BARCLAYS PLC
Form 6-K
March 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

March 03, 2015

Barclays PLC and
Barclays Bank PLC
(Names of Registrants)

1 Churchill Place
London E14 5HP
England

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Report is a joint Report on Form 6-K filed by Barclays PLC and Barclays Bank PLC. All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC.

This Report comprises:

Information given to The London Stock Exchange and furnished pursuant to General Instruction B to the General Instructions to Form 6-K.

EXHIBIT INDEX

Final Results - dated 03 March 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARCLAYS PLC
(Registrant)

Date: March 03, 2015

By: /s/ Marie Smith

Marie Smith
Assistant Secretary

BARCLAYS BANK PLC
(Registrant)

Date: March 03, 2015

By: /s/ Marie Smith

Marie Smith
Assistant Secretary

Barclays PLC
Results Announcement

31 December 2014

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BARCLAYS PLC, 1 CHURCHILL PLACE, LONDON, E14 5HP, UNITED KINGDOM. TELEPHONE: +44 (0) 20 7116 1000. COMPANY NO. 48839

Notes
The term Barclays or Group refers to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2014 to the corresponding twelve months of 2013 and balance sheet analysis as at 31 December 2014 with comparatives relating to 31 December 2013. The abbreviations '£m' and '£bn' represent millions and thousands of millions of Pounds Sterling respectively; and the abbreviations '$m' and '$bn' represent millions and thousands of millions of US Dollars respectively.
The comparatives have been restated to reflect the implementation of the Group structure changes and the reallocation of elements of the Head Office results under the revised business structure. These restatements were detailed in our announcement on 10 July 2014, accessible at http://www.barclays.com/barclays-investor-relations/results-and-reports.
Balance sheet comparative figures have also been restated to adopt the offsetting amendments to IAS 32, Financial Instruments: Presentation.
References throughout this Results Announcement to 'provisions for ongoing investigations and litigation relating to Foreign Exchange' means a provision of £1,250m held as at 31 December 2014 for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange.

Adjusted profit before tax, adjusted attributable profit and adjusted performance metrics have been presented to provide a more consistent basis for comparing business performance between periods. Adjusting items are considered to be significant but not representative of the underlying business performance. Items excluded from the adjusted measures are: the impact of own credit; goodwill impairment; provisions for Payment Protection Insurance and claims management costs (PPI) and interest rate hedging redress; gain on US Lehman acquisition assets; provision for ongoing investigations and litigation relating to Foreign Exchange; loss on announced sale of the Spanish business; and Education, Social Housing, and Local Authority (ESHLA) valuation revision. As management reviews adjusting items at a Group level, results by business are presented excluding these items. The reconciliation of adjusted to statutory performance is done at a Group level only.

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

This results announcement has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and should be read in conjunction with the annual financial statements for the year ended 31 December 2014 included in the Annual Report, which have been prepared in accordance with IFRS as adopted by the European Union. The information in this announcement, which was approved by the Board of Directors on 2 March 2015 does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014, which include certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC pursuant to the rules of the US Securities and Exchange Commission (SEC) (2014 20-F) and which contain an unqualified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

These results will be furnished as a Form 6-K to the SEC as soon as practicable following their publication. Once furnished to the SEC, copies of the Form 6-K will also be available from the Barclays Investor Relations website www.barclays.com/investorrelations and from the SEC's website at http://www.sec.gov.

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

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. Barclays 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 or savings, original and revised commitments and targets in connection with the Transform Programme and Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under IFRS, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of the Group; the potential for one or more countries exiting the Eurozone; the impact of EU and US sanctions on Russia; 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 our filings with the SEC including our Annual Report on Form 20-F for the fiscal year ended 31 December 2013, which are available on the SEC's website at http://www.sec.gov; and in our Annual Report for the fiscal year ended 31 December 2014, which is available on the Barclays Investor Relations website at www.barclays.com/investorrelations.

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 (the LSE) or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Barclays' 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 Barclays 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, including the 2014 20-F.

Performance Highlights

Steady progress towards our Transform targets. Higher Group and Core profit before tax were driven by focused cost saving initiatives. Significant Non-Core run down throughout the year contributed to strengthening of Group capital and leverage ratios

Group adjusted profit before tax increased 12% to £5,502m with Core profit before tax increasing 3% to £6,682m and areduction in Non-Core loss before tax of 24% to £1,180m

Total adjusted operating expenses decreased 9% to £18,069m driven by savings from Transform programmes, including a 5% net reduction in headcount. Operating expenses excluding costs to achieve Transform reduced £1,780m to £16,904m

Credit impairment charges reduced 29% to £2,168m, with a £732m reduction in Non-Core to £168m and an 8% reduction in the Core business to £2,000m

Within the Core business, Personal & Corporate Banking (PCB) and Barclaycard continued to grow profits, with both increasing income and reducing operating expenses excluding costs to achieve Transform. Africa Banking reported improved constant currency results, with reported results impacted by adverse currency movements. The Investment Bank made further progress on its strategic repositioning whilst driving cost savings and RWA efficiencies, despite challenging market conditions impacting income. Core return on average equity excluding costs to achieve Transform of 10.9% (2013: 12.7%)

Non-Core run-down made good progress, with RWAs reducing £35bn to £75bn. Period end allocated equity reduced £4bn to £11bn

Fully loaded CRD IV Common Equity Tier 1 (CET1) ratio increased to 10.3% (2013: 9.1%) achieving further progress towards the 2016 Transform target in excess of 11%. The improvement was mainly driven by a £40.6bn reduction in RWAs to £402bn, demonstrating good progress on the Non-Core run-down, and capital growth to £41.5bn (2013: £40.4bn). Including the sale of the Spanish business, completed on 2 January 2015, the fully loaded CRD IV CET1 ratio would have increased to 10.5% as at 31 December 2014

The BCBS 270 leverage ratio increasedto 3.7% (September 2014: 3.5%), close to our 2016 Transform target in excess of 4%. The increase was due to a significant reduction in leverage exposure in Q414 to £1,233bn (September 2014: £1,324bn) driven by a seasonal reduction in settlement balances and continued reductions in Non-Core leverage exposure

Net tangible asset value per share increased to 285p (2013: 283p)

Material adjusting items:

A valuation revision of £935m was recognised in Q414 against the Education, Social Housing, and Local Authority (ESHLA) loan portfolio held at fair value in Barclays Non-Core. This is due to changes in discount rates applied in the valuation methodology. This revision does not impact either the CET1 or leverage ratio

A provision of £1,250m was recognised in H214 for ongoing investigations and litigation relating to Foreign Exchange. This included an additional provision of £750m recognised in Q414

An additional PPI redress provision of £200m was recognised in Q414 based on an updated best estimate of future redress and associated costs, resulting in a full year net charge of £1,110m in relation to PPI and interest rate hedging redress

A £461m gain on US Lehman acquisition assets was recognised in Q314 (Q213: £259m)

A loss was realised on the announced sale of the Spanish business of £446m in Q3 and Q414, which completed on 2 January 2015. In addition, accumulated currency translation reserve losses of approximately £100m will be recognised on completion in Q115

Barclays Group results	Adjusted			Statutory		
for the year ended	31.12.14	31.12.131		31.12.14	31.12.13	
	£m	£m	% Change	£m	£m	% Change
Total income net of insurance claims	25,728	27,896	(8)	25,288	27,935	(9)
Credit impairment charges and other provisions	(2,168)	(3,071)	29	(2,168)	(3,071)	29
Net operating income	23,560	24,825	(5)	23,120	24,864	(7)
Operating expenses	(15,993)	(17,739)	10	(15,993)	(17,818)	10
Litigation and conduct	(449)	(441)	(2)	(2,809)	(2,441)	(15)
UK bank levy	(462)	(504)	8	(462)	(504)	8
Operating expenses excluding costs to achieve Transform	(16,904)	(18,684)	10	(19,264)	(20,763)	7
Costs to achieve Transform	(1,165)	(1,209)	4	(1,165)	(1,209)	4
Total operating expenses	(18,069)	(19,893)	9	(20,429)	(21,972)	7
Loss on announced sale of the Spanish business	-	-		(446)	-	
Other net income/(expense)	11	(24)		11	(24)	

Profit before tax	5,502	4,908	12	2,256	2,868	(21)
Tax charge	(1,704)	(1,963)	13	(1,411)	(1,571)	10
Profit after tax	3,798	2,945	29	845	1,297	(35)
Non-controlling interests	(769)	(757)	(2)	(769)	(757)	(2)
Other equity interests2	(250)	-		(250)	-	
Attributable profit	2,779	2,188	27	(174)	540	
Performance measures						
Return on average tangible shareholders' equity2	5.9%	4.8%		(0.3%)	1.2%	
Return on average shareholders' equity2	5.1%	4.1%		(0.2%)	1.0%	
Cost: income ratio	70%	71%		81%	79%	
Loan loss rate (bps)	46	64		46	64	
Basic earnings per share2	17.3p	15.3p		(0.7p)	3.8p	
Dividend per share	6.5p	6.5p		6.5p	6.5p	
Balance sheet and leverage						
Net tangible asset value per share				285p	283p	
Net asset value per share				335p	331p	
BCBS 270 leverage exposure				£1,233bn	n/a	
Capital management						
CRD IV fully loaded						
Common equity tier 1 ratio				10.3%	9.1%	
Common equity tier 1 capital				£41.5bn	£40.4bn	
Tier 1 capital				£46.0bn	£42.7bn	
Risk weighted assets				£402bn	£442bn	
BCBS 270 leverage ratio				3.7%	n/a	
Funding and liquidity						
Group liquidity pool				£149bn	£127bn	
Estimated CRD IV liquidity coverage ratio				124%	96%	
Loan: deposit ratio3				89%	91%	
Adjusted profit reconciliation						
Adjusted profit before tax				5,502	4,908	
Own credit				34	(220)	
Goodwill impairment				-	(79)	
Provisions for PPI and interest rate hedging redress				(1,110)	(2,000)	
Gain on US Lehman acquisition assets1				461	259	
Provision for ongoing investigations and litigation relating to Foreign Exchange				(1,250)	-	
Loss on announced sale of the Spanish business				(446)	-	
ESHLA valuation revision				(935)	-	
Statutory profit before tax				2,256	2,868	

1 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year.

2 The profit after tax attributable to other equity holders of £250m (2013: £nil) is offset by a tax credit recorded in reserves of £54m (2013: £nil). The net amount of £196m, along with non-controlling interests (NCI) is deducted from profit after tax in order to calculate earnings per share, return on average tangible shareholders' equity and return on average shareholders' equity.

3 Loan: deposit ratio for PCB, Barclaycard, Africa Banking and Non-Core retail.

Barclays Core and Non-Core results for the year ended	Barclays Core			Barclays Non-Core		
	31.12.14	31.12.131		31.12.14	31.12.13	
	£m	£m	% Change	£m	£m	% Change
Total income net of insurance claims	24,678	25,603	(4)	1,050	2,293	(54)
Credit impairment charges and other provisions	(2,000)	(2,171)	8	(168)	(900)	81
Net operating income	22,678	23,432	(3)	882	1,393	(37)
Operating expenses	(14,483)	(15,809)	8	(1,510)	(1,930)	22
Litigation and conduct	(251)	(173)	(45)	(198)	(268)	26
UK bank levy	(371)	(395)	6	(91)	(109)	17
Costs to achieve Transform	(953)	(671)	(42)	(212)	(538)	61
Total operating expenses	(16,058)	(17,048)	6	(2,011)	(2,845)	29
Other net income/(expense)	62	86	(28)	(51)	(110)	54
Profit/(loss) before tax	6,682	6,470	3	(1,180)	(1,562)	24
Tax (charge)/credit	(1,976)	(1,754)	(13)	272	(209)	
Profit/(loss) after tax	4,706	4,716	-	(908)	(1,771)	49
Non-controlling interests	(648)	(638)	(2)	(121)	(119)	(2)
Other equity interests	(194)	-		(56)	-	
Attributable profit/(loss)	3,864	4,078	(5)	(1,085)	(1,890)	43
Performance measures						
Return on average tangible equity2	11.3%	14.4%		(5.4%)	(9.6%)	
Average allocated tangible equity (£bn)	£35bn	£28bn		£13bn	£17bn	
Return on average equity2	9.2%	11.3%		(4.1%)	(7.2%)	
Average allocated equity (£bn)	£42bn	£36bn		£13bn	£17bn	
Period end allocated equity (£bn)	£45bn	£39bn		£11bn	£15bn	
Cost: income ratio	65%	67%		n/a	n/a	
Basic earnings per share contribution	24.0p	28.5p		(6.7p)	(13.2p)	
Capital management						
Risk weighted assets	£327bn	£333bn		£75bn	£110bn	
BCBS 270 leverage exposure	£956bn	n/a		£277bn	n/a	

	31.12.14	31.12.13	
Income by business	£m	£m	% Change
Personal and Corporate Banking	8,828	8,723	1
Barclaycard	4,356	4,103	6
Africa Banking	3,664	4,039	(9)
Investment Bank1	7,588	8,596	(12)
Head Office	242	142	70
Barclays Core	24,678	25,603	(4)

Barclays Non-Core	1,050	2,293	(54)
Barclays Group adjusted income	25,728	27,896	(8)

	31.12.14	31.12.13	
Profit/(loss) before tax by business	£m	£m	% Change
Personal and Corporate Banking	2,885	2,233	29
Barclaycard	1,339	1,183	13
Africa Banking	984	1,049	(6)
Investment Bank1	1,377	2,020	(32)
Head Office	97	(15)	
Barclays Core	6,682	6,470	3
Barclays Non-Core	(1,180)	(1,562)	24
Barclays Group adjusted profit before tax	5,502	4,908	12

1 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year.

2 Return on average equity and average tangible equity for Barclays Non-Core represents its impact on the Group, being the difference between Barclays Group returns and Barclays Core returns. This does not represent the return on average equity and average tangible equity of the Non-Core business.

Group Chief Executive Officer's Review

"Barclays today is a stronger business, with better prospects, than at any time since the financial crisis.

While our work in transforming the bank is not complete, our performance in 2014 gives us confidence that we are on the right track.

Group adjusted profit before tax increased 12% year on year. Our Personal and Corporate Banking and Barclaycard businesses continue to thrive and grow, Africa Banking has done well despite currency headwinds, and we saw encouraging performance in several areas of our Investment Bank.

We made good progress against our Transform 2016 targets during the year, notably on cost, capital, and leverage, providing further evidence that our strategy is working.

On cost, we delivered significant reductions in 2014, with operating costs reducing nearly £1.8bn, equivalent to 10% of the Group adjusted cost base excluding costs to achieve Transform. This achievement over the past twelve months, with further reductions to come in 2015, will better position Barclays to grow returns and drive sustainable competitive advantages across all of our businesses. In our Core business, the future of Barclays, adjusted Return on Equity was nearly 11% excluding costs to achieve Transform, tracking well towards the 12% plus we are targeting for 2016. Barclays Non-Core run-down is ahead of target, with RWAs reducing by nearly £35bn to £75bn, and its RoE dilution reducing from 7.2% to 4.1%.

We made substantial progress in strengthening our capital position in 2014. Our fully loaded CET1 ratio improved to 10.5%, taking into account the effect of the disposal of our Spanish business completed on 2 January 2015 and a further provision in Q4 for ongoing investigations and litigation relating to Foreign Exchange, compared to 9.1% a year ago. Equally important, our leverage ratio increased to 3.7%. This means we are now well positioned to achieve the Transform 2016 targets of greater than 11% and 4% respectively.

In terms of dividends, we declared a cash dividend of 6.5p for 2014 despite the impact of provisions for conduct items. We have a growing confidence in the capital position of the Group and continue to target a 40-50% payout ratio.

Barclays is also making steady progress on the targets in our Balanced Scorecard, implemented across the organisation for the first time this year. Specific measures across Customers and Clients, Colleagues, Conduct, Citizenship, and Company - tied directly to executive and staff appraisals and remuneration - ensure that we are delivering performance in the right way, in line with our purpose and values.

We remain focussed on addressing outstanding conduct issues, including those relating to Foreign Exchange trading. I regard the behaviour at the centre of these investigations as wholly incompatible with our values, and I share the frustration of colleagues and shareholders that matters like these continue to cast a shadow over our business. But resolving these issues is an important part of our plan for Barclays and, although it may be difficult, I expect that we will make significant progress in this area in 2015.

So despite our real progress in 2014, we still have more work to do. We are determined to build on the momentum across the Group, to continue to improve returns across our businesses, and to accelerate execution of our plans.

2015 will be a year of continued delivery for Barclays."

Antony Jenkins, Group Chief Executive

Group Finance Director's Review

Income statement
Group performance
Adjusted profit before tax increased 12% to £5,502m driven by improvements in PCB, Barclaycard and Non-Core, partially offset by a reduction in the Investment Bank and adverse currency movements impacting Africa Banking
reported results

Adjusted income decreased 8% to £25,728m whilst impairment reduced 29% to £2,168m, resulting in a 5% decrease in net operating income to £23,560m

Total adjusted operating expenses were down 9% to £18,069m, driven by savings from Transform programmes, including a 5% net reduction in headcount, and currency movements
- Total compensation costs decreased 8% to £8,891m, with the Investment Bank reducing 9% to £3,620m, reflecting reduced headcount, and lower deferred and current year bonus charges
- Operating expenses excluding costs to achieve Transform were £16,904m (2013: £18,684m). Costs to achieve Transform were £1,165m (2013: £1,209m)

Statutory profit before tax was £2,256m (2013: £2,868m) principally reflecting an additional £1,110m (2013: £2,000m) net provision for PPI and interest rate hedging redress, a gain on US Lehman acquisition assets of £461m (2013:
£259m), a £1,250m provision for ongoing investigations and litigation relating to Foreign Exchange, a £446m loss on the announced sale of the Spanish business, and a £935m ESHLA valuation revision

The effective tax rate on adjusted profit before tax decreased to 31.0% (2013: 40.0%) and on statutory profit before tax increased to 62.5% (2013: 54.8%), principally due to non-deductible expenses, including the provision for ongoing investigations and litigation relating to Foreign Exchange. Additionally, the 2013 effective tax rate included a £440m write down of deferred tax assets in Spain

Adjusted group attributable profit was £2,779m (2013: £2,188m), increasing the adjusted Group return on average shareholders' equity to 5.1% (2013: 4.1%)

Core performance

Profit before tax increased 3% to £6,682m, as improvements in PCB and Barclaycard were partially offset by a reduction in the Investment Bank and currency movements impacting the reported results of Africa Banking

Income decreased 4% to £24,678m, reflecting a 12% reduction in the Investment Bank to £7,588m and a reduction in Africa Banking due to adverse currency movements, partially offset by growth in Barclaycard and PCB. Investment Bank Q414 income was down 7% to £1,666m relative to Q413 due to reduced client activity and lower volatility in Credit and Macro, which were down 25% and 14% respectively

Net interest income in PCB, Barclaycard and Africa Banking increased 4% to £11,435m driven by strong income growth in PCB and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements. This resulted in a net interest margin of 4.08% (2013: 4.02%)

Credit impairment charges improved 8% to £2,000m, reflecting lower impairments in PCB due to the improving UK economic environment, particularly impacting Corporate which benefitted from one-off releases and lower defaults from large UK Corporate clients, and reduced impairments in the Africa Banking South Africa mortgages portfolio. Q414 credit impairment charges increased to £573m (Q314: £509m) due to enhanced coverage for forbearance in Barclaycard

Total operating expenses decreased 6% to £16,058m, reflecting significant savings from Transform programmes across the businesses, partially offset by higher costs to achieve Transform of £953m (2013: £671m). Costs to achieve Transform increased in Q414 to £298m (Q314: £202m) predominantly within PCB, due to restructuring of the branch network and technology improvements to increase automation

Attributable profit decreased to £3,864m (2013: £4,078m), reflecting a higher effective tax rate principally due to the non-recurrence of a tax credit, which reduced the rate in 2013, and distributions to other equity holders in relation to Additional Tier 1 (AT1) instruments in 2014. Average allocated equity increased to £42bn (2013: £36bn), resulting in the Core return on equity decreasing to 9.2% (2013: 11.3%)

Non-Core performance

Loss before tax reduced 24% to £1,180m, reflecting:

- Lower income of £1,050m (2013: £2,293m) following assets and securities run-down, and business disposals, partially offset by a £119m gain on sale of the UAE retail banking portfolio
- An improvement in credit impairment charges of £732m to £168m driven by the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio and improved performance in Europe
- A 29% reduction in total operating expenses to £2,011m reflecting savings from Transform programmes, including lower headcount and the results of the previously announced European retail restructuring, and reduced costs to achieve Transform of £212m (2013: £538m)

The Non-Core dilution on the Group's return on equity improved to 4.1% (2013: 7.2%) reflecting a £35bn reduction in RWAs

Balance sheet and leverage

Balance sheet

Total assets remained broadly in line at £1,358bn (2013: £1,344bn)

- Derivative assets increased £90bn to £440bn, consistent with the increase in derivative liabilities of £92bn to £439bn, primarily due to an increase in interest rate derivatives as major forward interest rates reduced
- Reverse repurchase agreements and other similar secured lending decreased £55bn to £132bn from lower matched book trading due to balance sheet deleveraging
- Total loans and advances decreased £4bn to £470bn as lending growth in Barclaycard and PCB was partially offset by the £13bn reclassification of loans to other assets, relating to the Spanish business which was held for sale

Customer accounts decreased £4bn to £428bn as a result of the reclassification of £8bn in relation to the Spanish business to other liabilities, partially offset by £5bn of growth within PCB and Barclaycard

Total shareholders' equity including non-controlling interests was £66bn (2013: £64bn). Excluding non-controlling interests, shareholders' equity increased to £60bn (2013: £55bn), primarily reflecting a £2bn increase in other equity instruments, due to issuance of equity accounted AT1 securities to investors in exchange for the cancellation of preference shares and subordinated debt instruments, and a £2bn increase in the cash flow hedge reserve driven by gains as forward interest rates decreased

Net asset value per share increased to 335p (2013: 331p) and net tangible asset value per share increased to 285p (2013: 283p)

Leverage exposure

The Basel Committee on Banking Supervision (BCBS) 270 leverage exposure decreased £91bn to £1,233bn during Q414 primarily due to:

- Loans and advances and other assets decreased by £52bn to £713bn primarily due to a seasonal reduction in settlement balances of £28bn and a £13bn reduction in cash balances
- Securities Financing Transactions (SFTs) decreased £35bn to £157bn due to reductions in reverse repurchase agreements, and in SFT adjustments reflecting reduced activity in Non-Core and a seasonal reduction in trading volumes
- The Potential Future Exposure (PFE) on derivatives decreased £16bn to £179bn mainly due to reductions in business activity and optimisations, including trade compressions and tear-ups

Capital management

The fully loaded CRD IV CET1 ratio increased to 10.3% (2013: 9.1%) due to a £40.6bn reduction in risk weighted assets (RWAs) to £402bn and an increase in the fully loaded CRD IV CET1 capital of £1.1bn to £41.5bn

- The increase in CET1 capital, after absorbing £3.3bn of adjusting items, was driven by a £1.6bn increase in other qualifying reserves and a £0.6bn increase due to lower regulatory adjustments and deductions. This was partially offset by £1.2bn recognised for dividends. Including the sale of the Spanish business, completed on 2 January 2015, the fully loaded CRD IV CET1 ratio would have increased to 10.5% as at 31 December 2014
- The RWA reduction was mainly driven by a £35bn reduction in Non-Core to £75bn reflecting the disposal of businesses, run-down and exit of securities and loans, and derivative risk reductions

The BCBS 270 leverage ratio increased to 3.7% (September 2014: 3.5%), reflecting a reduction in the BCBS 270 leverage exposure to £1,233bn (September 2014: £1,324bn) driven by a seasonal reduction in settlement balances and continued reductions in Non-Core exposure. Including the sale of the Spanish business, completed on 2 January 2015, the BCBS 270 leverage ratio would have increased to 3.8% as at 31 December 2014

Funding and liquidity

During 2014, the Group strengthened its liquidity position, building a larger surplus to its Liquidity Risk Appetite. This positions the Group well for potential rating changes as credit rating agencies assess sovereign support in Barclays Bank PLC's credit ratings. This resulted in an increase in the Group liquidity pool to £149bn (2013: £127bn). The estimated CRD IV Liquidity Coverage Ratio (LCR) increased to 124% (2013: 96%), equivalent to a surplus of £30bn (2013: shortfall of £6bn)

The Group funding profile remains stable and well diversified. Wholesale funding outstanding (excluding repurchase agreements) was £171bn (2013: £186bn). The Group was active in wholesale unsecured, secured and debt capital markets, issuing £15bn (2013: £1bn) net of early redemptions

Legal, competition and regulatory matters

The Group faces legal, competition and regulatory challenges, details of which are set out in note 29 of the Annual Report on pages 306-314. The extent of the impact on the Group of these matters cannot always be predicted but may materially impact our operations, financial results, conditions and prospects

Provisions of £1,690m (2013: £485m) are held for legal, competition and regulatory matters. Changes to these provisions and to asset values impacted by such matters during 2014 include the following:

- A provision of £1,250m was recognised for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. This included an additional provision of £750m recognised in Q414.
- A gain of £461m was recognised in Q314 reflecting greater certainty around the recoverability of assets not yet received from the 2008 US Lehman acquisition. This change in asset value followed a favourable ruling during Q314 from the US Court of Appeals for the Second Circuit

Other matters

A valuation revision of £935m has been recognised in Q414 against the ESHLA portfolio held at a £17.4bn fair value in Barclays Non-Core. This portfolio primarily consists of long dated fixed rate loans with strong credit quality. Valuation uncertainty is derived from their long-dated nature, and lack of secondary market and observable loan spreads

The revision was due to a Q414 change in the valuation methodology, incorporating information on external parties and the factors they may take into account when valuing these assets. This is also consistent with recent industry trends changing asset valuations away from Libor-based discounting. This revision does not impact the CET1 ratio, as there was a corresponding reduction in the Prudential Valuation Adjustment (PVA) for this portfolio at year end

The provision for PPI redress was £1,059m (2013: £971m) following utilisation of £1,182m and the recognition of additional amounts of £1,270m. This included the recognition of an additional amount of £200m in Q414 based on an updated estimate of future redress and associated costs. The remaining provision reflects Barclays' best current estimate of future costs1

The provision for interest rate hedging product redress was £211m (2013: £1,169m) after utilisation of £798m and a provision release of £160m in Q314. The review is now substantially complete with redress outcomes communicated to nearly all customers covered by the redress exercise during 20141

The loss on the announced sale of the Spanish business of £446m represents a £761m impairment of assets in the Spanish businesses agreed for sale at the end of the year, partially offset by a £315m gain on related hedging instruments. Accumulated currency translation reserve losses of approximately £100m will be recognised on completion of the sale on 2 January 2015. Post completion, assets will reduce by £13.4bn, liabilities will reduce by £12.8bn and RWAs will reduce by £5.0bn. The foregone annual income from the Spanish business sold of approximately £280m will be largely offset by a £240m reduction in operating expenses

1 For further detail on customer redress provisions refer to note 27 of the Annual Report on pages 303-305.

Dividends

A final dividend for 2014 of 3.5p per share will be paid on 2 April 2015 resulting in a total 6.5p dividend per share for the year. Total dividends paid to ordinary shareholders increased 23% to £1,057m

Outlook

Although there remains uncertainty in the global macroeconomic environment, which is expected to persist through the year, we believe there will be greater clarity on regulatory requirements and several conduct issues during 2015. Our priority is to continue strengthening the capital position of the Group, targeting a fully loaded CRD IV CET1 ratio above 11% in 2016, after taking account of any conduct items resolved

We expect to make further progress in 2015 on the run-down of the Non-Core unit, towards our target of £45bn risk weighted assets in 2016 (revised for completion of the sale of the Spanish business in January). Income in Non Core is expected to reduce significantly from 2014 levels, as seen in the fourth quarter, as businesses and portfolios are sold or run-off. We continue to expect the Non-Core dilution on the Group's return on equity in 2015 to remain within the 3% to 6% guidelines communicated previously

Credit quality across the Group is expected to remain consistent with recent underlying trends, reflecting broader economic factors in the markets in which the Group operates. In terms of operating expenses, we expect to drive further reductions beyond those achieved in 2014, targeting £16.3bn for the Group, excluding costs to achieve Transform (CTA), for 2015. CTA is projected to be approximately £700m for 2015 and £200m in 2016. We also expect net interest margin to be broadly stable in 2015. Based on current trends and a strong Banking pipeline, we expect Q1 2015 income for the Investment Bank to be well ahead of Q4 reported income and approaching that of Q1 2014

For the Group overall, we intend to build on the positive underlying momentum seen within our businesses, towards achievement of the 2016 Transform targets. We will also accelerate delivery of these targets wherever possible

Tushar Morzaria, Group Finance Director

Results by Business

Personal and Corporate Banking	Year ended 31.12.14	Year ended 31.12.13	
Income statement information	£m	£m	% Change
Net interest income	6,298	5,893	7
Net fee and commission income	2,443	2,723	(10)
Other income	87	107	(19)
Total income	8,828	8,723	1
Credit impairment charges and other provisions	(482)	(621)	22

Net operating income	8,346	8,102	3
Operating expenses	(5,005)	(5,460)	8
UK bank levy	(70)	(66)	(6)
Costs to achieve Transform	(400)	(384)	(4)
Total operating expenses	(5,475)	(5,910)	7
Other net income	14	41	(66)
Profit before tax	2,885	2,233	29
Attributable profit	2,058	1,681	22

Balance sheet information	As at 31.12.14 £bn	As at 31.12.13 £bn
Loans and advances to customers at amortised cost	217.0	212.2
Total assets	285.0	278.5
Customer deposits	299.2	295.9
Risk weighted assets	120.2	118.3

Performance measures	31.12.14	31.12.13
Return on average tangible equity	15.8%	12.7%
Average allocated tangible equity (£bn)	13.1	13.2
Return on average equity	11.9%	9.7%
Average allocated equity (£bn)	17.5	17.3
Cost: income ratio	62%	68%
Loan loss rate (bps)	21	28

Analysis of total income	£m	£m	% Change
Personal	4,159	4,040	3
Corporate	3,592	3,620	(1)
Wealth	1,077	1,063	1
Total income	8,828	8,723	1

Analysis of loans and advances to customers at amortised cost	£bn	£bn
Personal	136.8	133.8
Corporate	65.1	62.5
Wealth	15.1	15.9
Total loans and advances to customers at amortised cost	217.0	212.2
Analysis of customer deposits		
Personal	145.8	140.5
Corporate	122.2	118.5
Wealth	31.2	36.9
Total customer deposits	299.2	295.9

2014 compared to 2013

Profit before tax increased 29% to £2,885m driven by 3% growth in Personal income, lower impairment due to the improving economic environment in the UK, and the continued reduction in operating expenses due to progress on the Transform strategy. This resulted in a 2.2% increase in return on average equity to 11.9%. In Personal, income increased £119m alongside significant cost reductions, with the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels. Corporate increased both loans and deposits, and Wealth undertook a substantial reorganisation to reduce the number of target markets while simplifying operations

Total income increased 1% to £8,828m

- Personal income increased 3% to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income
- Corporate income was broadly in line at £3,592m (2013: £3,620m), with balance growth in both lending and deposits, offset by margin compression
- Wealth income was broadly in line at £1,077m (2013: £1,063m) driven by growth in the UK business, offset by client and market exits as part of the reorganisations in the US and EU businesses, and lower fee income
- Net interest income increased 7% to £6,298m driven by lending and deposit growth and margin improvement. Net interest margin improved 9bps to 3.00% primarily due to the launch of a revised overdraft proposition, which recognises the majority of overdraft income as net interest income as opposed to fee income, and higher savings margins within Personal and Wealth. These factors were partially offset by lower Corporate deposit margins
- Net fee and commission income reduced 10% to £2,443m due to the launch of the revised overdraft proposition and lower transactional income in Wealth

Credit impairment charges improved 22% to £482m and the loan loss rate reduced 7bps to 21bps due to the improving economic environment in the UK, particularly impacting Corporate which benefited from one-off releases and lower defaults from large UK Corporate clients

Total operating expenses reduced 7% to £5,475m reflecting savings realised from Transform programmes relating to restructuring of the branch network and technology improvements to increase automation

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth

Total assets increased 2% to £285.0bn driven by the growth in loans and advances to customers

Customer deposits increased to £299.2bn (2013: £295.9bn)

RWAs increased 2% to £120.2bn primarily driven by growth in mortgage and Corporate lending

Q414 compared to Q314

Profit before tax reduced 20% to £628m driven by higher costs to achieve Transform of £195m (Q314: £90m), due to restructuring of the branch network and increased spend on technology improvements, and UK bank levy of £70m (Q314: £nil)

Barclaycard	Year ended 31.12.14	Year ended 31.12.13	
Income statement information	£m	£m	% Change
Net interest income	3,044	2,829	8
Net fee and commission income	1,286	1,256	2
Other income	26	18	44
Total income	4,356	4,103	6

Credit impairment charges and other provisions	(1,183)	(1,096)	(8)
Net operating income	3,173	3,007	6
Operating expenses	(1,727)	(1,786)	3
UK bank levy	(29)	(22)	(32)
Costs to achieve Transform	(118)	(49)	
Total operating expenses	(1,874)	(1,857)	(1)
Other net income	40	33	21
Profit before tax	1,339	1,183	13
Attributable profit	938	822	14

	As at 31.12.14	As at 31.12.13
Balance sheet information	£bn	£bn
Loans and advances to customers at amortised cost	36.6	31.5
Total assets	41.3	34.4
Customer deposits	7.3	5.1
Risk weighted assets	39.9	35.7

Performance measures	31.12.14	31.12.13
Return on average tangible equity	19.9%	19.9%
Average allocated tangible equity (£bn)	4.7	4.1
Return on average equity	16.0%	15.5%
Average allocated equity (£bn)	5.9	5.3
Cost: income ratio	43%	45%
Loan loss rate (bps)	308	332

2014 compared to 2013

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 30m (2013: 26m) and asset growth across all geographies generating a 6% increase in income. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43% (2013: 45%). The business focus on risk management is reflected in stable 30-day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%)

Total income increased 6% to £4,356m reflecting growth in the UK consumer and merchant, Germany and US businesses, partially offset by depreciation of average USD against GBP

- Net interest income increased 8% to £3,044m driven by volume growth. Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, particularly in the US, partially offset by lower funding costs

- Net fee and commission income increased 2% to £1,286m due to growth in payment volumes

Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance. Delinquency rates remained broadly stable and the loan loss rate reduced 24bps to 308bps

Total operating expenses increased 1% to £1,874m driven by higher costs to achieve Transform of £118m (2013: £49m), partially offset by depreciation of average USD against GBP, VAT refunds and savings from Transform programmes, including insourcing of services, consolidation of sites and digitalisation

Loans and advances to customers increased 16% to £36.6bn reflecting growth across all geographies, including the impact of promotional offers and the acquisition of portfolios in the US

Total assets increased 20% to £41.3bn due to the increase in loans and advances to customers

Customer deposits increased 43% to £7.3bn driven by the deposits funding strategy in the US

RWAs increased 12% to £39.9bn primarily driven by the growth in loans and advances to customers

Q414 compared to Q314

- Profit before tax reduced 41% to £213m due to an update to effective interest rate assumptions reducing Q4 income, increased impairment driven by enhanced coverage for forbearance, UK bank levy of £29m (Q314: £nil) and higher costs to achieve Transform of £50m (Q314: £32m)

				Constant Currency1		
Africa Banking	Year ended 31.12.14	Year ended 31.12.13		Year ended 31.12.14	Year ended 31.12.13	
Income statement information	£m	£m	% Change	£m	£m	% Change
Net interest income	2,093	2,245	(7)	2,093	1,912	9
Net fee and commission income	1,086	1,254	(13)	1,086	1,067	2
Net trading income	250	260	(4)	250	219	14
Net premiums from insurance contracts	337	374	(10)	337	316	7
Other income	68	91	(25)	68	78	(13)
Total income	3,834	4,224	(9)	3,834	3,592	7
Net claims and benefits incurred under insurance contracts	(170)	(185)	8	(170)	(157)	(8)
Total income net of insurance claims	3,664	4,039	(9)	3,664	3,435	7
Credit impairment charges and other provisions	(349)	(479)	27	(349)	(406)	14
Net operating income	3,315	3,560	(7)	3,315	3,029	9
Operating expenses	(2,246)	(2,451)	8	(2,246)	(2,098)	(7)
UK bank levy	(45)	(42)	(7)	(45)	(42)	(7)
Costs to achieve Transform	(51)	(26)	(96)	(51)	(23)	
Total operating expenses	(2,342)	(2,519)	7	(2,342)	(2,163)	(8)
Other net income	11	8	38	11	7	57
Profit before tax	984	1,049	(6)	984	873	13
Attributable profit	360	356	1	360	289	25

	As at 31.12.14	As at 31.12.13	As at 31.12.14	As at 31.12.13
Balance sheet information	£bn	£bn	£bn	£bn
Loans and advances to customers at amortised cost	35.2	34.9	35.2	33.6
Total assets	55.5	54.9	55.5	52.8
Customer deposits	35.0	34.6	35.0	33.3
Risk weighted assets	38.5	38.0		

Performance measures	31.12.14	31.12.13
Return on average tangible equity	12.9%	11.3%
Average tangible equity (£bn)	2.8	3.2
Return on average equity	9.3%	8.1%
Average equity (£bn)	3.9	4.4
Cost: income ratio	64%	62%
Loan loss rate (bps)	93	128

2014 compared to 2013

On a reported basis2, total income net of insurance claims decreased 9% to £3,664m and profit before tax decreased 6% to £984m. Based on average rates, the ZAR depreciated against GBP by 18% in 2014. The deterioration was a significant contributor to the movement in the reported results of Africa Banking. The discussion of business performance below is based on results on a constant currency basis1 unless otherwise stated

Profit before tax increased 13% to £984m, reflecting good growth in Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB). CIB experienced strong income growth, driven by the corporate banking business outside South Africa, and improved investment banking trading performance across Africa. Continued progress was made on the RBB South Africa turnaround strategy, with increased net fee and commission income growth in the second half of the year, and Wealth, Investment Management and Insurance (WIMI) delivered strong growth outside South Africa due to expansion initiatives

Total income net of insurance claims increased 7% to £3,664m

- Net interest income increased 9% to £2,093m, primarily driven by higher average loans and advances to customers in CIB and growth in customer deposits in RBB in South Africa. Net interest margin on a reported basis2 increased 14bps to 5.95% following the rise in the South African benchmark interest rate and the favourable impact of higher deposit margins, partially offset by lower rates outside South Africa

- Net fee and commission income increased 2% to £1,086m mainly reflecting increased RBB transactions in South Africa

Credit impairment charges decreased 14% to £349m and on a reported basis2 the loan loss rate improved 35bps to 93bps, driven by reduced impairments in the South Africa mortgages portfolio and business banking, partially offset by increased impairments in the card portfolio

Total operating expenses increased 8% to £2,342m largely reflecting inflationary increases, resulting in higher staff costs, and increased investment spend on key initiatives, including higher costs to achieve Transform of £51m (2013: £23m), partially offset by savings from Transform programmes

Loans and advances to customers increased 5% to £35.2bn primarily driven by strong corporate banking growth across Africa in CIB and limited growth in RBB, mainly due to a modest reduction in the South Africa mortgages portfolio

Total assets increased 5% to £55.5bn due to the increase in loans and advances to customers

Customer deposits increased 5% to £35.0bn reflecting strong growth in the South African RBB business

RWAs increased 1% to £38.5bn on a reported basis2, primarily driven by growth in loans and advances to customers, partially offset by the depreciation of ZAR against GBP

Q414 compared to Q314

Profit before tax decreased 16% to £228m on a reported basis2, due to the UK bank levy of £45m (Q314: £nil) and increased costs to achieve Transform of £23m (Q314: £11m), partially offset by increased income driven by a seasonal increase in RBB in South Africa and the appreciation of ZAR against GBP in the quarter

1 Constant currency results are calculated by converting ZAR results into GBP using the average exchange rate for the year ended 31 December 2014 for the income statement and the 31 December 2014 closing exchange rate for the balance sheet to eliminate the impact of movement in exchange rates between the two periods.

2 Reported basis represents results in GBP using actual exchange rates.

Investment Bank	Year ended 31.12.14	Year ended1 31.12.13	
Income statement information	£m	£m	% Change
Net interest income	647	393	65
Net fee and commission income	3,087	3,232	(4)
Net trading income	3,735	4,969	(25)
Net investment income	119	2	
Total income	7,588	8,596	(12)
Credit impairment releases and other provisions	14	22	(36)
Net operating income	7,602	8,618	(12)
Operating expenses	(5,633)	(6,172)	9
UK bank levy	(218)	(236)	8
Costs to achieve Transform	(374)	(190)	(97)
Total operating expenses	(6,225)	(6,598)	6
Profit before tax	1,377	2,020	(32)
Attributable profit	397	1,308	(70)

	As at 31.12.14	As at 31.12.131
Balance sheet information	£bn	£bn
Loans and advances to banks and customers at amortised cost2	106.3	104.5
Trading portfolio assets	94.8	96.6
Derivative financial instrument assets	152.6	108.7
Derivative financial instrument liabilities	160.6	116.6
Reverse repurchase agreements and other similar secured lending	64.3	78.2
Total assets1	455.7	438.0
Risk weighted assets1	122.4	124.4

Performance measures	31.12.14	31.12.131
Return on average tangible equity	2.8%	8.5%
Average allocated tangible equity (£bn)	14.6	15.3
Return on average equity	2.7%	8.2%
Average allocated equity (£bn)	15.4	15.9
Cost: income ratio	82%	77%

Analysis of total income			
Investment Banking fees	2,111	2,160	(2)
Lending	417	325	28
Banking	2,528	2,485	2
Credit	1,044	1,257	(17)
Equities	2,046	2,297	(11)
Macro	1,950	2,580	(24)
Markets	5,040	6,134	(18)
Banking and Markets	7,568	8,619	(12)
Other1	20	(23)	
Total income	7,588	8,596	(12)

1 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. In addition, December 2013 US Lehman acquisition assets and RWAs of £1.6bn have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

2 As at 31 December 2014 loans and advances included £86.4bn (2013: £84.1bn) of loans and advances to customers (including settlement balances of £25.8bn (2013: £33.2bn) and cash collateral of £32.2bn (2013: £25.6bn)) and loans and advances to banks of £19.9bn (2013: £20.4bn) (including settlement balances of £2.7bn (2013: £4.4bn) and cash collateral of £6.9bn (2013: £6.4bn)).

2014 compared to 2013

Profit before tax decreased 32% to £1,377m. The Investment Bank continues to make progress on its origination-led strategy, building on leading positions in its home markets of the UK and US, while driving cost savings and RWA efficiencies. The business is focused on a simpler product set in Markets, which will enable it to build on existing strengths and adapt to regulatory developments. The business continued to execute this strategy despite difficult market-making conditions and continued low levels of activity. This has particularly impacted credit and interest rate products, resulting in an income decline across the Markets businesses. This decline was partially offset by improved Banking performance and significant cost reductions as a result of savings from Transform programmes

Total income decreased 12% to £7,588m, including the impact of depreciation of average USD against GBP

- Banking income increased 2% to £2,528m. Investment Banking fee income decreased 2% to £2,111m driven by lower debt underwriting fees, partially offset by higher financial advisory and equity underwriting fees. Lending income increased to £417m (2013: £325m) due to lower fair value losses on hedges and higher net interest and fee income

- Markets income decreased 18% to £5,040m

- Credit decreased 17% to £1,044m driven by reduced volatility and client activity, with lower income in distressed credit, US high yield and US high grade products

- Equities decreased 11% to £2,046m due to declines in cash equities and equity derivatives, reflecting lower client volumes, partially offset by higher income in equity financing

- Macro decreased 24% to £1,950m reflecting subdued client activity in rates and lower volatility in currency markets in the first half of the year

Net credit impairment release of £14m (2013: £22m) arose from a number of single name exposures

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs to £3,620m, savings from Transform programmes, including business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased costs to achieve Transform of £374m (2013: £190m) and litigation and conduct charges

Loans and advances to customers and banks increased 2% to £106.3bn driven by an increase in cash collateral and lending, partially offset by a reduction in settlement balances due to reduced activity

Derivative financial instrument assets and liabilities increased 40% to £152.6bn and 38% to £160.6bn respectively, driven by decreases in predominantly GBP, USD and EUR forward interest rates, and strengthening of USD against major currencies

Reverse repurchase agreements and other similar secured lending decreased 18% to £64.3bn due to decreased match book trading and funding requirements