Merchant Bank (Singapore) Ltd.	
Barclays Wealth Trustees (Singapore) Limited (Sold 14/01/2016)	A
Spain	A
Barclays Mediador, Operador de Banca Seguros Vinculado, S.A.	A
Barclays Tenedora De Immuebles SL.	A
Barclays Vida Y Pensiones, Compañía De Seguros, S.A.	A
Iberalbion A.I.E.	A
The Logic Group Enterprises S.L	
Switzerland	
Barclays Bank (Suisse) S.A.	
Barclaytrust (Suisse) SA (Sold 14/01/2016)	
BPB Holdings SA	
Taiwan	
Barclays Capital Securities Taiwan Limited	A
Thailand	
Barclays Capital Securities (Thailand) Ltd.	A
Uganda	
Barclays Bank of Uganda Limited	A
Ukraine	
Barclays Capital Services (Ukraine) LLC (In Liquidation)	A, C
United States	
475 Fifth 09 LLC	C
Analog Analytics Inc	
Analytical FX Trading Strategy Cell I	F, I
Analytical FX Trading Strategy Cell II	
Analytical FX Trading Strategy Series LLC	A, C
Analytical Trade Holdings LLC	
Analytical Trade Investments LLC	H
Archstone Equity Holdings Inc	
Barclays Bank Delaware	F, I
Barclays BWA, Inc.	
Barclays Capital Commodities Corporation	
Barclays Capital Derivatives Funding LLC	C
Barclays Capital Energy Inc.	
Barclays Capital Equities Trading GP	B
Barclays Capital Holdings Inc.	G, I
Barclays Capital Inc.	
Barclays Capital Real Estate Finance Inc.	
Barclays Capital Real Estate Holdings Inc.	
Barclays Capital Real Estate Inc.	
Barclays Capital Services Inc.	
Barclays Commercial Mortgage Securities LLC	C
Barclays Delaware Holdings LLC	A, F, I
Barclays Dryrock Funding LLC	C
Barclays Electronic Commerce Holdings Inc.	
Barclays Financial LLC	C
Barclays Group US Inc.	A
Barclays Insurance U.S. Inc.	
Barclays Investment Holdings Inc.	
Barclays Oversight Management Inc.	
Barclays Receivables LLC	C
Barclays Services Corporation	
Barclays Services LLC	C
Barclays US CCP Funding LLC	C
Barclays US Funding LLC	A, C
Barclays US GPF Inc.	
Barclays US LP	B
Barclays US Management, LLC	A, C
BCAP LLC	C
BNRI Acquisition No.4 LLC	C
BNRI Acquisition No.5, LP	B
BTXS Inc.	
Centergate at Gratigny LLC	C
CPIA Acquisition No.1 LLC	C
CPIA Acquisition No.2 LLC	C
CPIA Acquisition No.3 LLC	C
CPIA Equity No. 1 Inc.	
CPIA Finance No.1, LLC	C
CPIA FX Investments Inc.	
CPIA Holdings No.1, LLC	C
Crescent Real Estate Member LLC	C
Curve Investments GP	B

45 Related undertakings continued

Wholly owned subsidiaries	Note
Equifirst Corporation (In Liquidation)	
Gracechurch Services Corporation	
HYMF, Inc.	
La Torretta Beverages LLC	C
La Torretta Hospitality LLC	C
La Torretta Operations LLC	C
Lagalla Investments LLC	C
Long Island Holding A LLC	C
Long Island Holding B LLC	A, C
LTDL Holdings LLC	C
Marbury Holdings LLC	
Persica Holdings LLC	C
Persica Lease LLC	C
Persica LL LLC	C
Persica Property LLC	C
Preferred Liquidity, LLC	
Procella Investments LLC	C
Procella Investments No.1 LLC	C
Procella Investments No.2 LLC	C
Procella Investments No.3 LLC	C
Procella Swaps LLC	C
Protium Finance I LLC	C
Protium Master Grantor Trust	D
Protium Master Mortgage LP	B
Protium REO I LP	B

Wholly owned subsidiaries	Note
RB Special Assets, L.L.C.	A, C
Relative Value Holdings, LLC	
Rhode Investments LLC	C
Securitized Asset Backed Receivables LLC	C
Sutton Funding LLC	C
TPLL LLC	C
TPProperty LLC	C
TPWorks LLC	C
US Secured Investments LLC	C
Vail 09 LLC	C
Vail Development 09 LLC	C
Vail Hotel 09 LLC	C
Vail Hotel A LLC	C
Vail Hotel B LLC	C
Vail Residential 09 LLC	C
Vail SC LLC	C
Vanoise Inc	H, I
Verain Investments LLC	I, J, K
Wilmington Riverfront Receivables LLC	J, K
Zambia	
Barclays Bank Zambia Plc	
Kafue House Limited	
Zimbabwe	
Afcarme Zimbabwe Holdings (Pvt) Limited	A
Branchcall Computers (Pvt) Limited	A

Other related undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. The ownership percentage is provided for each undertaking. Where multiple share classes are held the proportion of the nominal value of each class of shares held is the same as the ownership unless otherwise stated.

Other related undertakings	Percentage	Note
United Kingdom		
Barclays Africa Limited	62.32%	
Barclays Alma Mater Management Limited Partnership	30.00%	B, Z
Barclays Covered Bond Funding LLP	50.00%	A, B
Barclays Infrastructure Investors Management LP	38.00%	B, Z
BEIF Management Limited Partnership	30.00%	B, Z
BMC (UK) Limited	40.13%	Z
Business Growth Fund PLC	23.96%	Z
Camperdown UK Limited	50.00%	J, Z
Claas Finance Limited	51.00%	K
Equistone Founder Partner II L.P.	20.00%	A, B, Z
Equistone Founder Partner III L.P.	35.00%	A, B, Z
Equity Estates Basingstoke Limited	31.16%	J, Z
GN Tower Limited	50.00%	Z
Gresham Leasing March (3) Limited	30.00%	Z
GW City Ventures Limited	50.00%	K, Z
Igloo Regeneration (General Partner) Limited	25.00%	L, Z
Imalivest LP	66.28%	B, Z
Intelligent Processing Solutions Limited	19.50%	A, Z
PetroGranada Limited	65.25%	Z
PSA Credit Company Limited (in liquidation)	50.00%	A, J, L
Vocalink Holdings Limited	15.00%	A, Z
Woolwich Countryside Limited	50.00%	O, Z
Australia		
Hydra Energy Holdings Pty Ltd	59.26%	Z
Botswana		
Barclays Bank of Botswana Limited	42.27%	
Barclays Insurance Services (Pty) Limited	42.27%	
Barclays Life Botswana Proprietary Limited	62.32%	
Canada		
Clearbrook Resources Inc	20.71%	Z
Cayman Islands		
Chrysaor Holdings Limited	37.98%	Z
Cupric Canyon Capital GP Limited	49.90%	Z
Cupric Canyon Capital LP	38.10%	B, Z
Southern Peaks Mining LP	54.67%	B, Z
SPM GP Limited	49.61%	Z
Third Energy Holdings Limited	74.76%	Z

Other related undertakings	Percentage	Note
France		
Financière DSBG SAS	31.51%	Z
Sogetrel	27.31%	Z
Germany		
Eschenbach Holding GmbH	23.25%	Z
Ghana		
Barclays Bank of Ghana Limited	62.32%	
Hong Kong		
CR SpaClub at Sea (HK) Limited	53.86%	Z
Indonesia		
PT Barclays Capital Securities Indonesia	99.00%	A
Isle of Man		
Absa Manx Holdings Limited	62.32%	
Absa Manx Insurance Company Limited	62.32%	
Italy		
Eudea SpA	22.03%	Z
Jersey		
Barclays Index Finance Trust	32.69%	S
Kenya		
Barclays (Kenya) Nominees Limited	42.69%	
Barclays Bank Insurance Agency Limited	42.69%	
Barclays Bank of Kenya Limited	42.69%	
Barclays Deposit-Taking Microfinance Limited	42.69%	
Barclays Financial Services Limited	42.69%	
Barclays Life Assurance Kenya Limited	39.45%	
Barclays Pension Services Limited	38.81%	
First Assurance Company Limited	39.45%	
First Assurance Holdings Limited	62.31%	
Korea, Republic of		
Woori BC Pegasus Securitization Specialty Co., Limited	70.00%	A
Luxembour		
BNRI Limehouse No.1 Sarl	96.30%	R
Partnership Investments S.à r.l.	33.40%	
Preferred Funding S.à r.l.	33.33%	H
Preferred Investments S.à r.l.	33.33%	H, I
Malta		
RS2 Software PLC	18.25%	A, Z
Mauritius		
Barclays Bank Mauritius Limited	62.32%	G, H, J,K
Monaco		
Société Civile Immobilière 31 Avenue de la Costa	75.00%	A

45 Related undertakings continued

Other related undertakings	Percentage	Note
Mozambique		
Barclays Bank Moçambique SA	61.58%	
Global Alliance Seguros, S.A.	62.32%	
Namibia		
Absa Namibia Proprietary Limited	62.32%	
EFS Namibia Proprietary Limited	62.32%	
Netherlands		
Tulip Oil Holding BV	30.43%	Z
Nigeria		
Absa Capital Representative Office Nigeria Limited	62.32%	
Norway		
EnterCard Norge AS	40.00%	Z
Origo Exploration Holding AS	23.08%	Z
Seychelles		
Barclays Bank (Seychelles) Limited	62.18%	
South Africa		
1900 Summerstrand Share Block Limited	62.32%	
Absa Alternative Asset Management Proprietary Limited	62.32%	
Absa Asset Management Proprietary Limited	62.26%	
Absa Bank Limited	62.32%	I, J
Absa Capital Securities Proprietary Limited	62.32%	F, I
Absa Consultants and Actuaries Proprietary Limited	62.32%	
Absa Development Company Holdings Proprietary Limited	62.32%	F, I
Absa Estate Agency Proprietary Limited	62.32%	
Absa Financial Services Africa Holdings Proprietary Limited	62.32%	
Absa Financial Services Limited	62.32%	
Absa Fleet Services Proprietary Limited	62.32%	
Absa Fund Managers Limited	62.32%	
Absa idirect Limited	62.32%	
Absa Insurance and Financial Advisers Proprietary Limited	62.32%	
Absa Insurance Company Limited	62.32%	
Absa Insurance Risk Management Services Limited	62.32%	
Absa Investment Management Services Proprietary Limited	62.32%	
Absa Life Limited	62.32%	F, I
Absa Mortgage Fund Managers Proprietary Limited	62.32%	
Absa Nominees Proprietary Limited	62.32%	
Absa Ontwikkelingsmaatskappy Eiendoms Beperk	62.32%	
Absa Outsource Competency Centre Proprietary Limited	62.32%	
Absa Portfolio Managers Proprietary Limited	62.32%	
Absa Property Development Proprietary Limited	62.32%	
Absa Secretarial Services Proprietary Limited	62.32%	
Absa Stockbrokers Proprietary Limited	62.32%	
Absa Technology Finance Solutions Proprietary Limited	62.32%	
Absa Trading and Investment Solutions Holdings Proprietary Limited	62.32%	
Absa Trading and Investment Solutions Proprietary Limited	62.32%	
Absa Trust (Natal) Limited	62.32%	
Absa Trust Limited	62.32%	I, J
Absa Vehicle Management Proprietary Limited	62.32%	
Absa Vehicle Management Solutions Proprietary Limited	62.32%	
ABSAN Proprietary Limited	62.32%	
Account on Us Proprietary Limited	31.16%	
ACMB Specialised Finance Nominees Proprietary Limited (In Liquidation)	62.32%	
ACS Nominees Proprietary Limited	62.32%	
African Spirit Trading 309 Proprietary Limited	31.16%	Z
AIMS Nominees (RF) Proprietary Limited	62.32%	
Alberton Industrial Properties Proprietary Limited	62.32%	
Allied Development Company Proprietary Limited	62.32%	
Allied Grinaker Properties Proprietary Limited	31.78%	
Allpay Consolidated Investment Holdings Proprietary Limited	62.32%	
Allpay Eastern Cape Proprietary Limited - (In Liquidation)	41.13%	
Allpay Free State Proprietary Limited (In Liquidation)	37.39%	
Allpay Gauteng Proprietary Limited (In Liquidation)	37.39%	
Allpay Limpopo Proprietary Limited (In Liquidation)	62.32%	
Allpay Mpumalanga Proprietary Limited	62.32%	
Allpay Northern Cape Proprietary Limited (In Liquidation)	62.32%	
Allpay Northwest Proprietary Limited (In Liquidation)	62.32%	
Allpay Payment Solutions Proprietary Limited (In Liquidation)	62.32%	
Allpay Western Cape Proprietary Limited (In Liquidation)	41.13%	
Bankorptrust Limited	62.32%	
Barclays Africa Group Limited	62.32%	A

Other related undertakings	Percentage	Note
Barclays Africa Regional Office Proprietary Limited	62.32%	
Barrie Island Property Investments Proprietary Limited	62.32%	
Blue Age Properties 60 Proprietary Limited	62.32%	
Campus on Rigel Proprietary Limited	20.77%	Z
Cedar Lakes Country Estates Proprietary Limited	62.32%	
Combined Mortgage Nominees Proprietary Limited	62.32%	
Compro Holdings Proprietary Limited	62.32%	
Culemborg Investment Properties Proprietary Limited	35.67%	J, K
Diluculo Investments Proprietary Limited	62.32%	
Diluculo Properties Proprietary Limited	62.32%	
Diluculo Property Trading Proprietary Limited	62.32%	
Draaikloof Properties Proprietary Limited	49.86%	
FFS Finance South Africa (RF) Proprietary Limited	31.16%	
Fradey Nominees (RF) Proprietary Limited	62.32%	
Goldreef Village Share Block Limited	61.88%	
Guaret Investments No 1 Proprietary Limited	62.32%	H, I
Integrated Processing Solutions Proprietary Limited	31.16%	
iSentials Proprietary Limited	31.16%	
Kangrove Proprietary Limited (In Liquidation)	62.32%	
Kempwest Proprietary Limited	31.16%	
Lekkerleef Eiendoms Beperk	62.32%	
Lodel Proprietary Limited (In Liquidation)	62.32%	
MAN Financial Services (SA) (RF) Proprietary Limited	31.16%	
Marmanet Retirement Village Proprietary Limited	62.32%	
MB Acquired Operations Limited (In Liquidation)	62.32%	
Meeg Asset Finance Proprietary Limited (In Liquidation)	62.32%	
Merfin Proprietary Limited	62.32%	
Nation-Wide Recovery Services Proprietary Limited	31.16%	
NewFunds (RF) Proprietary Limited	62.32%	
Newgold Issuer (RF) Limited	62.32%	
Newgold Managers Proprietary Limited	30.54%	
Ngwenya River Estate Proprietary Limited	62.32%	
Nkwe Rosslyn Properties Proprietary Limited	62.32%	
Northern Lights Trading 197 Proprietary Limited	31.16%	Z
Olieven Properties Proprietary Limited	62.32%	
Ottawa Development Trust Proprietary Limited	62.32%	
Pacific Heights Investments 196 Proprietary Limited	31.16%	Z
Palmietfontein Investments Proprietary Limited	62.32%	
Pienaarsrivier Properties Proprietary Limited	62.32%	
RainFin (RF) Proprietary Limited	30.54%	Z
Roodekop Townships Proprietary Limited	62.32%	
Somerset West Autopark Proprietary Limited	20.77%	Z
T E AND M J Proprietary Limited (In Liquidation)	62.32%	
Tembisa Mall Proprietary Limited	31.16%	Z
The Ballito Junction Development Proprietary Limited (in Liquidation)	62.32%	F, I
Thebes Landgoed Eiendoms Beperk	62.32%	
UBS Trust Limited	62.32%	
United Development Corporation Proprietary Limited	62.32%	
United Towers Proprietary Limited	62.32%	
Up-Front Investments 132 Proprietary Limited	31.16%	
Volkskas Eiendomsdienste Eiendoms Beperk	62.32%	I, J
Volkskastrust Beperk	62.32%	I, J
Woodbook Finance Proprietary Limited	62.32%	
Woolworths Financial Services Proprietary Limited	31.16%	
Sweden		
EnterCard Holding AB	40.00%	A, K, Z
EnterCard Sverige AB	40.00%	Z
Tanzania, United Republic of		
Barclays Bank Tanzania Limited	62.32%	
First Assurance Company Limited (Tanzania)	34.43%	
National Bank of Commerce Limited	41.06%	
Turkey		
CRKK RESORT OTEL ISLETMECILGI LIMITED SIRKETI	54.40%	Z
United States		
Blue River Land Company, LLC	39.55%	C, Z
Canyon Ranch Enterprises, LLC	54.40%	C, Z
Central Platte Valley Management, LLC	51.78%	C, Z
Continental Intermodal Group GP LLC	50.00%	C, Z
Continental Intermodal Group LP	37.29%	B, Z
CR Bodrum Management, LLC	54.40%	C, Z
CR Employment, Inc.	54.40%	Z

45 Related undertakings continued

Other related undertakings	Percentage	Note
CR Las Vegas, LLC	54.40%	C, Z
CR Lenox Residences, LLC	54.40%	C, Z
CR License, LLC	54.40%	C, Z
CR Management, LLC	54.40%	C, Z
CR Miami Employment, LLC	54.40%	C, Z
CR Miami, LLC	54.40%	C, Z
CR Operating, LLC	54.40%	C, Z
CR Orlando, LLC	54.40%	C, Z
CR Products, LLC	54.40%	C, Z
CR Resorts, LLC	54.40%	C, Z
CR SpaClub at Sea, LLC	54.40%	C, Z
CR SPE1, LLC	54.40%	C, Z
CRE Diversified Holdings LLC	80.00%	C, Z
Crescent CR Holdings LLC	80.00%	C, Z
Crescent Crown Greenway Plaza SPV LLC	80.00%	C, Z
Crescent Crown Land Holding SPV LLC	80.00%	C, Z
Crescent Fresh Series B Hold Co.	80.00%	Z
Crescent McKinney Olive Holdings GP LLC	80.00%	C, Z
Crescent Plaza Hotel Owner GP, LLC	80.00%	C, Z
Crescent Plaza Hotel Owner, L.P.	80.00%	B, Z
Crescent Plaza Residential LP, LLC	80.00%	C, Z
Crescent Plaza Residential, L.P.	80.00%	B, Z
Crescent Plaza Residential, LLC	80.00%	C, Z
Crescent Plaza Restaurant GP, LLC	80.00%	C, Z
Crescent Property Services LLC	80.00%	C, Z
Crescent Real Estate Equities Limited Partnership	80.00%	B, Z
Crescent Real Estate Equities, LLC	80.00%	C, Z
Crescent Real Estate Holdings LLC	80.00%	C, Z
Crescent Resort Development LLC	80.00%	C, Z
Crescent Tower Residences GP, LLC	80.00%	C, Z
Crescent Tower Residences, L.P.	80.00%	B, Z
Crescent TRS Holdings LLC	80.00%	C, Z
Crescent-Fearing, L.P.	40.00%	B, Z
CREW Tahoe Holdings LLC	80.00%	C, Z
CREW Tahoe LLC	60.80%	C, Z
Cupric Canyon Capital LLC	26.04%	C, Z
DBL Texas Holdings LLC	80.00%	C, Z
Desert Mountain Development LLC	80.00%	C, Z
Desert Mountain Properties Limited Partnership	74.40%	B, Z
DG Solar Lessee II, LLC	50.00%	C, Z
DG Solar Lessee, LLC	50.00%	C, Z
East West Resort Development IV, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development V, L.P., L.L.L.P.	74.75%	B, Z
East West Resort Development VI, L.P., L.L.L.P.	35.86%	B, Z
East West Resort Development VII LLC	80.00%	C, Z
East West Resort Development VIII, L.P., L.L.L.P.	71.11%	B, Z
East West Resort Development XIV, L.P., L.L.L.P.	33.52%	B, Z
EW Deer Valley, LLC	29.28%	C, Z
EWRD Perry Holding, L.P., L.L.L.P.	67.61%	B, Z

Other related undertakings	Percentage	Note
EWRD Perry-Riverbend, LLC	54.31%	C, Z
EWRD Summit Holding, L.P., L.L.L.P.	79.57%	B, Z
EWRD Summit, LLC	79.10%	C, Z
Gray's Station, LLC	56.96%	C, Z
Home Run Tahoe, LLC	60.82%	C, Z
Mira Vista Development LLC	78.40%	C, Z
Mira Vista Golf Club, L.C.	76.83%	Z
Moon Acquisition Holdings LLC	80.00%	C, Z
Moon Acquisition LLC	80.00%	C, Z
Mountainside Partners LLC	80.00%	C, Z
MV Penthouses, LLC	51.20%	C, Z
MVWP Development LLC	30.40%	C, Z
MVWP Investors LLC	60.80%	C, Z
Northstar Mountain Properties, LLC	60.82%	C, Z
Northstar Trailside Townhomes, LLC	60.82%	C, Z
Northstar Village Townhomes, LLC	56.93%	C, Z
Old Greenwood Realty, Inc.	60.80%	Z
Old Greenwood, LLC	60.80%	C, Z
Overlook at Sugarloaf Inc	62.32%	
Parkside Townhomes, LLC	47.63%	C, Z
Sonoma Golf Club, LLC	64.00%	C, Z
Sonoma Golf, LLC	64.00%	C, Z
Sonoma National, LLC	80.00%	C, Z
Spa Project Advisors, LLC	54.40%	C, Z
St. Charles Place, LLC	47.63%	C, Z
Stellar Residences, LLC	60.82%	C, Z
Stellar Townhomes, LLC	60.82%	C, Z
Tahoe Club Company, LLC	60.80%	C, Z
Tahoe Club Employee Company	60.80%	Z
Tahoe Mountain Resorts, LLC	60.82%	C, Z
The Glades Tahoe, LLC	60.82%	C, Z
The Park at One Riverfront, LLC	47.63%	C, Z
Truckee Land, LLC	74.75%	C, Z
Tucson/Lenox Special Manager, Inc.	54.40%	Z
Tucson/Lenox, LLC	54.40%	C, Z
Union Center LLC	51.78%	C, Z
Vendue/Prioleau Associates LLC	49.60%	C, Z
Village Walk, LLC	46.08%	C, Z
VS BC Solar Lessee I LLC	50.00%	C, Z
Water House on Main Street LLC	35.26%	C, Z
Zambia		
Barclays Life Zambia Limited	62.32%	
Zimbabwe		
Barclays Bank of Zimbabwe Limited	67.68%	
Barclays Merchant Bank of Zimbabwe Limited (In Liquidation)	67.68%	
Barclays Zimbabwe Nominees (Pvt) Limited	67.68%	
BRAINS Computer Processing (Pvt) Limited (In Liquidation)	67.68%	F, I
Fincor Finance Corporation Limited	67.68%	

Subsidiaries by virtue of control

The related undertakings below are subsidiaries in accordance with s.1162 Companies Act 2006 as Barclays can exercise dominant influence or control over them. The entities are all are owned by the Barclays Bank UK Retirement Fund.

United Kingdom		
Oak Pension Asset Management Limited	0.00%	Z
Water Street Investments Limited	0.00%	Z
Cayman Islands		
Hornbeam Limited	0.00%	Z

Joint Ventures

The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

United Kingdom			
Vaultex UK Limited 21 Garlick Hill, London, EC4V 2AU	50.00%	A	The Joint Venture Board comprises two Barclays representative directors, two JV partner directors and three non-JV partner directors. The Board are responsible for setting the company strategy and budgets.

45 Related undertakings continued

Notes

A	Directly held by Barclays Bank PLC
B	Partnership Interest
C	Membership Interest
D	Trust Interest
E	Guarantor
F	Preference Shares
G	A Preference Shares
H	B Preference Shares
I	Ordinary/Common Shares in addition to other shares
J	A Ordinary Shares
K	B Ordinary Shares
L	C Ordinary Shares
M	F Ordinary Shares
N	O Ordinary Shares
O	W Ordinary Shares
P	Redeemable Ordinary Shares
Q	Core Shares and Insurance (Classified) Shares
R	B, C, D, E (94.36%), F (94.36%), G (94.36%), H (94.36%), I (94.36%), J (95.23%) and K Class Shares
S	A and B Unit Shares
T	Class A Residual Shares, Class B Residual Shares
U	A Voting Shares and B Non-Voting Shares
V	Class A Ordinary Shares, Class A Preference Shares (48.50%), Class B Ordinary Shares, Class C Ordinary Shares, Class C Preference Shares (92.53%), Class D Ordinary Shares, Class D Preference Shares, Class E Ordinary Shares, Class E Preference Shares, Class F Ordinary Shares, Class F Preference Shares, Class H 2012 Ordinary Shares, Class H 2012 Preference Shares, Class H Ordinary Shares, Class H Preference Shares (79.84%), Class I Preference Shares (50.00%), Class J Ordinary Shares, Class J Preference Shares
W	Class A1, A2, A3, A4, A6, A8, A9, A10, A11, A12, A13, A14, A15, A16 and Class B
X	PEF Carry Shares
Y	EUR Tracker Shares, GBP Tracker Shares and USD Tracker Shares
Z	Not Consolidated (see Note 37 for scope of consolidation)