

17 January 2018

Dear Member

**Barclays Bank UK Retirement Fund (UKRF) – UK Ring-Fencing**

Members will be aware of the agreements reached with Barclays in respect of the UKRF 2016 valuation and Barclays UK ring-fencing plans communicated to members in the Trustee 2017 newsletter. Unfortunately, media coverage has not reflected key elements of the measures agreed to support the UKRF and therefore portrays an inaccurate picture. The Trustee disagrees with the press opinion and the way in which the agreements have been represented in the press.

Please accept my personal assurance that the interests of all beneficiaries of the UKRF were uppermost in the Trustee directors' minds at all times in reaching these agreements with Barclays. I, together with each of my fellow Trustee directors, am firmly of the view that we have achieved the Trustee's aim of retaining a similar level of security for the UKRF and its beneficiaries as is currently enjoyed. In summary:

- As a result of the agreements reached, post-ringfencing the UKRF remains in a position that ensures that all members of the fund can be confident of the pension promise earned during their employment with Barclays;
- The UKRF will retain the full support of the Barclays group, meaning both the ring-fenced bank and the non ring-fenced bank, until 2025. Beyond 2025, when changes have to be implemented to comply with the ring-fencing regulations, the measures agreed have been designed to give continued security to pension fund members;
- Until the UKRF has reached a fully funded self-sufficiency position, a pool of high quality assets (up to £9bn), held by a third party custodian, will be available for the UKRF Trustee to access in the event that Barclays does not meet its commitments to the UKRF;
- The funding plan agreed with Barclays is designed to enable the UKRF to be fully funded by 2026 and to have a significantly lower investment risk profile;
- Barclays Bank PLC (the principal employer of the UKRF) comprises a number of strong business units (including Corporate Banking, Barclaycard International, Investment Bank) and post the split out of the ring-fenced bank, will continue to be substantially the larger of Barclays' businesses; and
- The Trustee will continue to monitor the position and will seek additional funding (or enter into other appropriate arrangements) at future valuations if the funding position deteriorates.

For more information, please read the full statement set out below.

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As a result of the agreements reached, the UKRF is in the position that ensures that post-ringfencing all members of the UKRF can remain confident of the pension promise earned during their employment with Barclays. The protections in place for the UKRF, through the measures agreed with Barclays, give the UKRF the security from the whole Barclays group between now and 2025. Beyond 2025 when the pension ring-fencing rules become effective the measures have been designed to give continued security to pension fund members whilst complying with the requirements of those rules.

On the specific issue of the principal employer of the UKRF, regardless of whether the UKRF stayed with the non ring-fenced bank (Barclays Bank PLC (BBPLC)) or moved to the ring-fenced bank (Barclays Bank UK PLC (BBUKPLC)), additional measures would need to be agreed to ensure appropriate support for the UKRF going forward. The ring-fenced bank would not, in isolation, have been able to support the UKRF to the degree required to meet the Trustees objectives. The Trustee was able to conclude that its objectives had been met with the UKRF staying with BBPLC in conjunction with the components of the agreed measures.

Also, the activities of BBPLC have been consistently misrepresented in the press articles (as a “casino bank”) despite our continued explanation of the size, reduced risk profile and span of this business and its ability to support the UKRF.

I have set out below more detail on the facts of the measures agreed.

The matters surrounding the UKRF’s 2016 actuarial valuation and the impact on the UKRF of the ring-fencing of Barclays’ UK retail bank are complex. As you would expect, they took up a great deal of the Trustee board’s time over the 18 months to July of last year, when the valuation and legal documents were finally agreed with Barclays and signed.

I would like to assure members that there were no hasty agreements from the Trustee and that each single element of the complex agreements between the Trustee and Barclays was subject to the same degree of rigour.

The Trustee board did not enter the agreements without first seeking an extensive level of independent external expert input throughout the negotiation from professional actuarial, legal and financial advisers.

There was also a detailed dialogue with the Pensions Regulator as the negotiations progressed.

The key points of the agreements are as follows:

- The deficit contributions to the UKRF from BBPLC are designed to eliminate the UKRF’s deficit by September 2026, by which time the UKRF’s investments will be substantially de-risked so that the UKRF is expected to be largely self-sufficient. The objective of being self-sufficient is such that a future deficit is less likely to arise and the UKRF’s reliance on the principal employer and its group to fund a shortfall is lower. So, by 2025 when BBUKPLC is expected to exit, the intention and plan is that the UKRF will be well-funded and less prone to future deficits (that is far less reliant on the future profitability of its then principal employer than the UKRF is today).
- Under ring-fencing legislation (the Banking Reform pension regulations), the ring-fenced bank cannot share or subsidise other, non ring-fenced, entities’ pension liabilities after the end of 2025. However, the ring-fenced bank is now an employer in the UKRF and it is anticipated that this will remain the case until mid to late 2025. If BBPLC were to go insolvent after ring-fencing and while the ring-fenced bank participates as an employer (i.e., between 1 April 2018 and mid to late 2025), then the ring-fenced bank is obliged to take on BBPLC’s role as principal employer of the UKRF (which would benefit from any recovery of the collateral assets securing BBPLC’s obligations). Provided BBPLC remains creditable, the ring-fenced bank will leave the UKRF as an employer in mid to late 2025.

- BBPLC will remain as the principal employer of the UKRF when the ring-fenced bank leaves the UKRF as an employer in mid to late 2025. The Trustee accepted this on the basis that the agreed measures adequately address the impact of ring-fencing on BBPLC's ability to support the UKRF and the UKRF's deficit. The Banking Reform pension regulations do not specify how a bank should comply with the requirement to not have shared pension liabilities post 2025. BBPLC remains a strong entity and has been the principal employer of the UKRF since the early 1970s, so the arrangements agreed retain that position.
- Until the UKRF has reached a fully funded self-sufficiency position, the UKRF will hold formal legal security over a pool of high quality assets owned by BBPLC, held with an independent third party custodian and subject to daily valuation to the satisfaction of the Trustee. This arrangement will remain in place beyond 2025 if self-sufficiency is not attained at that time. Contrary to the opinion expressed in the press, the UKRF can enforce the security and take the collateral assets if BBPLC either defaults in paying a deficit contribution or goes insolvent. This is a very significant element of future security for the UKRF and its members such that, if BBPLC defaulted on its obligations to the UKRF, the collateral assets should restore the UKRF's funding position near to 100% immediately (making it a secured creditor rather than the current position of unsecured creditor for the deficit funding).
- Also, until the UKRF has reached a fully funded self-sufficiency position, if BBPLC fails to make a deficit contribution by a specified due date, additional support will be provided by Barclays PLC using dividends (if any) it receives from the ring-fenced bank. This arrangement stays in place beyond 2025 if the UKRF is not fully funded by that time.

As a consequence of the measures agreed I, together with each of my fellow Trustee directors, am firmly of the view that we have achieved the Trustee's aim of retaining a similar level of security for the UKRF and its beneficiaries as is currently enjoyed. Regarding where the UKRF will sit in the future Barclays structure, we are confident that the strength of covenant along with the support measures agreed continue to place all members of the UKRF in a position where they should not have concerns regarding the future security for payment of their pensions.

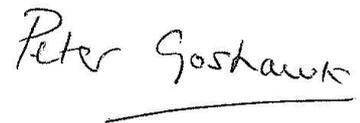
We are currently making very good progress with the investment de-risking plan and the reduction in the deficit funding position and will be issuing a newsletter to all members updating on this in late February 2018.

The recent media coverage focuses on the placing of the UKRF with BBPLC as the basis for its conclusion that UKRF members might, as a result, be worse off under the Barclays' ring-fencing transfer scheme and infers that BBPLC is made up solely of the Barclays Investment Bank which is not the case. I and my fellow Trustee directors disagree with the conclusions and opinions of the journalists. BBPLC, post- ringfencing, will continue to be the largest of Barclays' businesses, anticipating an equally strong credit rating as the newly created ring-fenced bank, comprising a number of strong business units, including Corporate Banking and Barclaycard International in addition to the Investment Bank. The Trustee has taken, and will continue to take, advice from external covenant advisory specialists to assess the strength of BBPLC to support the UKRF. I can confirm to you that the Trustee has confirmed to Barclays that it will not be making any objection to the ring-fencing transfer scheme.

I have spoken to Barclays about the issues referred to in the press in respect of challenges with the ring-fence transfer scheme information portal and understand there are no issues with the portal and the three channels, in person, by post and electronic filing, all remain available. Barclays has updated its website with additional guidance on using the electronic filing route (<https://www.home.barclays/about-barclays/ring-fencing-explained.html>).

Please accept my personal assurance that the interests of all beneficiaries of the UKRF were uppermost in the Trustee directors' minds at all times throughout this process. I myself and some of my fellow Trustee directors are pensioners and deferred members of the UKRF. We fully understand the needs of the UKRF members to have assurance over the future security of their pensions and we are committed to doing everything possible to ensure that the UKRF meets its obligations to all of its beneficiaries.

Yours faithfully

A handwritten signature in black ink that reads "Peter Goshawk". The signature is written in a cursive style and is underlined with a single horizontal line.

Chairman  
Barclays Pension Funds Trustees Limited (trustee of the Barclays Bank UK Retirement Fund)