

# REGISTRATION DOCUMENT 1/2014



## BARCLAYS BANK PLC

*(Incorporated with limited liability in England and Wales)*

### REGISTRATION DOCUMENT

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This registration document dated 3 June 2014 ("**Registration Document**") constitutes a registration document for the purposes of Article 5(3) of Directive 2003/71/EC (as amended, the "**Prospectus Directive**") and has been prepared for the purpose of giving information with respect to Barclays Bank PLC ("**Issuer**") which, according to the particular nature of the relevant transaction is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Registration Document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Registration Document has been approved by the United Kingdom Financial Conduct Authority ("**FCA**"), which is the United Kingdom's competent authority for the purposes of the Prospectus Directive and the relevant implementing measures in the United Kingdom, as a registration document issued in compliance with the Prospectus Directive and the relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the Issuer.

The credit ratings included or referred to in this Registration Document will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (as amended, "CRA Regulation") as having been issued by Fitch Ratings Limited, Moody's Investors Service Ltd. and Standard & Poor's Credit Market Services Europe Limited, each of which is established in the European Union and has been registered under the CRA Regulation.

**The date of this Registration Document is 3 June 2014.**

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## DEFINITIONS AND INTERPRETATION

The term "**Group**" means Barclays PLC together with its subsidiaries and the term "**Bank Group**" means Barclays Bank PLC together with its subsidiaries. The term "**Issuer**" refers to Barclays Bank PLC. In this Registration Document, 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; "**€m**" and "**€bn**" represent millions and thousands of millions of euros respectively and "**C\$m**" and "**C\$bn**" represent millions and thousands of millions of Canadian dollars respectively. "Securities" means any securities issued by the Issuer described in any securities note and, if applicable, summary note, which when read together with this Registration Document comprise a prospectus for the purposes of Article 5(3) of the Prospectus Directive or in any base prospectus for the purposes of Article 5(4) of the Prospectus Directive or other offering document into which this Registration Document may be incorporated by reference.

## RISK FACTORS

*Each of the risks described below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the return on the Securities. Prospective purchasers should only invest in the Securities after assessing these risks. More than one risk factor may have a simultaneous or a compounding effect which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the return on the Securities. The risks below are not exhaustive and there may be additional risks and uncertainties that are not presently known to the Issuer or that the Issuer currently believes to be immaterial but that could have a material impact on the business, operations, financial condition or prospects of the Issuer.*

### **Business conditions and the general economy**

**Weak or deteriorating economic conditions or political instability in the Group's main countries of operation could adversely affect the Group's trading performance**

The Group offers a broad range of services to retail and institutional customers, including governments, and it has significant activities in a large number of countries. Consequently, the operations, financial condition and prospects of the Group, its individual business units and/or specific countries of operation could be materially adversely impacted by weak or deteriorating economic conditions or political instability in one or a number of countries in any of the Group's main business areas (being the UK, the US, the Eurozone and South Africa) or any other globally significant economy through, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity and consequently a decline in revenues and/or higher costs; (ii) market-to-market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties; and (iii) higher levels of impairment and default rates.

The global economy continues to face an environment characterised by low growth. However, governments and central banks in advanced economies have maintained highly accommodative policies that have helped to support demand at a time of very pronounced fiscal tightening and balance sheet repair. During the next few years, a combination of forecasts of and actual recovery in private sector demand and of a reduced pace of fiscal austerity in Europe and the United States is likely to result in a return by central banks towards more conventional monetary policies. Decreasing monetary support by central banks could have a further adverse impact on volatility in the financial markets and on the performance of significant parts of the Group's business, which could, in each case, have an adverse effect on the Group's future results of operations, financial condition and prospects.

### **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 the Group's 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 solely to changes in the Group's credit spreads or those of third parties, as these changes may affect the fair value of the Group's derivative instruments, debt securities that the Group holds or issues, or any loans held at fair value.

### *Deteriorating economic conditions*

The Group may continue to be adversely affected by the uncertainty around the global economy and the economies of certain areas where the Group has operations, as well as areas which may have an impact on the global economy. The Group's performance is at risk from any deterioration in the economic environment which may result from a number of uncertainties, including most significantly the following factors:

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

The possibility of a slowing of monetary stimulus by one or more governments has increased the uncertainty of the near term economic performance across the Group's major markets as it may lead to significant movements in market rates. Higher interest rates could adversely impact the credit quality of the Group's customers and counterparties, which, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group's assets resulting in a requirement to increase the Group's level of impairment allowance. Any increase in impairment resulting from, for example, higher charge-offs to recovery in the retail book and write-offs could have a material adverse effect on the Group's results of operations, financial condition and prospects.

- (ii) Decline in residential prices in the UK, Western Europe and South Africa

With UK home loans representing the most significant portion of the Group's total loans and advances to the retail sector, the Group has a large exposure to adverse developments in the UK property sector. Despite a downward correction of 20% in 2009, UK house prices (primarily in London) continue to be far higher than the longer term average and house prices have continued to rise at a faster rate than income. Reduced affordability as a result of, for example, higher interest rates or increased unemployment could lead to higher impairment in the near term, in particular in the UK interest only portfolio.

The Spanish and Portuguese economies, in particular their housing and property sectors, remain under significant stress with falling property prices having led to higher LTV ratios and contributing to higher impairment charges. If these trends continue or worsen, and/or if these developments occur in other European countries such as Italy, the Group may incur significant impairment charges in the future, which may materially adversely affect the Group's results of operations, financial condition and prospects.

The economy in South Africa remains challenging and the risk remains that any deterioration in the economic environment could adversely affect the Group's performance in home loans.

- (iii) Political instability or economic uncertainty in markets in which the Group operates

Political instability in less developed regions in which the Group operates could weaken growth prospects that could lead to an adverse impact on customers' ability to service debt. For example, economic and political uncertainty in South Africa continues to dampen down investment into the country with lending growth rates persisting, particularly in unsecured lending.

The referenda on Scottish independence in September 2014 and on UK membership of the European Union (expected before 2017) may affect the Group's risk profile through introducing potentially significant new uncertainties and instability in financial markets, both ahead of the respective dates for these referenda and, depending on the outcomes, after the event.

There remain concerns in the market about credit risk (including that of sovereign states) and the Eurozone crisis. The large sovereign debts and/or fiscal deficits of a number of Eurozone countries and the sustainability of austerity programmes that such countries have introduced have raised concerns among market participants regarding the financial condition of these countries as well as financial institutions, insurers and other corporates that are located in, or have direct or indirect exposures to, such Eurozone countries.

(iv) Exit of one or more countries from the Eurozone

The Group is exposed to an escalation of the Eurozone crisis, whereby a sovereign defaults and exits the Eurozone, in the following ways:

- The direct risk arising from the sovereign default of an existing country in which the Group has significant operations and the adverse impact on the economy of that exiting country and the credit standing of the Group's clients and counterparties in that country.
- The subsequent adverse impact on the economy of other Eurozone countries and the credit standing of the Group's clients and counterparties in such other Eurozone countries.
- Indirect risk arising from credit derivatives that reference Eurozone sovereign debt.
- Direct redenomination risk on the balance sheets of the Group's local operations in countries in the Eurozone should the value of the assets and liabilities be affected differently as a result of one or more countries reverting to a locally denominated currency.
- The introduction of capital controls or new currencies by any such exiting countries.
- Significant effects on existing contractual relations and the fulfilment of obligations by the Group and/or its customers.

If some or all of these conditions arise, persist or worsen, as the case may be, they may have a material adverse effect on the Group's operations, financial condition and prospects. The current absence of a predetermined mechanism for a member state to exit the Euro means that it is not possible to predict the outcome of such an event or to accurately quantify the impact of such an event on the Group's operations, financial condition and prospects.

*Specific sectors/geographies*

The Group is subject to risks arising from changes in credit quality and recovery of loans and advances due from borrowers and counterparties in a specific portfolio or geography or from a large individual name. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector, geography or in respect of specific large counterparties..

(i) Exit Quadrant assets

The Investment Bank holds a large portfolio of assets which the Group has determined to exit on the basis such assets are unlikely to achieve sustainable returns or are operating in segments of low attractiveness. These include, for example, certain commercial real estate and leveraged finance loans, which (i) remain illiquid; (ii) are valued based upon assumptions, judgements and estimates which may change over time; and (iii) which are subject to further deterioration and write downs.

(ii) Corporate Banking assets held at fair value

Corporate Banking holds a portfolio of longer term loans to the Education, Social Housing and Local Authority sectors which are marked on a fair value basis. The value of these loans is therefore subject to market movements and may give rise to losses.

(iii) Large single name losses

In addition, the Group has large individual exposures to single name counterparties. The default of obligations by 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 of operations, financial condition and prospects.

## Market Risk

### **The Group's financial position may be adversely affected by changes in both the level and volatility of prices**

The Group is at risk from its earnings or capital being reduced due to: (i) changes in the level or volatility of positions in its trading books, primarily in the Investment Bank, including changes in interest rates, inflation rates, credit spreads, commodity prices, equity and bond prices and foreign exchange levels; (ii) the Group being unable to hedge its banking book balance sheet at prevailing market levels; and (iii) the risk of the Group's defined benefit pensions obligations increasing or the value of the assets backing these defined benefit pensions obligations decreasing due to changes in either the level or volatility of prices. These market risks could lead to significantly lower revenues, which could have an adverse impact on the Group's results of operations, financial condition and prospects.

Specific examples of scenarios where market risk could lead to significantly lower revenues and adversely affect the Group's operating results include:

(i) Reduced client activity and decreased market liquidity

The Investment Bank's business model is focused on client intermediation. A significant reduction in client volumes or market liquidity could result in lower fees and commission income and a longer time period between executing a client trade, closing out a hedge, or exiting a position arising from that trade. Longer holding periods in times of higher volatility could lead to revenue volatility caused by price changes. Such conditions could have a material adverse effect on the Group's results of operations, financial condition and prospects.

(ii) Uncertain interest rate environment

Interest rate volatility 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, and it is difficult to predict with any accuracy changes in absolute interest rate levels, yield curves and spreads. Rate changes, to the extent they are not neutralised by hedging programmes, may have a material adverse effect on the Group's results of operations, financial condition and prospects.

(iii) Pension fund risk

Adverse movements between pension assets and liabilities for defined benefit pension schemes could contribute to a pension deficit. Inflation is a key risk to the pension fund and the Group's defined benefit pension net position has been adversely affected, and could be adversely affected again, by any increase in long term inflation assumptions. A decrease in the discount rate, which is derived from yields of corporate bonds with AA ratings and consequently includes exposure both to risk-free yields and credit spreads, may also impact pension valuations and may therefore have a material adverse effect on the Group's results of operations, financial condition and prospects.

## Funding risk

### **The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital, liquidity and leverage ratios**

Funding risk is the risk that the Group may not be able to achieve its business plans due to: being unable to maintain appropriate capital ratios (Capital risk); being unable to meet its obligations as they fall due (Liquidity risk); adverse changes in interest rate curves impacting structural hedges of non-interest bearing assets/liabilities or foreign exchange rates on capital ratios (Structural risk).

(i) Maintaining capital strength in increasingly challenging environment

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 requirements; changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding; and/or the need to take additional measures to strengthen the Group's capital or leverage position. Basel III and CRD IV have increased the amount and quality of capital that the Group is required to hold. CRD IV requirements adopted in the UK may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards being developed by the European Banking Authority or changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted under CRD II and III). Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital.

Additional capital requirements will also arise from other proposals, including the recommendations of the UK Independent Commission on Banking, the EU High Level Expert Group Review ("**Liikanen Review**") and section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010 ("**Dodd-Frank Act**"). It is not currently possible to predict with accuracy the detail of secondary legislation or regulatory rulemaking expected under any of these proposals, and therefore the likely consequences to the Group. However, it is likely that these changes in law and regulation would require changes to the legal entity structure of the Group and how its businesses are capitalised and funded and/or are able to continue to operate and as such could have an adverse impact on the operations, financial condition and prospects of the Group. Any such increased capital requirements or changes to what is defined to constitute capital may also constrain the Group's planned activities, lead to forced asset sales and/or balance sheet reductions, increase costs and/or impact on the Group's earnings. Moreover, during periods of market dislocation, 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) Changes in funding availability and costs

Should the Group fail to manage its liquidity and funding risk sufficiently, this may result in: an inability to support normal business activity; and/or a failure to meet liquidity regulatory



requirements; and/or changes to credit ratings. Any material adverse change in market liquidity (such as that experienced in 2008), or the availability and cost of customer deposits and/or wholesale funding, in each case whether due to factors specific to the Group (such as due to a downgrade in credit rating) or to the market generally, could adversely impact the Group's ability to maintain the levels of liquidity required to meet regulatory requirements and sustain normal business activity. In addition, there is a risk that the Group could face sudden, unexpected and large net cash outflows, for example from customer deposit withdrawals, or unanticipated levels of loan drawdowns under committed facilities, which could result in (i) forced reductions in the Group's balance sheet; (ii) members of the Group being unable to fulfil their lending obligations; and (iii) a failure to meet the Group's liquidity regulatory requirements. During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and increased costs of raising funding could all adversely impact the results of operations, financial condition and prospects of the Group.

(iii) Changes in foreign exchange and interest rates

The Group has capital resources and risk weighted assets denominated in foreign currencies; changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements. The Group also has exposure to non-traded interest rate risk, arising from the provision of retail and wholesale (non-traded) banking products and services. This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does not change in line with base rate changes. Failure to appropriately manage the Group's balance sheet to take account of these risks could result in: (i) in the case of foreign exchange risk, an adverse impact on regulatory capital ratios; and (ii) in the case of non-traded interest rate risk, an adverse impact on income. Structural risk is difficult to predict with accuracy and may have a material adverse effect on the Group's results of operations, financial condition and prospects.

### **Operational risk**

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

The Group is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group's business) and systems failure or non-availability. The Group is also subject to the risk of disruption of its business arising from events that are 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. 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. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers.

Notwithstanding anything contained in this risk factor 'Operational Risk', it should not be taken as implying that the Issuer or Barclays PLC will be unable to comply with its obligations as a company with securities admitted to the Official List of the FCA nor that it, or its relevant subsidiaries, will be unable to comply with its or their obligations as supervised firms regulated by the FCA and the Prudential Regulation Authority ("**PRA**").

(i) Infrastructure and technology resilience

The Group's technological infrastructure is critical to the operation of the Group's businesses and delivery of products and services to customers and clients. Any disruption in a customer's access to their account information or delays in making payments will have a significant impact on the Group's reputation and may also lead to potentially large costs to both rectify the issue and reimburse losses incurred by customers. Technological efficiency and automation is also important to the control environment and improvement is an area of focus for the Group (for example, via updating of legacy systems, and introducing additional security, access management and segregation of duty controls).

(ii) Ability to hire and retain appropriately qualified employees

The Group is largely dependent on highly skilled and qualified individuals. Therefore, the Group's continued ability to manage and grow its business, to compete effectively and to respond to an increasingly complex regulatory environment is dependent on attracting new talented and diverse employees and retaining appropriately qualified employees. In particular, as a result of the work repositioning compensation while ensuring the Group remains competitive and as the global economic recovery continues, there is a risk that some employees may decide to leave the Group. This may be particularly evident amongst those employees due to be impacted by the introduction of role based pay and bonus caps in response to new legislation and employees with skill sets that are currently in high demand.

Failure by the Group to prevent the departure of appropriately qualified employees, to retain qualified staff who are dedicated to oversee and manage current and future regulatory standards and expectations, or to quickly and effectively replace such employees, could negatively impact the Group's results of operations, financial condition, prospects and level of employee engagement.

(iii) Cyber-security

The threat to the security of the Group's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Group's reputation, operations, financial condition and prospects.

(iv) Critical accounting estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards ("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 credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for, which could have an adverse impact on the Group's operations, financial results and condition.

In accordance with International Accounting Standard ("**IAS**") 37 'Provisions, Contingent Liabilities and Contingent Assets' where provisions have already been taken in published financial statements or results announcements for on-going legal or regulatory matters (including in relation to payment protection insurance ("**PPI**") and interest rate hedging products), these have been recognised as the best estimate of the expenditure required to settle the obligation as at the reporting date. Such estimates are inherently uncertain and it is possible that the eventual outcomes may differ materially from current estimates, resulting in future increases to the required provisions (as has, for example, been the case in relation to the provisions that the Group has made in relation to PPI redress payments), or actual losses that exceed the provisions taken.

In addition, provisions have not been taken where no obligation (as defined in IAS 37) has been established, whether associated with a known or potential future litigation or regulatory matter. Accordingly, an adverse decision in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group's operations, financial results and condition and prospects.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. For example, the introduction of IFRS 9 Financial Instruments is likely to have a material impact on the measurement and impairment of financial instruments held.

(v) Risks arising from legal, competition and regulatory matters

**The Group operates in highly regulated industries, and the Group's businesses and results may be significantly affected by the laws and regulations applicable to it and by proceedings involving the Group**

As a global financial services firm, the Group is subject to extensive and comprehensive regulation under the laws of the various jurisdictions in which it does business. These laws and regulations significantly affect the way that the Group does business, can restrict the scope of its existing businesses and limit its ability to expand its product offerings or to pursue acquisitions, or can result in an increase in operating costs for the business and/or make its products and services more expensive for clients and customers. There has also been an increased focus on regulation and procedures for the protection of customers and clients of financial services firms. This has resulted, moreover, in increased willingness on the part of regulators to investigate past practices, vigorously pursue alleged violations and impose heavy penalties on financial services firms.

The Group is exposed to many forms of risk relating to legal, competition and regulatory matters, including that: (i) business may not be, or may not have been, conducted in accordance with applicable laws and regulations in the relevant jurisdictions around the world and financial and other penalties may result; (ii) contractual obligations may either not be enforceable as intended or may be enforced in a way adverse to the Group; (iii) intellectual property may not be protected as intended or the Group may use intellectual property which infringes, or is alleged to infringe, the rights of third parties; and (iv) liability may be incurred to third parties harmed by the conduct of the Group's business.

## **Risks arising from material legal, competition and regulatory matters**

The Group, in common with other global financial services firms, has in recent years faced a risk of increased levels of legal proceedings in jurisdictions in which it does business. This is particularly true in the US where the Group is facing and may in the future face legal proceedings relating to its business activities, including in the form of class actions.

The Group also faces existing regulatory and other investigations in various jurisdictions as well as the risk of potential future regulatory and other investigations or proceedings and/or further private actions and/or class actions being brought by third parties. The outcome of current (and any future) material legal, competition and regulatory matters is difficult to predict. However, it is likely that the Group will incur significant expense in connection with such matters, regardless of the ultimate outcome, and one or more of such matters could expose the Group to any of the following: substantial monetary damages and/or fines; other penalties and injunctive relief; additional civil or private litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group's business; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets; and/or a negative effect on the Group's reputation.

Details of legal, material competition and regulatory matters to which the Group is currently exposed are set out below in "*The Issuer and the Group – Legal, Competition and Regulatory Matters*".

### **Potential financial and reputational impacts of other legal, competition and regulatory matters**

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, 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.

There may also be legal, competition and regulatory matters currently not known to the Group or in respect of which it is currently not possible to ascertain whether there could be a material adverse effect on the Group's position. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cashflow 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. Non-compliance by the Group with applicable laws, regulations and codes of conduct relevant to its businesses in all jurisdictions in which it operates, whether due to inadequate controls or otherwise, could expose the Group, now or in the future, to any of the consequences set out above as well as withdrawal of authorisations to operate particular businesses.

Non-compliance may also lead to costs relating to investigations and remediation of affected customers. The latter may, in some circumstances, exceed the direct costs of regulatory enforcement actions. In addition, reputational damage may lead to a reduction in franchise value.

There is also a risk that the outcome of any legal, competition or regulatory matters, investigations or proceedings to which the Group is subject and/or a party could (whether current or future, specified in this risk factor or not) 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.

Any of these risks, should they materialise, could have an adverse impact on the Group's results of operations, financial condition and prospects.

(vi) Regulatory risk

**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.**

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, changes to the Group's structure and/or strategy, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. Non-compliance may also lead to costs relating to investigations and remediation of affected customers. The latter may exceed the direct costs of regulatory enforcement actions. In addition, reputational damage may lead to a reduction in franchise value.

**Regulatory change**

The Group, in common with much of the financial services industry, continues to be 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 and in light of its significant investment banking operations). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements, including with regard to: (i) capital, liquidity and leverage requirements (for example arising from Basel III and CRD IV); (ii) structural reform and recovery and resolution planning; and (iii) market infrastructure reforms such as the clearing of over-the-counter derivatives. As a result, regulatory risk will continue to be a focus of senior management attention 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 to determine not to expand in areas despite their otherwise attractive potential.

**Implementation of Basel III / CRD IV and additional PRA supervisory expectations**

CRD IV introduces significant changes in the prudential regulatory regime applicable to banks, including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. CRD IV entered into force in the UK and other EU member states on 1 January 2014. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV leverage ratio, which are not expected to be finally implemented until 2018. Notwithstanding this, the PRA's supervisory expectation is for the Group to meet certain capital and leverage ratio targets within certain prescribed timeframes. The Group met the PRA's expectation to have an

adjusted fully loaded CET 1 ratio of 7% by 31 December 2013 and will be expected to meet a PRA Leverage Ratio of 3% by 30 June 2014. There is a risk that CRD IV requirements adopted in the UK may change, whether as a result of further changes to global standards, EU legislation (including the CRD IV text and/or via binding regulatory technical standards being developed by the European Banking Authority) or changes to the way in which the PRA interprets and applies these requirements to UK banks, including as regards individual models approvals granted under CRD II and III. For example, further guidelines published by the Basel Committee in January 2014 regarding the calculation of the leverage ratio are expected to be incorporated into EU and UK law during 2014.

In addition the Financial Policy Committee of the Bank of England has legal powers, where this is required to protect financial stability, to make recommendations about the application of prudential requirements, and has, or may be given, other powers including powers to direct the PRA and FCA to adjust capital requirements through sectoral capital requirements. Directions would apply to all UK banks and building societies, rather than to the Group specifically.

Such changes, 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, reducing leverage and risk weighted assets, modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Group) and changing the Group's business mix or exiting other businesses and/or undertaking other actions to strengthen the Group's position.

### **Structural reform**

A number of jurisdictions have enacted or are considering legislation and rule making that could have a significant impact on the structure, business risk and management of the Group and of the financial services industry more generally. Key developments that are relevant to the Group include:

- The UK Financial Services (Banking Reform) Act 2013 gives UK authorities the power to implement key recommendations of the Independent Commission on Banking, including: (i) the separation of the UK and EEA retail banking activities of the largest UK banks into a legally, operationally and economically separate and independent entity (so called "ring fencing"); (ii) statutory depositor preference in insolvency; and (iii) a reserve power for the PRA to enforce full separation of the retail operations of UK banks to which the reforms apply under certain circumstances. and (iv) a 'bail-in' stabilisation option as part of the powers of the UK resolution authority;
- The European Commission proposals of January 2014 for a directive to implement recommendations of the Liikanen Review, would apply to EU globally significant financial institutions and envisages, among other things: (i) a ban on engaging in proprietary trading in financial instruments and commodities; (ii) giving supervisors the power and, in certain instances, the obligation to require the transfer of other trading activities deemed to be 'high risk' to separate legal trading entities within a banking group; and (iii) rules governing the economic, legal, governance and operational links between the separated trading entity and the rest of the banking group;
- The US Board of Governors of the Federal Reserve System ("**FRB**") issued final rules in February 2014 (to implement various enhanced prudential standards introduced under Section 165 of the Dodd-Frank Act) applicable to certain foreign banking organisations and their US operations, including the Group. Because its total US and non-US assets exceed \$50bn, the Group would be subject to the most stringent requirements of the final rules, including the requirement to create a US intermediate

holding company ("IHC") structure to hold its US banking and non-banking subsidiaries, including Barclays Capital Inc. the Group's US broker-dealer subsidiary). The IHC would generally be subject to supervision and regulation, including as to regulatory capital and stress testing, by the FRB as if it were a US bank holding company of comparable size. In particular, under the final rules, the consolidated IHC would be subject to a number of additional supervisory and prudential requirements, including: (i) subject to certain limited exceptions, FRB regulatory capital requirements and leverage limits that are the same as those applicable to US banking organisations of comparable size; (ii) mandatory company-run and supervisory stress testing of capital levels and submission of a capital plan to the FRB; (iii) supervisory approval of and limitations on capital distributions by the IHC to the Issuer; (iv) additional substantive liquidity requirements (including monthly internal liquidity stress tests and maintenance of specified liquidity buffers) and other liquidity risk management requirements; and (v) overall risk management requirements, including a US risk committee and a US chief risk officer. The effective date of the final rule is 1 June 2014, although compliance with most of its requirements will be phased-in between 2015 and 2018. The Group will not be required to form its IHC until 1 July 2016. The IHC will be subject to the US generally applicable minimum leverage capital requirement (which is different than the Basel III international leverage ratio, including to the extent that the generally applicable US leverage ratio does not include off-balance sheet exposures) starting 1 January 2018;

- Final rules (issued in December 2013) implementing the requirements of Section 619 of the Dodd-Frank Act – the so-called 'Volcker Rule', once fully effective, will prohibit banking entities, including Barclays PLC, the Issuer and their various subsidiaries and affiliates from undertaking certain 'proprietary trading' activities and will limit the sponsorship of, and investment in, private equity funds and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain important exceptions and exemptions, as well as exemptions applicable to transactions and investments occurring 'solely outside of the United States'. The rules will also require the Group to develop an extensive compliance and monitoring programme (both inside and outside of the United States), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and the Group therefore expects compliance costs to increase. Subject entities are generally required to be in compliance by July 2015 (with certain provisions subject to possible extensions); and
- The European Commission, European Parliament and the EU Council Presidency have reached a political agreement on the legislative proposal for a directive providing for the establishment of a European-wide framework for the recovery and resolution of credit institutions and investment firms ("**Recovery and Resolution Directive**" or "**RRD**").

These laws and regulations and the way in which they are interpreted and implemented by regulators may have a number of significant consequences, including changes to the legal entity structure of the Group, changes to how and where capital and funding is raised and deployed within the Group, increased requirements for loss-absorbing capacity within the Group and/or at the level of certain legal entities or sub-groups within the Group and potential modifications to the business mix and model (including potential exit of certain business activities). 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 and/or financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group which could be material.

## Recovery and resolution planning

There continues to be a strong regulatory focus on resolvability from international and UK regulators. The Group continues to work with all relevant authorities on recovery and resolution plans ("**RRP**") and the detailed practicalities of the resolution process. This includes the provision of information that would be required in the event of a resolution, in order to enhance the Group's resolvability. The Group made its first formal RRP submissions to the UK and US regulators in mid-2012 and has continued to work with the relevant authorities to identify and address any impediments to resolvability. The second US resolution plan was submitted in October 2013 and the Group anticipates annual submissions hereafter.

The EU has agreed an RRD which establishes a framework for the recovery and resolution of credit institutions and investment firms. The aim of this regime is to provide authorities with the tools to intervene sufficiently early and quickly in a failing institution so as to ensure the continuity of the institution or firm's critical financial and economic functions while minimising the impact of its failure on the financial system. The regime is also intended to ensure that shareholders bear losses first and that certain creditors bear losses after shareholders, provided that no creditor should incur greater losses than it would have incurred if the institution had been wound up under normal insolvency proceedings. The RRD provides resolution authorities with powers to require credit institutions to make significant changes in order to enhance recovery or resolvability. These include, amongst others, the powers to require the Group to: make changes to its legal or operational structures (including demanding that the Group be restructured into units which are more readily resolvable); limit or cease specific existing or proposed activities; hold a specified minimum amount of liabilities subject to write down or conversion powers under the so-called 'bail-in' tool. The proposal is to be implemented with effect in all European Member States by 1 January 2015, with the exception of the bail-in powers which must be implemented by 1 January 2016.

In the UK, recovery and resolution planning is now considered part of continuing supervision. Removal of barriers to resolution will be considered as part of the PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. The UK will also need to consider how it will transpose the RRD into UK law.

Whilst the Group believes that it is making good progress in reducing impediments to resolution, should the relevant authorities ultimately decide that the Group or any significant subsidiary is not resolvable, the impact of such structural changes (whether in connection with RRP or other structural reform initiatives) could impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

## Market infrastructure reforms

The European Market Infrastructure Regulation ("**EMIR**") introduces requirements to improve transparency and reduce the risks associated with the derivatives market. Certain of these requirements came into force in 2013 and others will enter into force in 2014. EMIR requires entities that enter into any form of derivative contract to: report every derivative contract entered into to a trade repository; implement new risk management standards for all bi-lateral over-the-counter derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms will



be introduced by amendments to the EU Markets in Financial Instruments Directive that are being finalised by the EU legislative institutions and are expected to be implemented in 2016.

In the US, the Dodd-Frank Act also mandates that many types of derivatives now traded in the over-the-counter markets must be traded on an exchange or swap execution facility and must be centrally cleared through a regulated clearing house. In addition, participants in these markets are now made subject to US Commodity Futures Trading Commission ("CFTC") and US Securities and Exchange Commission regulation and oversight. Entities required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or with the SEC as 'security-based swap dealers' or 'major security-based swap dealers' are or will be subject to business conduct, capital, margin, record keeping and reporting requirements. The Issuer has registered with the CFTC as a swap dealer.

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

The new regulation of the derivative markets could adversely affect the Group's business 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. In addition, as a result of these increased costs, the new regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

(vii) 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: failure to comply with, or correctly assess the application of, relevant tax law; failure to deal with tax authorities in a timely, transparent and effective manner (including in relation to historic transactions which might have been perceived as aggressive in tax terms); incorrect calculation of tax estimates for reported and forecast tax numbers; or provision of incorrect tax advice. Such charges, or conducting any challenge to a relevant tax authority, could lead to adverse publicity, reputational damage and potentially to costs materially exceeding current provisions, in each case to an extent which could have an adverse effect on the Group's operations, financial conditions and prospects.

In addition, any changes to the tax regimes applicable to the Group could have a material adverse effect on it. For example, depending on the terms of the final form of legislation as implemented, the introduction of the proposed EU Financial Transaction Tax could adversely affect certain of the Group's businesses and have a material adverse effect on the Group's operations, financial conditions and prospects.

(viii) Implementation of the Transform programme and other strategic plans

The 'Transform programme' represents the current strategy of the Group, both for improved financial performance and cultural change, and the Group expects to incur significant restructuring charges and costs associated with implementing this strategic plan. The successful development and implementation of such strategic plans requires difficult, subjective and complex judgements, including forecasts of economic conditions in various parts of the world, and is subject to significant execution risks. For example, the Group's ability to implement successfully the Transform programme and other such strategic plans

may be adversely impacted by a significant global macroeconomic downturn, legacy issues, limitations in the Group's management or operational capacity or significant and unexpected regulatory change in countries in which the Group operates. Moreover, progress on the various components of Transform (including reduction in costs relative to net operating income) is unlikely to be uniform or linear, and certain targets may be achieved slower than others, if at all.

Failure to implement successfully the Transform programme could have a material adverse effect on the Group's ability to achieve the stated targets, estimates (including with respect to future capital and leverage ratios and dividends payout ratios) and other expected benefits of the Transform programme and there is also a risk that the costs associated with implementing the strategy may be higher than the financial benefits expected to be achieved through the programme. In addition, the goals of embedding a culture and set of values across the Group and achieving lasting and meaningful change to the Group's culture may not succeed, which could negatively impact the Group's operations, financial condition and prospects.

## **Conduct risk**

### **Detriment may be caused to the Group's customers, clients, counterparties or the Group and its employees because of inappropriate judgement in the execution of the Group's business activities**

Ineffective management of conduct risk may lead to poor outcomes for the Group's customers, clients and counterparties or damage to market integrity. It may also lead to detriment to the Group and its employees. Such outcomes are inconsistent with the Group's purpose and values and may negatively impact the Group's results of operations, financial condition and prospects. They may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale, and difficulties in recruiting and retaining talent. This could reduce – directly or indirectly – the attractiveness of the Group to stakeholders, including customers.

There are a number of areas where the Group has sustained financial and reputational damage due to conduct related matters, and where the consequences are likely to endure. These include matters relating to London interbank offered rates ("**LIBOR**"), interest rate hedging products and PPI. Provisions totalling £650m were raised in respect of interest rate hedging products in 2013, bringing the cumulative provisions as at 31 December 2013 to £1.5bn. Provisions of £1.35bn were raised against PPI in 2013, bringing cumulative provisions to £3.95bn. To the extent that future experience is not in line with management's current estimates, additional provisions may be required and further reputational damage may be incurred.

In addition the Group has identified certain issues with the information contained in historic statements and arrears notices relating to certain consumer loan accounts and has therefore implemented a plan to return interest incorrectly charged to customers. The Group is also undertaking a review of all its businesses where similar issues could arise, including Business Banking, Barclaycard, Wealth and Investment Management and Corporate Bank, to assess any similar or related issues. There is currently no certainty as to the outcome of this review. The findings of such review could have an adverse impact on the Group's operations, financial results and prospects.

Furthermore, the Group is from time to time subject to regulatory investigations which carry the risk of a finding that the Group has been involved in some form of wrongdoing. It is not possible to foresee the outcome or impact of such findings other than fines or other forms of regulatory censure would be possible. There is a risk that there may be other conduct issues, including in business already written, of which the Group is not presently aware.

## **Anti-money laundering, anti-bribery, sanctions and other compliance risks**

A major focus of government policy relating to financial institutions in recent years (including, in particular, the UK and the US) has been combating money laundering, bribery and terrorist financing and enforcing compliance with economic sanctions. In particular, regulations applicable to the US operations of the Group impose obligations to maintain appropriate policies, procedures and internal controls to detect, prevent and report money laundering and terrorist financing. In addition, such regulations in the US require the Group to ensure compliance with US economic sanctions against designated foreign countries, organisations, entities and nationals among others.

The risk of non-compliance for large global banking groups, such as the Group, is high given the nature, scale and complexity of the organisation and the challenges inherent in implementing robust controls. The Group also operates in some newer markets, such as Africa, Asia and the Middle East, where the risks of non-compliance are higher than in more established markets. Failure by the Group to maintain and implement adequate programs to combat money laundering, bribery and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the organisation, including exposure to fines, criminal and civil penalties and other damages, as well as adverse impacts on the Group's ability to do business in certain jurisdictions.

### **Reputation risk**

#### **Damage may occur to the Group's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical**

Failure to appropriately manage reputation risk may reduce – directly or indirectly – the attractiveness of the Group to stakeholders, including customers and clients, and may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale, and difficulties in recruiting and retaining talent. Sustained damage arising from conduct and reputation risks could have a materially negative impact on the Group's ability to operate fully and the value of the Group's franchise, which in turn could negatively affect the Group's results of operations, financial condition and prospects.

#### **Risks relating to regulatory actions in the event of a bank failure, including the UK Bail-In Power**

##### *European resolution regime and loss absorption at the point of non-viability*

The draft Recovery and Resolution Directive will need to be formally adopted by the EU Council and the European Parliament and is expected to enter into force in 2015. The stated aim of the RRD is to provide supervisory authorities, including the relevant UK resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers proposed to be granted to supervisory authorities under the draft RRD include (but are not limited to) the introduction of a statutory 'write-down and conversion power' and a 'bail-in' power, which would give the relevant UK resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Securities) of a failing financial institution and/or to convert certain debt claims (which could include the Securities) into another security, including ordinary shares of the surviving Group entity, if any. It is currently contemplated that the majority of measures set out in the draft RRD will be implemented with effect from 1 January 2015, with the bail-in power for eligible liabilities (which could include any Securities) expected to be introduced by 1 January 2016. However, the draft RRD is not in final form, and changes could be made to it in the course of the final legislative process and anticipated implementation dates could change. Moreover, as discussed under 'Bail-in option in the UK Banking

Act' below, the amendments to the Banking Act 2009 of the UK as amended ("**UK Banking Act**"), are likely to accelerate the implementation timeframe of some or all of these resolution powers in the UK.

In addition to a 'write-down and conversion power' and a 'bail-in' power, the powers currently proposed to be granted to the relevant UK resolution authority under the draft RRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a 'bridge bank' (a publicly controlled entity) 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, the draft RRD proposes, among the broader powers proposed to be granted to the relevant resolution authority, to provide powers to the relevant resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments.

The draft RRD contains proposed safeguards for shareholders and creditors in respect of the application of the 'write down and conversion' and 'bail-in' powers which aim to ensure that they do not incur greater losses than they would have incurred had the relevant financial institution been wound up under normal insolvency proceedings.

There remains uncertainty regarding the ultimate nature and scope of these powers and, when implemented, how they would affect the Issuer, the Group and the Securities. Accordingly, it is not yet possible to assess the full impact of the draft RRD on the Issuer, the Group and on holders of Securities, and there can be no assurance that, once it is implemented, the manner in which it is implemented or the taking of any actions by the relevant UK resolution authority currently contemplated in the draft RRD would not adversely affect the rights of holders of Securities, the price or value of an investment in Securities and/or the Issuer's ability to satisfy its obligations under the Securities.

The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of any Securities subject to the RRD and could lead to the holders of the Securities losing some or all of their investment in the Securities.

#### *UK resolution regime*

In the UK, the UK Banking Act provides for a regime (resolution regime) to allow the Bank of England (or, in certain circumstances, UK HM Treasury ("**UK Treasury**")) to resolve failing banks in the UK, in consultation with the PRA, the FCA and UK Treasury, as appropriate. Under the UK Banking Act, these authorities are given powers, including (a) the power to make share transfer orders pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser or the UK government; and (b) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities, including shares and bonds issued by a UK bank (including the Issuer) or its holding company (Barclays PLC) and warrants for such shares and bonds. Certain of these powers have been extended to companies within the same group as a UK bank.

The UK Banking Act also gives the authorities powers to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers. The UK Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The UK Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for the UK Treasury to amend the law (excluding provisions made by or under the UK

Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

If these powers were to be exercised in respect of the Issuer (or any member of the Group), there could be a material adverse effect on the rights of holders of Securities, including through a material adverse effect on the price of the Securities.

#### *Bail-in option in the UK Banking Act*

In December 2013, the UK Financial Services (Banking Reform) Act 2013 ("**UK Banking Reform Act**") became law in the UK. Among the changes introduced by the UK Banking Reform Act, the UK Banking Act is amended to insert a bail-in option as part of the powers of the UK resolution authority. The bail-in option will come into force when stipulated by the UK Treasury.

The bail-in option is introduced as an additional power available to the UK resolution authority, to enable it to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors in a manner that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution, consistent with shareholders and creditors of financial institutions not receiving less favourable treatment than they would have done in insolvency. The bail-in option includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution and the power to convert a liability from one form to another. The conditions for use of the bail-in option are, in summary, that (i) the regulator determines that the bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the bank's failure and (iii) the UK resolution authority determines that it is in the public interest to exercise the bail-in power.

The UK Government has expressed that it was confident that such bail-in option could be introduced without the risk of having to adapt to a radically different regime when the RRD is implemented, given the legislative progress of the RRD. However, the RRD is still in draft form and changes could be made to the expected powers, which may require amendments to the bail-in option included in the UK Banking Act.

In addition, the UK Banking Act may be amended and/or other legislation may be introduced in the UK to amend the resolution regime that would apply in the event of a bank failure or to provide regulators with other resolution powers.

*The circumstances under which the relevant UK resolution authority would exercise its proposed UK bail-in power are currently uncertain.*

Despite there being proposed pre-conditions for the exercise of the UK bail-in power, there remains uncertainty regarding the specific factors which the relevant UK resolution authority would consider in deciding whether to exercise the UK bail-in power with respect to the relevant financial institution and/or securities, such as the Securities, issued by that institution.

Moreover, as the final criteria that the relevant UK resolution authority would consider in exercising any UK bail-in power are expected to provide it with considerable discretion, holders of the Securities may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such UK bail-in power and consequently its potential effect on the Issuer, the Group and the Securities.

*The rights of holders of the Securities to challenge the exercise of any UK bail-in power by the relevant UK resolution authority are likely to be limited.*

There is some uncertainty as to the extent of any due process rights or procedures that will be provided to holders of securities (including the Securities) subject to the UK bail-in power and to the broader resolution powers of the relevant UK resolution authority when the final RRD rules are

implemented in the UK. Holders of the Securities may have only limited rights to challenge and/or seek a suspension of any decision of the relevant UK resolution authority to exercise its UK bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise.

## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the FCA and shall be deemed to be incorporated in, and to form part of, this Registration Document:

- the sections set out below from the joint Annual Report of the Issuer and Barclays PLC, as filed with the US Securities and Exchange Commission ("**SEC**") on Form 20 F in respect of the years ended 31 December 2012 and 31 December 2013 ("**Joint Annual Report**"), with the exception of the information incorporated by reference in the Joint Annual Report referred to in the Exhibit Index of the Joint Annual Report, which shall not be deemed to be incorporated in the Registration Document;
- the Annual Reports of the Issuer containing the audited consolidated financial statements of the Issuer in respect of the years ended 31 December 2012 ("**2012 Issuer Annual Report**") and 31 December 2013 ("**2013 Issuer Annual Report**"), respectively;
- the report of the Issuer and Barclays PLC announcing the Group's leverage plan following a review by the PRA into its capital adequacy as jointly filed with the SEC on Form 6-K on Film Number 13995561 on 30 July 2013;
- the sections set out below from the unaudited Interim Management Statement of Barclays PLC as filed with the SEC on Form 6-K on Film Number 14816123 on 6 May 2014 for the three months ended 31 March 2014 in respect of the Issuer and Barclays PLC (the "**Interim Management Statement**"); and
- the announcement of the Issuer and Barclays PLC relating to the Group Strategy Update, as jointly filed with the SEC on Form 6-K on Film Number 14827183 on 9 May 2014 (the "**Group Strategy Update**").

The above documents may be inspected as described in "*Documents Available*" free of charge at the registered office of the Issuer and at <http://www.barclays.com/barclays-investor-relations/results-and-reports/results.html>. Any information contained in any of the documents specified above which is not incorporated by reference in this Registration Document is either not relevant for prospective investors for the purposes of Article 5(1) of the Prospectus Directive or is covered elsewhere in this Registration Document.

To the extent that any document or information incorporated by reference into this Registration Document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Registration Document for the purposes of the Prospectus Directive, except where such information or documents are stated within this Registration Document as specifically being incorporated by reference.

The table below sets out the relevant page references for the information contained within the Joint Annual Report and the Interim Management Statement:

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Each of the Issuer and Barclays PLC has applied IFRS as issued by the International Accounting Standards Board and as adopted by the European Union ("EU") in the financial statements incorporated by reference above. A summary of the significant accounting policies for each of the Issuer and Barclays PLC is included in each of the Joint Annual Report, the 2012 Issuer Annual Report and the 2013 Issuer Annual Report.



## FORWARD-LOOKING STATEMENTS

This Registration 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 certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. The Issuer cautions readers that no forward-looking statement is a guarantee of future performance and that actual results 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, original and revised commitments and targets in connection with the Transform Programme, deleveraging actions, estimates of capital expenditures and plans and objectives for future operations and other statements that are not historical fact.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), evolving practices with regard to the interpretation and application of 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; UK, United States, 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 the Group; the potential for one or more countries exiting the Eurozone; the implementation of the Transform 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 are identified in the Group's filings with the US Securities and Exchange Commission ("**SEC**") including in the Annual Report on Form 20-F for the fiscal year ended 31 December 2013 which is available on the SEC's website at <http://www.sec.gov>.

Any forward-looking statements made herein speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc ("**LSE**") or applicable law, the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Registration Document to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that the Issuer has made or may make in documents it has published or may publish via the Regulatory News Service of the LSE and/or has filed or may file with the SEC.

## THE ISSUER AND THE GROUP

The Issuer (together with its subsidiary undertakings, the "**Bank Group**") is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Issuer is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Issuer was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'. The whole of the issued ordinary share capital of the Issuer is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, including the Issuer, the "**Group**") is the ultimate holding company of the Group and is one of the largest financial services companies in the world by market capitalisation.

The Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services with an extensive international presence in Europe, United States, Africa and Asia. Together with its predecessor companies, the Bank Group has over 300 years of history and expertise in banking. Today the Bank Group operates in over 50 countries and, as at 31 December 2013, employed approximately 140,000 people. The Bank Group moves, lends, invests and protects money for customers and clients worldwide.

The short term unsecured obligations of the Issuer are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of the Issuer are rated A by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

*Based on the Bank Group's audited financial information for the year ended 31 December 2013, the Bank Group had total assets of £1,312,840m (2012: £1,488,761m), total net loans and advances<sup>1</sup> of £468,664m (2012: £464,777m), total deposits<sup>2</sup> of £482,770m (2012: £ 462,512m), and total shareholders' equity of £63,220m (2012: £59,923m) (including non-controlling interests of £2,211m (2012: £2,856m)). The profit before tax from continuing operations of the Bank Group for the year ended 31 December 2013 was £2,855m (2012: £650m) after credit impairment charges and other provisions of £3,071m (2012: £3,340m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2013.*

### **Acquisitions, Disposals and Recent Developments**

#### *Strategic combination of Barclays Africa with Absa Group Limited*

On 6 December 2012, the Issuer entered into an agreement to combine the majority of its Africa operations ("**African Business**") with Absa Group Limited ("**Absa**"). Under the terms of the combination, Absa acquired Barclays Africa Limited, the holding company of the African Business, for a consideration of 129,540,636 Absa ordinary shares (representing a value of approximately £1.3bn for Barclays Africa Limited). The combination completed on 31 July 2013 and, on completion, the Issuer's stake in Absa increased from 55.5% to 62.3%. Absa was subsequently renamed Barclays Africa Group Limited but continues to trade under the name Absa.

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

## *PRA Capital Adequacy Review*

In 2013 the UK Financial Policy Committee asked the PRA to take steps to ensure that, by the end of 2013, major UK banks and building societies, including the Group, held capital resources equivalent to 7% of their risk weighted assets. As part of its review, the PRA also introduced a 3% leverage ratio target, which the PRA requested the Group plan to achieve by 30 June 2014. The PRA's calculations for both capital and leverage ratios were based on CRD IV definitions, applied on a fully loaded basis with further prudential adjustments.

*In order to achieve these targets within the PRA's expected timeframes the Group formulated and agreed with the PRA a plan comprised of capital management and leverage exposure actions which was announced on 30 July 2013. The Group executed on this plan in 2013 by: completing an underwritten rights issue to raise approximately £5.8bn (net of expenses) in common equity tier 1 capital; issuing £2.1 billion (equivalent) CRD IV qualifying contingent convertible Additional Tier 1 securities with a 7% fully loaded CET1 ratio trigger; and reducing PRA leverage exposure to £1,363bn. These actions resulted in the Barclays PLC group reporting a fully loaded CRD IV CET1 ratio of 9.3% and an estimated PRA leverage ratio of just under 3% as at 31 December 2013.*

## **Legal, Competition and Regulatory Matters**

The Group faces legal, competition and regulatory challenges, many of which are beyond the Group's control. The extent of the impact on the Group of the legal, competition and regulatory matters in which the Group is or may in the future become involved, cannot always be predicted but may materially impact the Group's results of operations, financial condition and prospects.

### *Lehman Brothers*

#### Background Information

In September 2009, motions were filed in the United States Bankruptcy Court for the Southern District of New York ("**Bankruptcy Court**") by Lehman Brothers Holdings Inc. ("**LBHI**"), the SIPA Trustee for Lehman Brothers Inc. ("**Trustee**") and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. ("**Committee**"). All three motions challenged certain aspects of the transaction pursuant to which Barclays Capital Inc. ("**BCI**") and other companies in the Group acquired most of the assets of Lehman Brothers Inc. ("**LBI**") in September 2008, as well as the court order approving the sale ("**Sale**"). The claimants sought an order voiding the transfer of certain assets to BCI, requiring BCI to return to the LBI estate any excess value BCI allegedly received, and declaring that BCI is not entitled to certain assets that it claims pursuant to the Sale documents and order approving the Sale ("**Rule 60 Claims**"). In January 2010, BCI filed its response to the motions and also filed a motion seeking delivery of certain assets that LBHI and LBI had failed to deliver as required by the Sale documents and the court order approving the Sale (together with the Trustee's competing claims to those assets, "**Contract Claims**").

#### Status

In February 2011, the Bankruptcy Court issued an Opinion rejecting the Rule 60 Claims and deciding some of the Contract Claims in the Trustee's favour and some in favour of the Group. In July 2011, the Bankruptcy Court entered final Orders implementing its opinion. The Group and the Trustee each appealed the Bankruptcy Court's adverse rulings on the Contract Claims to the US District Court for the Southern District of New York ("**SDNY**"). LBHI and the Committee did not appeal the Bankruptcy Court's ruling on the Rule 60 Claims. After briefing and argument, the SDNY issued an opinion in June 2012, reversing one of the Bankruptcy Court's rulings on the Contract Claims that had been adverse to the Group and affirming the Bankruptcy Court's other rulings on the Contract Claims. In July 2012, the SDNY issued an amended opinion, correcting certain errors but not otherwise modifying the rulings, along with an agreed judgement implementing the rulings in the opinion ("**Judgement**"). Under the Judgement, the Group is entitled to receive: (i) \$1.1bn (£0.7bn) from the

Trustee in respect of 'clearance box' assets ("**Clearance Box Assets**"); and (ii) property held at various institutions in respect of the exchange traded derivatives accounts transferred to BCI in the Sale ("**ETD Margin**"). The Trustee has appealed the SDNY's adverse rulings to the US Court of Appeals for the Second Circuit ("**Second Circuit**"). The current Judgement is stayed pending resolution of the Trustee's appeal.

Approximately \$4.3bn (£2.6bn) of the assets to which the Group is entitled as part of the acquisition had not been received by 31 December 2013, approximately \$2.7bn (£1.6bn) of which have been recognised as a receivable on the balance sheet as at that date. The unrecognised amount, approximately \$1.6bn (£1.0bn) as of 31 December 2013 effectively represents a provision against the uncertainty inherent in the litigation and potential post-appeal proceedings and issues relating to the recovery of certain assets held by an institution outside the US. To the extent the Group ultimately receives in the future assets with a value in excess of the approximately \$2.7bn (£1.6bn) recognised on the balance sheet as of 31 December 2013, it would result in a gain in income equal to such excess. It appears that the Trustee may dispute the Group's entitlement to certain of the ETD Margin even in the event the Group prevails in the pending Second Circuit appeal proceedings. Moreover, there is uncertainty regarding recoverability of a portion of the ETD Margin not yet delivered to the Group that is held by an institution outside the US. Thus, the Group cannot reliably estimate how much of the ETD Margin the Group is ultimately likely to receive. Nonetheless, if the SDNY's rulings are unaffected by future proceedings, but conservatively assuming the Group does not receive any ETD Margin that the Group believes may be subject to a post-appeal challenge by the Trustee or to uncertainty regarding recoverability, the Group will receive assets in excess of the \$2.7bn (£1.6bn) recognised as a receivable on the Group's balance sheet as at 31 December 2013. In a worst case scenario in which the Second Circuit reverses the SDNY's rulings and determines that the Group is not entitled to any of the Clearance Box Assets or ETD Margin, the Group estimates that, after taking into account its effective provision, its total losses would be approximately \$6bn (£3.6bn). Approximately \$3.3bn (£2bn) of that loss would relate to Clearance Box Assets and ETD Margin previously received by the Group and pre-judgement and post-judgement interest on such Clearance Box Assets and ETD Margin that would have to be returned or paid to the Trustee. In this context, the Group is satisfied with the valuation of the asset recognised on its balance sheet and the resulting level of effective provision.

#### Other

In May 2013 Citibank N.A. ("**Citi**") filed an action against the Issuer in the SDNY alleging breach of an indemnity contract (the "**Citi Proceedings**"). In November 2008, the Issuer provided an indemnity to Citi in respect of losses incurred by Citi between 17 and 19 September 2008 in performing foreign exchange settlement services for LBI as LBI's designated settlement member with CLS Bank International. Citi did not make a demand for payment under this indemnity until 1 February 2013 when it submitted a demand that included amounts which the Group concluded it was not obligated to pay. Citi proceeded to file the action in May 2013, in which it claimed that the Group was responsible for a 'principal loss' of \$90.7m, but also claimed that the Issuer was obligated to pay Citi for certain alleged 'funding losses' from September 2008 to December 2012. In a June 2013 filing with the Court, Citi claimed that, in addition to the \$90.7m principal loss claim, it was also claiming funding losses in an amount of at least \$93.5m, consisting of alleged interest losses of over \$55m and alleged capital charges of \$38.5m. Both parties filed motions for partial summary judgement, and in November 2013 the SDNY ruled that: (i) Citi may only claim statutory prejudgment interest from 1 February 2013, the date upon which it made its indemnification demand on the Issuer; (ii) to the extent that Citi can prove it incurred actual funding losses in the form of interest and capital charges between September 2008 and December 2012, it is entitled to recover these losses under the indemnity provided by the Issuer; and (iii) the Issuer is entitled under the contract to demonstrate, as a defence to the funding loss claim, that Citi had no funding losses between September 2008 and December 2012 due to the fact that it held LBI deposits during that period in an amount greater than the principal amount Citi claims it lost in performing CLS services for LBI between 17 and 19 September 2008. Citi and the Issuer have

reached an agreement in principle to settle this action (subject to negotiation and execution of definitive documentation).

### *American Depositary Shares*

#### Background Information

Barclays PLC, the Issuer and various current and former members of Barclays PLC's Board of Directors have been named as defendants in five proposed securities class actions consolidated in the SDNY (the "**ADS Proceedings**"). The consolidated amended complaint, filed in February 2010, asserted claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933, alleging that registration statements relating to American Depositary Shares representing preferred stock, series 2, 3, 4 and 5 ("**Preferred Stock ADS**") offered by the Issuer at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) the Issuer's portfolio of mortgage-related (including US subprime-related) securities, the Issuer's exposure to mortgage and credit market risk, and the Issuer's financial condition.

#### Status

In January 2011, the SDNY granted the defendants' motion to dismiss the complaint in its entirety, closing the case. In February 2011, the plaintiffs filed a motion asking the SDNY to reconsider in part its dismissal order, and, in May 2011, the SDNY denied in full the plaintiffs' motion for reconsideration. The plaintiffs appealed both the dismissal and the denial of the motion for reconsideration to the Second Circuit.

In August 2013, the Second Circuit upheld the dismissal of the plaintiffs' claims related to the series 2, 3 and 4 offerings, finding that they were time barred. However, the Second Circuit ruled that the plaintiffs should have been permitted to file a second amended complaint in relation to the series 5 offering claims, and remanded the action to the SDNY for further proceedings consistent with the Second Circuit's decision. In September 2013, the plaintiffs filed a second amended complaint, which purports to assert claims concerning the series 5 offering as well as dismissed claims concerning the series 2, 3 and 4 offerings, and the defendants have moved to dismiss.

The Issuer considers that these Preferred Stock ADS-related claims against it are without merit and is defending them vigorously.

### *Mortgage-Related Activity and Litigation*

The Group's activities within the US residential mortgage sector during the period of 2005 through 2008 included sponsoring and underwriting 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**"); and sales of approximately \$3bn of loans to others. In addition, during this time period, approximately \$19.4bn of loans (net of approximately \$500m of loans sold during this period and subsequently repurchased) were also originated and sold to third parties by mortgage originator affiliates of an entity that the Group acquired in 2007 ("**Acquired Subsidiary**").

In connection with the Group's loan sales and sponsored private-label securitisations, the Group provided certain loan level representations and warranties ("**R&Ws**") generally relating to the underlying mortgages, the property, mortgage documentation and/or compliance with law. The Group was the sole provider of R&Ws with respect to approximately \$5bn of Group sponsored securitizations, approximately \$0.2bn of sales of loans to GSEs, and approximately \$3bn of loans sold to others. In addition, the Acquired Subsidiary was the sole provider of R&Ws on all of the loans it sold to third parties. Other than approximately \$1bn of loans sold to others for which R&Ws expired prior to 2012, there are no stated expiration provisions applicable to the R&Ws made by the Group or the Acquired Subsidiary. The Group's R&Ws with respect to the \$3bn of loans sold to others are

related to loans that were generally sold at significant discounts and contained more limited R&Ws than loans sold to GSEs, the loans sold by the Acquired Subsidiary or those provided by the Group on approximately \$5bn of the Group's sponsored securitisations discussed above. R&Ws on the remaining approximately \$34bn of the Group's sponsored securitisations were primarily provided by third party originators directly to the securitisation trusts with a Group subsidiary, as depositor to the securitisation trusts, providing more limited R&Ws. 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 2013 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 \$1.7bn at the time of such sale.

#### *Repurchase Claims*

Substantially all of the unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain residential mortgage-backed securities ("**RMBS**") securitisations, in which the trustees allege that the Group and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. The trustees in these actions have 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.

#### *Residential Mortgage-Backed Securities Claims*

The US Federal Housing Finance Agency ("**FHFA**"), acting for two US government-sponsored enterprises, Fannie Mae and Freddie Mac, filed lawsuits against 17 financial institutions in connection with Fannie Mae's and Freddie Mac's purchases of RMBS. The lawsuits allege, amongst other things, that the RMBS offering materials contained materially false and misleading statements and/or omissions. The Issuer and/or certain of its affiliates or former employees are named in two of these lawsuits, relating to sales between 2005 and 2007 of RMBS in which a Group subsidiary was lead or co-lead underwriter (the "**RMBS Proceedings**").

Both complaints demand, amongst other things: rescission and recovery of the consideration paid for the RMBS; and recovery for Fannie Mae's and Freddie Mac's alleged monetary losses arising out of their ownership of the RMBS. The complaints are similar to a number of other civil actions filed against the Issuer and/or certain of its affiliates by a number of other plaintiffs relating to purchases of RMBS.

The original face amount of RMBS related to the claims against the Group in the FHFA actions and the other civil actions referred to above against the Group totalled approximately \$9bn, of which approximately \$2.6bn was outstanding as at 31 December 2013. Cumulative losses reported on these RMBS as at 31 December 2013 were approximately \$0.5bn. If the Group were to lose these actions the Group believes it could incur a loss of up to the outstanding amount of the RMBS at the time of judgement (taking into account further principal payments after 31 December 2013), 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 reserves taken to date. The Group has estimated the total market value of these RMBS as at 31 December 2013 to be approximately \$1.6bn. The Group may be entitled to indemnification for a portion of such losses.

On 24 April 2014, the Issuer and certain of its affiliates and former employees agreed to a settlement of the FHFA's claims, which provides for a settlement of all claims against these entities and individuals in exchange for a payment of \$0.28bn by the Issuer.

#### **Regulatory Inquiries**

The Group has received inquiries, including subpoenas, from various regulatory and governmental authorities regarding its mortgage-related activities, and is cooperating with such inquiries.

### *Devonshire Trust*

#### Background Information

In January 2009, the Issuer commenced an action in the Ontario Superior Court seeking an order that its early terminations of two credit default swaps under an ISDA Master Agreement with the Devonshire Trust ("**Devonshire**"), an asset-backed commercial paper conduit trust, were valid (the "**Devonshire Proceedings**"). On the same day that the Issuer terminated the swaps, Devonshire purported to terminate the swaps on the ground that the Issuer had failed to provide liquidity support to Devonshire's commercial paper when required to do so.

#### Status

In September 2011, the Ontario Superior Court ruled that the Issuer's early terminations were invalid, Devonshire's early terminations were valid and, consequently, Devonshire was entitled to receive back from the Issuer cash collateral of approximately C\$533m together with accrued interest. The Issuer appealed the Ontario Superior Court's decision to the Court of Appeal for Ontario. In July 2013, the Court of Appeal delivered its decision dismissing the Issuer's appeal. In September 2013, the Issuer sought leave to appeal the decision to the Supreme Court of Canada. In January 2014, the Supreme Court of Canada denied the Issuer's application for leave to appeal the decision of the Court of Appeal. The Issuer is considering its continuing options with respect to this matter. If the Court of Appeal's decision is unaffected by any future proceedings, the Issuer estimates that its loss would be approximately C\$500m, less any impairment provisions recognised to date. These provisions take full account of the Court of Appeal's decision.

### *LIBOR and other Benchmarks Civil Actions*

Following the settlements of the investigations referred to below in 'Investigations into LIBOR, ISDAfix, other benchmarks and foreign exchange rates', 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. The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes in the US District Court for the Southern District of New York ("**MDL Court**"). The complaints are substantially similar and allege, amongst other things, that the Issuer and the other banks individually and collectively violated provisions of the US Sherman Act, the US Commodity Exchange Act ("**CEA**"), the US Racketeer Influenced and Corrupt Organizations Act ("**RICO**") and various state laws by manipulating USD LIBOR rates (the "**LIBOR Proceedings**"). The lawsuits seek unspecified damages with the exception of three lawsuits, in which the plaintiffs are seeking a combined total of approximately \$910m in actual damages against all defendants, including the Issuer, plus punitive damages. Some of the lawsuits seek trebling of damages under the US Sherman Act and RICO. Certain of the civil actions are proposed class actions that 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; or (v) issued loans linked to USD LIBOR.

In March 2013, the MDL Court issued a decision dismissing the majority of claims against the Issuer and the other banks in three lead proposed class actions ("**Lead Class Actions**") and three lead individual actions ("**Lead Individual Actions**"). Following the decision, plaintiffs in the Lead Class Actions sought permission to either file an amended complaint or appeal an aspect of the March 2013 decision. In August 2013, the MDL Court denied the majority of the motions presented in the Lead Class Actions. As a result, the Debt Securities Class has been dismissed entirely; the claims of the Exchange-Based Class have been limited to claims under the CEA; and the claims of the OTC Class

have been limited to claims for unjust enrichment and breach of the implied covenant of good faith and fair dealing. Subsequent to the MDL Court's March 2013 decision, the plaintiffs in the Lead Individual Actions filed a new action in California state court (since moved to the MDL Court) based on the same allegations as those initially alleged in the proposed class action cases discussed above. Various plaintiffs may attempt to bring appeals of some or all of the MDL Court's decisions in the future.

Additionally, a number of other actions before the MDL Court remain stayed, pending further proceedings in the Lead Class Actions.

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 courts to affect other litigation, including the actions described below, some of which concern different benchmark interest rates.

The Issuer and other banks also have been named as defendants in other individual and proposed class actions filed in other US District Courts in which plaintiffs allege, similar to the plaintiffs in the USD LIBOR cases referenced above, that in various periods defendants either individually or collectively manipulated the USD LIBOR, Yen LIBOR, Euroyen TIBOR and/or EURIBOR rates. Plaintiffs generally allege that they transacted in loans, derivatives and/or other financial instruments whose values are affected by changes in USD LIBOR, Yen LIBOR, Euroyen TIBOR and/or EURIBOR, and assert claims under federal and state law. In October 2012, the US District Court for the Central District of California dismissed a proposed class action on behalf of holders of adjustable rate mortgages linked to USD LIBOR. Plaintiffs have appealed, and briefing of the appeal is complete.

Barclays PLC has been granted conditional leniency from the Antitrust Division of the US Department of Justice ("**DOJ-AD**") in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR. As a result of that grant of conditional leniency, Barclays PLC is eligible for (i) a limit on liability to actual rather than treble damages if damages were to be awarded in any civil antitrust action under US antitrust law based on conduct covered by the conditional leniency and (ii) relief from potential joint-and-several liability in connection with such civil antitrust action, subject to Barclays PLC satisfying the DOJ-AD and the court presiding over the civil litigation of its satisfaction of its cooperation obligations.

Barclays PLC, the Issuer and BCI have also been named as defendants along with four former officers and directors of the Issuer in a proposed securities class action pending in the SDNY in connection with the Issuer's role as a contributor panel bank to LIBOR. The complaint asserts claims under Sections 10(b) and 20(a) of the US Securities Exchange Act 1934, principally alleging that the Issuer's Annual Reports for the years 2006 to 2011 contained misstatements and omissions concerning (amongst other things) the Issuer's compliance with its operational risk management processes and certain laws and regulations. The complaint also alleges that the Issuer's daily USD LIBOR submissions constituted false statements in violation of US securities law. The complaint was brought on behalf of a proposed class consisting of all persons or entities that purchased Barclays PLC-sponsored American Depositary Receipts on a US securities exchange between 10 July 2007 and 27 June 2012. In May 2013, the court granted the Issuer's motion to dismiss the complaint in its entirety. Plaintiffs have appealed, and briefing of the appeal is complete.

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, the benchmarks to which they relate, and the jurisdictions in which they may be brought are anticipated to increase over time.

#### *Civil Actions in Respect of Foreign Exchange Trading*

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 the Issuer (the “**FX Trading Proceedings**”).

Please see below '*Investigations into LIBOR, ISDAfix, other benchmarks and foreign exchange rates for a discussion of competition and regulatory matters connected to LIBOR and other Benchmark Civil Actions*'.

#### *Investigations into LIBOR, ISDAfix, other Benchmarks and Foreign Exchange Rates*

The FCA, the CFTC, the SEC, the US Department of Justice (“**DOJ**”) Fraud Section (“**DOJ-FS**”) and DOJ-AD, the European Commission (“**Commission**”), the UK Serious Fraud Office (“**SFO**”), the Monetary Authority of Singapore, the Japan Financial Services Agency, the prosecutors' office in Trani, Italy and various US state attorneys general are amongst various authorities conducting investigations (“**Investigations**”) into submissions made by the Issuer and other financial institutions to the bodies that set or compile various financial benchmarks, such as LIBOR and EURIBOR (the “**Benchmark Proceedings**”).

On 27 June 2012, the Issuer announced that it had reached settlements with the Financial Services Authority (“**FSA**”) (as predecessor to the FCA), the CFTC and the DOJ-FS in relation to their Investigations and the Issuer agreed to pay total penalties of £290m, which were reflected in operating expenses for 2012. The settlements were made by entry into a Settlement Agreement with the FSA, a Non-Prosecution Agreement (“**NPA**”) with the DOJ-FS and a Settlement Order Agreement with the CFTC (“**CFTC Order**”). In addition, the Issuer was granted conditional leniency from the DOJ-AD in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR.

The terms of the Settlement Agreement with the FSA are confidential. However, the Final Notice of the FSA, which imposed a financial penalty of £59.5m, is publicly available on the website of the FCA. This sets out the FSA's reasoning for the penalty, references the settlement principles and sets out the factual context and justification for the terms imposed. Summaries of the NPA and the CFTC Order are set out below. The full text of the NPA and the CFTC Order are publicly available on the websites of the DOJ and the CFTC, respectively.

In addition to a \$200m civil monetary penalty, the CFTC Order requires the Issuer to cease and desist from further violations of specified provisions of the US Commodity Exchange Act and take specified steps to ensure the integrity and reliability of its benchmark interest rate submissions, including LIBOR and EURIBOR, and improve related internal controls. Amongst other things, the CFTC Order requires the Issuer to:

- make its submissions based on certain specified factors, with the Issuer's transactions being given the greatest weight, subject to certain specified adjustments and considerations;
- implement firewalls to prevent improper communications including between traders and submitters;
- prepare and retain certain documents concerning submissions and retain relevant communications;
- implement auditing, monitoring and training measures concerning its submissions and related processes;
- make regular reports to the CFTC concerning compliance with the terms of the CFTC Order;
- use best efforts to encourage the development of rigorous standards for benchmark interest rates; and

- continue to cooperate with the CFTC's ongoing investigation of benchmark interest rates.

As part of the NPA, the Issuer agreed to pay a \$160m penalty. In addition, the DOJ agreed not to prosecute the Issuer for any crimes (except for criminal tax violations, as to which the DOJ cannot and does not make any agreement) related to the Issuer's submissions of benchmark interest rates, including LIBOR and EURIBOR, contingent upon the Issuer's satisfaction of specified obligations under the NPA. In particular, under the NPA, the Issuer agreed for a period of two years from 26 June 2012, amongst other things, to:

- commit no US crime whatsoever;
- truthfully and completely disclose non-privileged information with respect to the activities of the Issuer, its officers and employees, and others concerning all matters about which the DOJ inquires of it, which information can be used for any purpose, except as otherwise limited in the NPA;
- bring to the DOJ's attention all potentially criminal conduct by the Issuer or any of its employees that relates to fraud or violations of the laws governing securities and commodities markets; and
- bring to the DOJ's attention all criminal or regulatory investigations, administrative proceedings or civil actions brought by any governmental authority in the US by or against the Issuer or its employees that alleges fraud or violations of the laws governing securities and commodities markets.

A breach of any of the NPA provisions could lead to prosecutions in relation to the Group's benchmark interest rate submissions and could have significant consequences for the Group's current and future business operations in the US.

The Issuer also agreed to cooperate with the DOJ and other government authorities in the US in connection with any investigation or prosecution arising out of the conduct described in the NPA, which commitment shall remain in force until all such investigations and prosecutions are concluded. The Issuer also continues to cooperate with the other ongoing investigations.

Following the settlements announced in June 2012, 31 US state attorneys general commenced their own investigations into LIBOR, EURIBOR and the Tokyo Interbank Offered Rate. The New York Attorney General, on behalf of this coalition of attorneys general, issued a subpoena in July 2012 to the Issuer (and subpoenas to a number of other banks) to produce wide-ranging information and has since issued additional information requests to the Issuer for both documents and transactional data. The Issuer is responding to these requests on a rolling basis. In addition, following the settlements, the SFO announced in July 2012 that it had decided to investigate the LIBOR matter, in respect of which the Issuer has received and continues to respond to requests for information.

The Commission has also been conducting investigations into the manipulation of, among other things, EURIBOR. On 4 December 2013, the Commission announced that it has reached a settlement with the Group and a number of other banks in relation to anti-competitive conduct concerning EURIBOR. The Group had voluntarily reported the EURIBOR conduct to the Commission and cooperated fully with the Commission's investigation. In recognition of this cooperation, the Group was granted full immunity from the financial penalties that would otherwise have applied.

The CFTC and the FCA are also conducting separate investigations into historical practices with respect to ISDAfix, amongst other benchmarks. The Issuer has received and continues to respond to subpoenas and requests for information.

Various regulatory and enforcement authorities, including the FCA in the UK, the CFTC, the DOJ, the SEC and the New York State Department of Financial Services in the US, and the Hong Kong

Monetary Authority are investigating foreign exchange trading, including possible attempts to manipulate certain benchmark currency exchange rates or engage in other activities that would benefit their trading positions. Certain of these investigations involve multiple market participants in various countries. The Issuer has received enquiries from certain of these authorities related to their particular investigations, and from other regulators interested in foreign exchange issues. The Group is reviewing its foreign exchange trading covering a several year period through October 2013 and is cooperating with the relevant authorities in their investigations.

For a discussion of litigation arising in connection with these investigations see 'LIBOR and other Benchmarks Civil Actions' and 'Civil Actions in Respect of Foreign Exchange Trading' above.

## *FERC*

### Background Information

The US Federal Energy Regulatory Commission ("**FERC**") Office of Enforcement investigated the Group's power trading in the western US with respect to the period from late 2006 through 2008. In October 2012, FERC issued an Order to Show Cause and Notice of Proposed Penalties ("**Order and Notice**") against the Issuer and four of its former traders in relation to this matter (the "**FERC Proceedings**"). In the Order and Notice, FERC asserted that the Issuer 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 the Issuer. In July 2013, FERC issued an Order Assessing Civil Penalties in which it assessed a \$435m civil penalty against the Issuer and ordered the Issuer to disgorge an additional \$34.9m of profits plus interest (both of which are consistent with the amounts proposed in the Order and Notice).

### Status

In October 2013, FERC filed a civil action against the Issuer and its former traders in the US District Court in California seeking to collect the penalty and disgorgement amount. FERC's complaint in the civil action reiterates the allegations previously made by FERC in its October 2012 Order and Notice and its July 2013 Order Assessing Civil Penalties. The Issuer is vigorously defending this action. The Issuer and its former traders have filed a motion to dismiss the action for improper venue or, in the alternative, to transfer it to the SDNY, and a motion to dismiss the complaint for failure to state a claim. In September 2013, the Issuer was contacted by the criminal division of the US Attorney's Office in the Southern District of New York and advised that such office is looking at the same conduct at issue in the FERC matter.

## *BDC Finance L.L.C.*

### Background Information

In October 2008, BDC Finance L.L.C. ("**BDC**") filed a complaint in the Supreme Court of the State of New York ("**NY Supreme Court**") alleging that the Issuer breached an ISDA Master Agreement and a Total Return Loan Swap Master Confirmation ("**Agreement**") governing a total return swap transaction when it failed to transfer approximately \$40m of alleged excess collateral in response to BDC's October 2008 demand ("**Demand**") (the "**BDC Finance Proceedings**"). BDC asserts that under the Agreement the Issuer was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Issuer was entitled to do so, it failed to dispute the Demand. BDC demands damages totalling \$297m plus attorneys' fees, expenses, and prejudgement interest.

### Status

In August 2012, the NY Supreme Court granted partial summary judgement for the Issuer, ruling that the Issuer was entitled to dispute the Demand, before transferring the alleged excess collateral, but

determining that a trial was required to determine whether the Issuer actually did so. The parties cross-appealed to the Appellate Division of the NY Supreme Court ("**Appellate Division**"). In October 2013, the Appellate Division reversed the NY Supreme Court's grant of partial summary judgement to the Issuer, and instead granted BDC's motion for partial summary judgement, holding that the Issuer breached the Agreement. The Appellate Division did not rule on the amount of BDC's damages, which has not yet been determined by the NY Supreme Court. On 25 November 2013, the Issuer filed a motion with the Appellate Division for reargument or, in the alternative, for leave to appeal to the New York Court of Appeals. In January 2014, the Appellate Division issued an order denying the motion for reargument and granting the motion for leave to appeal to the New York Court of Appeals. 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 the Issuer and BCI in Connecticut state court for unspecified damages allegedly resulting from the Issuer'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.

### *Interchange Investigations*

The Office of Fair Trading, as well as other competition authorities elsewhere in Europe, continues to investigate Visa and MasterCard credit and debit interchange rates. The Group receives interchange fees, as a card issuer, from providers of card acquiring services to merchants. The key risks arising from the investigations comprise the potential for fines imposed by competition authorities, litigation and proposals for new legislation. The Group may be required to pay fines or damages and could be affected by legislation amending interchange rules.

### *Interest Rate Hedging Products*

In 2012, the Financial Services Authority announced that a number of UK banks, including the Group, would conduct a review and redress exercise in respect of interest rate hedging products sold on or after 1 December 2001 to retail clients or private customers categorised as being 'non-sophisticated'. The Group sold interest rate hedging products to approximately 4,000 retail clients or private customers within the relevant timeframe, of which approximately 2,900 have been categorised as non-sophisticated.

As at 31 December 2013 the Group recognised a provision of \$1,169m against the cost of redress for non-sophisticated customers and related costs, after cumulative utilisation of £331m to that date, primarily relating to administrative costs and £87m of redress costs incurred. An initial redress outcome had been communicated to nearly 30% of customers categorised as non-sophisticated that are being covered by the review.

While the Group expects that the provision as at 31 December 2013 will be sufficient to cover the full cost of completing the redress, the appropriate provision level will be kept under review and it is possible that the eventual costs could materially differ to the extent experience is not in line with current estimates.

### *Payment Protection Insurance Redress*

Following the conclusion of the 2011 Judicial Review regarding the assessment and redress of PPI, the Group has raised provisions totalling £3.95bn against the cost of PPI redress and complaint handling costs. As at 31 December 2013 £2.98bn of the provision had been utilised, leaving a residual provision of £0.97bn.

The current provision is calculated using a number of key assumptions which continue to involve significant management judgement. The resulting provision represents the Group's best estimate of all future expected costs of PPI redress. However, it is possible the eventual outcome may differ from the current estimate and if this were to be material and adverse a further provision will be made, otherwise it is expected that any residual costs will be handled as part of normal operations. The

provision also includes an estimate of the Group's claims handling costs and those costs associated with claims that are subsequently referred to the Financial Ombudsman Service ("**FOS**").

The Group will continue to monitor actual claims volumes and the assumptions underlying the calculation of its PPI provision. It is possible that the eventual costs may materially differ to the extent that actual experience is not in line with management estimates.

#### *Credit Default Swap ("**CDS**") Antitrust Investigations*

Both the Commission and the DOJ-AD have commenced investigations in the CDS market (in 2011 and 2009, respectively). In July 2013 the Commission addressed a Statement of Objections to the Issuer and 12 other banks, Markit and ISDA (the "**CDS Proceedings**"). The case relates to concerns that certain banks took collective action to delay and prevent the emergence of exchange traded credit derivative products. If the Commission does reach a decision in this matter it has indicated that it intends to impose sanctions. The Commission's sanctions can include fines. The DOJ-AD's investigation is a civil investigation and relates to similar issues. Proposed class actions alleging similar issues have also been filed in the US. The timing of these cases is uncertain.

#### *Swiss/US Tax Programme*

In August 2013, the DOJ and the Swiss Federal Department of Finance announced the Programme for Non-Prosecution Agreements or Non-Targeted letters for Swiss Banks ("**Programme**"). This agreement is the consequence of a long-running dispute between the US and Switzerland regarding tax obligations of US Related Accounts held in Swiss banks.

Barclays Bank (Suisse) SA and Barclays Bank PLC Geneva Branch are participating in the Programme, which requires a structured review of US accounts. This review is ongoing and the outcome of the review will determine whether any agreement will be entered into or sanction applied to Barclays Bank (Suisse) SA and Barclays Bank PLC Geneva Branch. The initial deadline for completion of the review was 30 April 2014. Consistent with terms described in the programme, the Issuer applied for a 60 day extension and received this extension. As a result, the date for completion is 30 June 2014.

#### *Investigations into Certain Agreements*

The FCA has investigated certain agreements, including two advisory services agreements entered into by the Issuer with Qatar Holding LLC ("**Qatar Holding**") in June and October 2008 respectively, and whether these may have related to the Group's capital raisings in June and November 2008 (the "**Qatar Holding Proceedings**").

The FCA issued warning notices ("**Warning Notices**") against Barclays PLC and the Issuer in September 2013. 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 Barclays PLC and the Issuer 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 Barclays PLC and the Issuer were in breach of certain disclosure-related listing rules and Barclays PLC was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the company's shares). In this regard, the FCA considers that Barclays PLC and the Issuer acted recklessly. The financial penalty in the Warning Notices against the Group is £50m. Barclays PLC and the Issuer continue to contest the findings.

The FCA proceedings are now subject to a stay pending progress in an investigation by the SFO into the same agreements. The SFO's investigation is at an earlier stage and the Group has received and has continued to respond to requests for further information.

The DOJ and the SEC are undertaking an investigation into whether the Group's relationships with third parties who assist the Group to win or retain business are compliant with the United States Foreign Corrupt Practices Act. They are also investigating the agreements referred to above including the two advisory services agreements. The US Federal Reserve has requested to be kept informed.

## **General**

The Group is engaged in various other legal, competition and regulatory matters both in the UK and a number of overseas jurisdictions which arise in the ordinary course of business from time to time. 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.

The outcomes of legal, competition and regulatory matters, including those disclosed above, are difficult to predict. The Group has not disclosed an estimate of the potential financial effect on the Group of contingent liabilities arising from or associated with these matters where it is not practicable to do so or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those matters where the Group is able reliably to estimate the probable losses where the probable loss is not de minimis.

## **Directors**

The Directors of the Issuer, each of whose business address is 1 Churchill Place, London E14 5HP, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Sir David Walker	Chairman	Member and Trustee Consultative Group on International Economic and Monetary Affairs, Inc. (Group of Thirty); Trustee, Cicely Saunders International
Antony Jenkins	Group Chief Executive	Director, The Institute of International Finance; Member, International Advisory Panel of the Monetary Authority of Singapore
Tushar Morzaria	Group Finance Director	
Tim Breedon CBE	Non-Executive Director	Non-Executive Director, Ministry of Justice Departmental Board
Crawford Gillies	Non-Executive Director	Non-Executive Director Standard Life plc; Non-

		Executive Director MITIE Group PLC; Chairman, Control Risks Group Limited; Chairman, Scottish Empire
Reuben Jeffery III	Non-Executive Director	Chief Executive Officer, Rockefeller & Co., Inc.; Chief Executive Officer, Rockefeller Financial Services Inc.; Member International Advisory Council of the China Securities Regulatory Commission; Member, Advisory Board of Towerbrook Capital Partners LP; Director, Financial Services Volunteer Corps; Member, International Advisory Committee, RIT PLC
Dambisa Moyo	Non-Executive Director	Non-Executive Director, SABMiller PLC; Non-Executive Director, Barrick Gold Corporation
Sir Michael Rake	Deputy Chairman and Senior Independent Director	Chairman, BT Group PLC; Director, McGraw-Hill Financial Inc.; President, Confederation of British Industry
Sir John Sunderland	Non-Executive Director	Chairman, Merlin Entertainments Group Limited; Non-Executive Director, AFC Energy plc; Governor, Reading University Council, Chancellor, Aston University
Diane de Saint Victor	Non-Executive Director	General Counsel, Company Secretary and a member of the Group Executive Committee of ABB Limited; Member, Advisory Board of the World Economic Forum's: Davos Open Forum
Frits van Paasschen	Non-Executive Director	CEO and President of Starwood Hotels and Resorts Worldwide Inc.
Mike Ashley	Non-Executive Director	Member, HM Treasury Audit

Committee; Member, Institute of Chartered Accountants in England & Wales' Ethics Standards Committee; Vice-Chair, European Financial Reporting Advisory Group's Technical Expert Group

Wendy Lucas-Bull

Non-Executive Director;  
Chairman of Barclays Africa Group Limited

Director, Afrika Tikkun NPC;  
Director, Peotona Group Holdings (Pty) Limited.

Stephen Thieke

Non-Executive Director

Barclays Africa Group Limited ("BAGL") is majority-owned by the Group and a minority of the voting capital is held by non-controlling third party interests. As such, procedures are in place to manage any potential conflicts of interest arising from Wendy Lucas-Bull's duties as a Non-Executive Director of the Issuer and her duties as Chairman of BAGL.

Except as stated above in respect of Wendy Lucas-Bull, no potential conflicts of interest exist between any duties to the Issuer of the Directors listed above and their private interests or other duties.

### **Employees**

As at 31 December 2013, the total number of persons employed by the Group (full time equivalents) was approximately 140,000 (31 December 2012: 139,200).

### **Significant Change Statement**

There has been no significant change in the financial or trading position of the Bank Group since 31 December 2013.

### **Material Adverse Change Statement**

There has been no material adverse change in the prospects of the Issuer since 31 December 2013.

### **Legal Proceedings**

Save as disclosed in respect of the Citi Proceedings, ADS Proceedings, and the RMBS Proceedings (in each case under the section headed, "Legal, Competition and Regulatory Matters" above), and the Devonshire Proceedings, LIBOR Proceedings, FX Trading Proceedings, Benchmark Proceedings, FERC Proceedings, BDC Finance Proceedings, CDS Proceedings and Qatar Holding Proceedings (in each case under the section headed, "Regulatory Inquiries" above), there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the 12 months preceding the date of this Registration Document, a significant effect on the financial position or profitability of the Issuer and/or the Bank Group.

### **Auditors**

The annual consolidated and unconsolidated financial statements of the Issuer for the two years ended 31 December 2012 and 31 December 2013 have been audited without qualification by



PricewaterhouseCoopers LLP ("**PricewaterhouseCoopers**") of 1 Embankment Place, London WC2N 6RH, United Kingdom, chartered accountants and statutory auditors (authorised and regulated by the Financial Conduct Authority for designated investment business). The financial information contained in this Registration Document in relation to the Issuer does not constitute its statutory accounts for the two years ended 31 December 2013. The Issuer's annual report and accounts (containing its consolidated and unconsolidated audited financial statements), which constitute the Issuer's statutory accounts within the meaning of section 434 of the Companies Act 2006 relating to each complete financial year to which such information relates, have been delivered to the Registrar of Companies in England. PricewaterhouseCoopers has reported on the Issuer's statutory accounts, and such reports were unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006. PricewaterhouseCoopers' report contained the following statement: "Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law as ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the 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 to any person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing."

## DOCUMENTS AVAILABLE

For as long as this Registration Document remains in effect or any securities issued in conjunction with this Registration Document remain outstanding, copies of the following documents will, when available, be made available during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection and in the case of (b), (c), (d) and (e) below shall be available for collection free of charge, at the registered office of the Issuer and at <http://www.barclays.com/barclays-investor-relations/results-and-reports/results.html>:

- (a) the constitutional documents of the Issuer;
- (b) the documents set out in the "*INFORMATION INCORPORATION BY REFERENCE*" section of this Registration Document;
- (c) all future annual reports and semi-annual financial statements of the Issuer;
- (d) the current Registration Document; and
- (e) any other future documents and/or announcements issued by the Issuer.