Relative Value Investments UK Limited Liability Partnership

Managing Partner’s Report and Financial Statements
For the year ended 31 December 2017

REGISTERED NUMBER IN ENGLAND & WALES: OC343461
Relative Value Investments UK Limited Liability Partnership
Managing Partners' Report and Financial Statements
For the year ended 31 December 2017

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Restricted - External
Relative Value Investments UK Limited Liability Partnership
Managing Partners’ Report
For the year ended 31 December 2017

Relative Value Holdings LLC (the “Managing Partner”) presents its report and financial statements for the year ended 31 December 2017 for Relative Value Investments UK Limited Liability Partnership (“the Partnership”).

The Partnership was formed under a limited liability partnership agreement entered into on 18 February 2009 between RVH Limited and Relative Value Holdings LLC. On 30 September 2009 the Partnership issued a Partnership interest to Barclays Group US Inc. in consideration for a capital contribution. From 15 November 2011 onwards, RVH Limited ceased to be a partner.

Results and distributions

During the year ending 31 December 2017, the Partnership made a gain for the financial year of $3,426,731 (2016: loss of $112,740). The Partnership has net assets of $4,904,248 (2016: $1,477,517).

Going concern

After reviewing the Partnership’s performance projections and the available banking facilities, the Managing Partner is satisfied that the Partnership has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Managing Partner has adopted the going concern basis in preparing these financial statements.

Statement of Responsibilities of the Managing Partner

The following statement, which should be read in conjunction with the Auditors’ report set out on page 5 and 6, is made with a view to distinguishing for members the respective responsibilities of the Managing Partner and of the Auditors in relation to the accounts.

The Managing Partner is required by the Companies Act 2006 to prepare accounts for each financial year. The Managing Partner has prepared the accounts in accordance with International Financial Reporting Standards (‘IFRS’) to present fairly the financial position of the Partnership and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Managing Partner considers that in preparing the financial statements on pages 6 to 23:

- the Partnership has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- that all the accounting standards which they consider to be applicable have been followed; and
- that the financial statements have been prepared on a going concern basis.

The Managing Partner has responsibility for ensuring that the Partnership keeps accounting records which disclose with reasonable accuracy the financial position of the Partnership and which enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management

The Partnership’s activities are exposed to a variety of financial risks. The Partnership is required to follow the requirements of the Barclays group risk management policies, which include specific guidelines on the management of interest rate and credit risks, and advice on the use of financial instruments to manage them. The main financial risks the Partnership is exposed to are outlined in Note 16.
Relative Value Investments UK Limited Liability Partnership
Managing Partners' Report
For the year ended 31 December 2017

Independent auditors

KPMG LLP has been appointed by the Company to hold office in accordance with s.487 of the Companies Act 2006.

Statement of disclosure of information to auditors

So far as the Managing Partner is aware, there is no relevant audit information of which the Partnership’s Auditors are unaware. The Managing Partner has taken all the steps that they ought to have taken as Managing Partner in order to make themselves aware of any relevant audit information and to establish that the Partnership’s Auditors are aware of that information.

FOR AND ON BEHALF OF THE BOARD

[Signature]

Name: Michael Guy
Date: 27 September 2018
Partnership Number: OC343461
Relative Value Investments UK Limited Liability Partnership
Strategic Report
For the year ended 31 December 2017

Review and principal activities
The principal activity of the Partnership is to act as an investment partnership. Relative Value Holdings LLC is the Managing Partner of the Partnership. No significant change in this activity is envisaged in the foreseeable future.

Business performance
The results of the Partnership show a gain before tax for 2017 of $3,426,731 (2016: loss of $112,740) for the financial year. The Partnership has total assets and liabilities for 2017 of $2,826,038,733 and $2,821,134,485 respectively (2016: total assets of $2,748,419,519 and total liabilities of $2,746,942,002). Net cash outflow from operating activities for 2017 was $15,806,373 (2016: inflow of $46,479,594).

Future outlook
The Managing Partner has reviewed the Partnership’s business and performance and considers it to be consistent with the activity for the year. The Managing Partner considers that the Partnership’s position at the end of the year is consistent with the size and complexity of the business.

Principal risks and uncertainties
From the perspective of the Partnership, the principal risks and uncertainties are integrated with the principal risks of Barclays PLC group and are not managed separately. Accordingly, the principal risks and uncertainties of Barclays PLC, which include those of the Partnership, are discussed in Barclays Group 2017 Annual Report which does not form part of this report.

Key performance indicators
The Directors of Barclays PLC manage the group’s operations on a business cluster basis. For this reason, the Managing Partner believes that analysis using key performance indicators for the Partnership is not necessary or appropriate for an understanding of the development, performance or position of the business of the Partnership. The development, performance and position of Barclays PLC is discussed in the Barclays PLC 2017 Annual Report which does not form part of this report.

FOR AND ON BEHALF OF THE BOARD

Name: MICHAEL GOY
Date: 23 SEPTEMBER 2018
Partnership Number: OC343461
Independent auditor’s report to the partners of Relative Value Investments UK Limited Liability Partnership

Opinion

We have audited the financial statements of Relative Value Investments Limited Liability Partnership ("the LLP") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The partners are responsible for the other information, which comprises the managing partner’s report and strategic report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Partners’ responsibilities

As explained more fully in their statement set out on page 1 the partners are responsible for the preparation of the financial statements. They are also responsible for being satisfied that the financial statements give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going
concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the partners of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's partners, as a body, for our audit work, for this report, or for the opinions we have formed.

Namrata Basker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
United Kingdom

27 September 2018
Relative Value Investments UK Limited Liability Partnership  
As at 31 December 2017

INCOME STATEMENT

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Interest income</td>
<td>5</td>
<td>77,497,115</td>
</tr>
<tr>
<td>Interest expense</td>
<td>6</td>
<td>(74,160,336)</td>
</tr>
<tr>
<td>Net interest (expense)/income</td>
<td></td>
<td>3,336,779</td>
</tr>
<tr>
<td>Fees and commissions</td>
<td>7</td>
<td>89,952</td>
</tr>
<tr>
<td>Income from disposal of subsidiary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td></td>
<td>3,426,731</td>
</tr>
<tr>
<td>Tax</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>(Loss)/profit after tax</td>
<td></td>
<td>3,426,731</td>
</tr>
</tbody>
</table>

Profit for the financial year is derived from continuing activities.

All recognised income and expenses have been reported in the income statement, hence no Statement of Comprehensive Income has been included in the financial statements.

The accompanying notes from pages 10 to 23 form an integral part of these financial statements.
## BALANCE SHEET

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### ASSETS
- **Non-current assets**
  - Loans and advances
    - 11 2,818,791,618 2,727,552,059
  - Total non-current assets
    - 2,818,791,618 2,727,552,059

### Current assets
- Cash and cash equivalents
  - 12 932,578 15,975,937
- Loans and advances
  - 11 6,314,537 4,891,523
  - Total current assets
    - 7,247,115 20,867,460

### TOTAL ASSETS
- 2,826,038,733 2,748,419,519

### LIABILITIES
- **Non-current liabilities**
  - Borrowings
    - 13 (2,821,134,485) (2,746,938,588)
  - Total non-current liabilities
    - (2,821,134,485) (2,746,938,588)

### Current liabilities
- Borrowings
  - 13 - (3,414)
  - Total current liabilities
    - - (3,414)

### TOTAL LIABILITIES
- (2,821,134,485) (2,746,942,002)

### NET ASSETS
- 4,904,248 1,477,517

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The accompanying notes from pages 10 to 22 form an integral part of these financial statements. The financial statements on pages 6 to 22 were approved on 27 September 2017 by the Board of the Managing Partner.

*Name: Michael Guv*

*Date: 27 September 2017*

*Partnership Number: OC343461*
Relative Value Investments UK Limited Liability Partnership
Statement of Changes in Equity
For the year ended 31 December 2017

<table>
<thead>
<tr>
<th></th>
<th>Capital Contributions</th>
<th>Accumulated Losses</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2017</td>
<td>125,527,910</td>
<td>(124,050,393)</td>
<td>1,477,517</td>
</tr>
<tr>
<td>Profit for the financial year</td>
<td>-</td>
<td>3,426,731</td>
<td>3,426,731</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>125,527,910</td>
<td>(120,623,662)</td>
<td>4,904,248</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Capital Contributions</th>
<th>Accumulated Losses</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2016</td>
<td>125,527,910</td>
<td>(123,937,653)</td>
<td>1,590,257</td>
</tr>
<tr>
<td>Loss for the financial year</td>
<td>-</td>
<td>(112,740)</td>
<td>(112,740)</td>
</tr>
<tr>
<td>Balance at 31 December 2016</td>
<td>125,527,910</td>
<td>(124,050,393)</td>
<td>1,477,517</td>
</tr>
</tbody>
</table>
Relative Value Investments UK Limited Liability Partnership
Cash Flow Statement
For the year ended 31 December 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) before taxation</td>
<td>3,426,731</td>
<td>(112,740)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(77,497,115)</td>
<td>(61,822,780)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>74,160,336</td>
<td>62,557,842</td>
</tr>
<tr>
<td>Income from disposal of subsidiary</td>
<td></td>
<td>(622,322)</td>
</tr>
<tr>
<td>Fee and commissions</td>
<td>(89,952)</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>57,089,921</td>
<td>46,514,626</td>
</tr>
<tr>
<td>Interest paid</td>
<td>32,149</td>
<td>(35,032)</td>
</tr>
<tr>
<td><strong>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</strong></td>
<td>57,122,070</td>
<td>46,479,594</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES**       |           |           |
| Disposal of investment                         |           | 852,322   |
| Loans issued to parent undertaking             | (72,165,429) | (33,561,588) |
| **NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES** | (72,165,429) | (32,709,266) |

| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 15,043,359 | 13,770,328 |
| Cash and cash equivalents at the beginning of year | 15,975,937 | 2,205,609  |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR**        | 932,578   | 15,975,937 |

Restricted - External
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

1. REPORTING ENTITY

The financial statements are prepared for Relative Value Investments UK Limited Liability Partnership (the 'Partnership'). The principal activity of the Partnership is to act as an investment vehicle. Relative Value Holdings LLC is the Managing Partner of the Partnership. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays PLC, both of which prepare consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'), and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), as published by the International Accounting Standards Board ('IASB').

Relative Value Investments UK Limited Liability Partnership is a limited liability partnership incorporated and domiciled in England and Wales. The Partnership's registered office is:

1 Churchill Place
London
E14 5HP

2. COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union, as well as the Partnership agreement. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

These financial statements have been prepared under the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships Regulations 2008.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Partnership's accounting policies.

3. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IAS 39, 'Financial Instruments, recognition, and measurement' as set out in the relevant accounting policies. They are presented in US dollars, which is the Partnership's functional currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

Revenue recognition
Revenue is recognised in the income statement when it is probable that the economic benefits associated with the transaction will be received by the Company. Revenue is reported at the fair value of the consideration received or receivable.

Restricted - External
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income and Expense
Interest income or expense is recognised on all interest bearing financial instruments classified as held
to maturity, available for sale or loans and advances, and on interest bearing financial liabilities, using
the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or
receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to
the net carrying amount of the instrument. The application of the method has the effect of recognising
income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount
outstanding over the period to maturity or repayment.

Foreign currency translation
Items included in the financial statements of the Company are measured using their functional
currency, being US dollar (USD) the currency of the primary economic environment in which the entity
operates.

Foreign currency transactions are translated into US dollars using the exchange rates prevailing at the
dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period
end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items
are recognised in the income statement except for qualifying cash flow hedges or hedges of net
investments.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date
that the fair value was determined. Exchange differences on equities and similar non-monetary items
held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation
differences on equities classified as available for sale financial assets and non-monetary items are
included directly in equity.

Current tax
Taxation payable on taxable profits ("current tax") is recognised as an expense in the year in which the
profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent
that it is regarded as recoverable by offset against current year or prior year taxable profits. Current tax
assets and liabilities are only offset where there is both the legal right and the intention to settle on a
net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are
not quoted in an active market and which are not classified as available for sale: They are included in
current assets, except for maturities greater than twelve months after the balance sheet date. These are
classified as non-current assets. Loans and advances are stated at amortised cost using the effective
interest method. They are initially recognised at fair value including direct and incremental transaction
costs. They are subsequently valued at amortised cost, using the effective interest method. They are
derecognised when the rights to receive cash flows have expired or the Company has transferred
substantially all the risks and rewards of ownership.

Borrowings
Borrowings entered into by the Company are recognised as a liability when a contractual agreement
results in the Company having a present obligation to deliver cash or another financial asset to the
holder. The liability is initially recognised at fair value and amortised to the redemption value using the
effective rate of interest over the life of the instrument.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs, including interest, dividends, gains and losses are recognised in the income statement as income or expense in the period in which they are incurred.

Capital contribution
Capital Contributions are classified as equity, provided that there is no present obligation to deliver cash or another financial asset to the holder, is shown in capital contribution amount, and the costs associated with the issuance of shares are recorded as a deduction from equity.

Distributions
Distributions are recognised in equity in the period in which they are paid or, if earlier, approved for distribution by the Partners.

Guarantees
Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was provided. Subsequent to initial recognition, such guarantees are measured at the higher of the initial measurement less any amortisation of fee income recognised in the income statement over the period, and the best estimate of the expenditure required to settle any financial liability arising as a result of the obligation at the balance sheet date.

New and amended standards
The accounting policies adopted are consistent with those of the previous financial year, except where new standards and amendments to IFRS effective as of 1 January 2017 have resulted in changes in accounting policy. There are no new amended standards that have had a material impact on the Company's accounting policies.

Future accounting developments
There are expected to be a number of significant changes to the Company's financial reporting after 2017 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments (IFRS 9) which will replace IAS 39 Financial Instruments: Recognition and Measurement is effective for periods beginning on or after 1 January 2018 and was endorsed by the EU in November 2016. IFRS 9, in particular the impairment requirements, will lead to significant changes in the accounting for financial instruments. Barclays will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7. The key changes relate to:

Impairment:
IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the IAS 39 incurred loss model which only recognised impairment if there is objective evidence that a loss has already been incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model is applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, which were covered by IAS 37. In addition, IAS 39 required the impairment of available for sale debt to be based on the fair value loss rather than estimated future cashflows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope under IFRS 9 in the stand-alone reporting entity accounts.
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The measurement of expected credit loss involves increased complexity and judgement, including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of exposures at default and assessing significant increases in credit risk. It is expected to have a material financial impact and impairment charges will tend to be more volatile. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

Key concepts and management judgements
The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements include:

Determining a significant increase in credit risk since initial recognition
IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). Barclays will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Quantitative Test
The annualised cumulative weighted average lifetime probability of default (PD) has increased by more than the agreed threshold relative to the equivalent at origination.

The relative thresholds are defined as percentage increases and set at an origination score band and segment level.

Qualitative Test
Accounts that meet the portfolio’s ‘high risk’ criteria and are subject to closer credit monitoring.

Backstop Criteria
Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

Barclays will not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated.

Determining the probability of default at initial recognition is expected to require management estimates, in particular for exposures issued before the effective date of IFRS 9. For certain revolving facilities such as credit cards and overdrafts, this is expected to be when the facility was first entered into which could be a long time in the past.

Definition of default, credit impaired assets, write offs, and interest income recognition

The definition of default for the purpose of determining expected credit losses has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than

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Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as
credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest
income is required to be calculated on the carrying value net of the impairment allowance.
Credit impaired is expected to be when the exposure has defaulted which is also anticipated to align to
when an exposure is identified as individually impaired under the incurred loss model of IAS 39. Write-
off polices are not expected to change from IAS 39.

Expected life
Lifetime expected credit losses must be measured over the expected life. This is restricted to the
maximum contractual life and takes into account expected prepayment, extension, call and similar
options. The exceptions are certain revolving financial instruments, such as credit cards and bank
overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability
to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to
credit losses to the contractual notice period.

Discounting
Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an
approximation thereof and consistent with income recognition.

Modelling techniques
Expected credit losses (ECL) are calculated by multiplying three main components, being the
probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at
the original effective interest rate.

Management adjustments will be made to modelled output to account for situations where known or
expected risk factors and information have not been considered in the modelling process, for example
forecast economic scenarios for uncertain political events.
ECL is measured at the individual financial instrument level, however a collective approach where
financial instruments with similar risk characteristics are grouped together, with apportionment to
individual financial instruments, is used where effects can only be seen at a collective level, for example
for forward looking information.

For the IFRS 9 impairment assessment, Barclays Risk Models are used to determine the probability of
default (PD), loss given default (LGD) and exposure at default (EAD). For stage 2 and 3, Barclays
applies lifetime PDs but uses 12 month PDs for stage 1. The ECL drivers of PD, EAD and LGD are
modelled at an account level which considers vintage, among other credit factors. Also, the assessment
of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the
different credit risk underwritten over time.

Classification and measurement
IFRS 9 requires financial assets to be classified on the basis of two criteria:

1) the business model within which financial assets are managed, and

2) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of
   principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose
objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash
flows represent solely payments of principal and interest.
Relative Value Investments UK Limited Liability Partnership

Notes to the financial statements
For the year ended 31 December 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

IFRS 9 is applied retrospectively, although comparatives are not restated, with adjustments arising from classification and measurement changes recognised in opening equity.

Barclays' Classification and Measurement implementation programme has progressed in 2017 and an assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for material financial assets.

On 12 October 2017, the IASB published an amendment to IFRS 9, relating to prepayment features with negative compensation; this amendment is effective from 1 January 2018, however has yet to be endorsed by the EU. This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided the SPPI (solely payments of principal and interest) criteria in IFRS 9 are otherwise met. In addition the amendment to IFRS 9 clarifies that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract, and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. There is not expected to be a material impact on the Company's financial statements arising from this amendment.

Expected impact
The Company is assessing the potential impact on its financial statements and plan to adopt the new standard on the required effective date.

5. INTEREST INCOME

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from group undertakings</td>
<td>$77,497,115</td>
<td>$61,822,780</td>
</tr>
<tr>
<td></td>
<td>$77,497,115</td>
<td>$61,822,780</td>
</tr>
</tbody>
</table>

6. INTEREST EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense to group undertakings</td>
<td>$(74,160,336)</td>
<td>$(62,557,842)</td>
</tr>
<tr>
<td></td>
<td>$(74,160,336)</td>
<td>$(62,557,842)</td>
</tr>
</tbody>
</table>
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

7. FEE AND COMMISSIONS

During 2017 the Partnership received a fee of $89,952 for a commitment to provide a guarantee for external credit mitigation.

8. AUDIT FEES

The audit fee is borne by another group company and is not recharged. Although the audit fee is borne by another group company, the fee that would have been charged to the Partnership amounts to $12,772 (2016: $8,240) for the year. This fee is not recognised as an expense in the financial statements.

9. STAFF COSTS

There were no employees employed by the Partnership during the year from 1 January 2017 to 31 December 2017 (2016: nil).

10. TAX

The Partnership is not a taxable entity. Each member of the Partnership is responsible for their own taxation liability arising on their share of the Partnership profits or losses.

11. LOANS AND ADVANCES

<table>
<thead>
<tr>
<th>LOANS AND ADVANCES - NON-CURRENT</th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Loans and advances to parent undertakings - Principal</td>
<td>1,010,727,015</td>
<td>938,561,588</td>
</tr>
<tr>
<td>Loans and advances to parent undertakings - Interest</td>
<td>34,628,880</td>
<td>15,554,748</td>
</tr>
<tr>
<td>Loans and advances to group undertakings - Principal</td>
<td>1,773,435,723</td>
<td>1,773,435,723</td>
</tr>
<tr>
<td></td>
<td>2,818,791,618</td>
<td>2,727,552,059</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOANS AND ADVANCES - CURRENT</th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Loans and advances to parent undertakings - Principal</td>
<td>89,952</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to parent undertakings - Interest</td>
<td>398,963</td>
<td>111,676</td>
</tr>
<tr>
<td>Loans and advances to group undertakings - Interest</td>
<td>5,825,622</td>
<td>4,779,847</td>
</tr>
<tr>
<td></td>
<td>6,314,537</td>
<td>4,891,523</td>
</tr>
</tbody>
</table>

The non-current loans and advances to parent undertakings represents a floating rate note due from Barclays Bank PLC with a principal amount of $905,000,000 at 3M USD LIBOR plus 88 basis points and a maturity date on 26 November 2025. As of 31 December 2017, this note had accrued interest of $34,628,880.

The non-current loans and advances to parent undertaking also include fixed rate notes with a total principal amount of $105,727,015 at rates ranging from 3.63% to 4.45% and maturity dates ranging

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Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

11. LOANS AND ADVANCES (CONTINUED)

from 26 November 2025 to 26 August 2026. As of 31 December 2017, these notes had accrued interest of $398,963, which has been classified as current loans and advances.

The non-current loans and advances to group undertakings includes unsecured floating rate senior and junior notes issued by Relative Value Trading Limited. These notes have a subscription amount of $512,435,723 and $1,261,000,000 respectively, and both have a maturity date of 26 November 2025 from Relative Value Trading Limited. The senior note carries interest of 3 month US Dollar Libor plus 10 basis points and the junior note carries interest of 3 month US Dollar Libor plus 265.5 basis points. As of 31 December 2017, these notes had accrued interest of $5,825,622, which has been classified as current loans and advances.

The current loans and advances to group undertakings includes short term receivable in the amount of $89,952.

See note 16 for additional information on loans and advances. The carrying value for loans and advances to parent undertakings approximates fair value as of 31 December 2017. The fair value of the senior and junior notes as at 31 December 2017 is $1,797,042,799 (2016: $1,798,231,295).

12. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash with Barclays Bank PLC</td>
<td>69,722</td>
<td>2,102,528</td>
</tr>
<tr>
<td>Deposits with group-undertaking</td>
<td>862,856</td>
<td>13,873,409</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>932,578</strong></td>
<td><strong>15,975,937</strong></td>
</tr>
</tbody>
</table>

Deposits with group undertakings are classified as cash and cash equivalents as they may be repaid all or in part immediately upon notice given by the Depositor.

13. BORROWINGS

BORROWINGS – NON-CURRENT

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Preferred Partnership Interest C &amp; D:</td>
<td>1,159,335</td>
<td>1,159,335</td>
</tr>
<tr>
<td>Perpetual securities</td>
<td>2,628,939,846</td>
<td>2,628,939,846</td>
</tr>
<tr>
<td>Accrued interest payable - Preferred Partnership Interest C &amp; D</td>
<td>123,763</td>
<td>45,604</td>
</tr>
<tr>
<td>Accrued interest payable - Perpetual securities</td>
<td>190,911,541</td>
<td>116,793,803</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,821,134,485</strong></td>
<td><strong>2,746,938,588</strong></td>
</tr>
</tbody>
</table>
Relative Value Investments UK Limited Liability Partnership

Notes to the financial statements
For the year ended 31 December 2017

13. BORROWINGS (CONTINUED)

BORROWINGS – CURRENT

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest payable - Preferred Partnership Interest D</td>
<td>$ -</td>
<td>$ 3,414</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ 3,414</td>
</tr>
</tbody>
</table>

The Preferred Partnership C and D interests have a maturity date of 18 February 2059. The Preferred Partnership C and D interests entitle the holders to 10% of the votes and a return on investment of 3 month USD Libor plus 243 basis points.

The perpetual securities issued by the Partnership to Relative Value Holdings LLC and Barclays Group US Inc. have no fixed maturity, unless redeemed or converted by the Holders of the Securities. The Securities have no voting rights and are ranked in priority to the Preferred Partnership Interests. The Securities entitles the holders to receive a return of 3 month US Dollar Libor plus 159 basis points.

The carrying value of the partnership borrowings approximates their fair value.

14. CAPITAL CONTRIBUTIONS

<table>
<thead>
<tr>
<th></th>
<th>Managing Partners Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2017</td>
<td>$125,527,910</td>
</tr>
<tr>
<td>As at 31 December 2017</td>
<td>$125,527,910</td>
</tr>
<tr>
<td>As at 1 January 2016</td>
<td>$125,527,910</td>
</tr>
<tr>
<td>As at 31 December 2016</td>
<td>$125,527,910</td>
</tr>
</tbody>
</table>

The Partners Interest comprise of:

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Subordinated Partnership</td>
<td>$72,000,001</td>
<td>$72,000,001</td>
</tr>
<tr>
<td>Preferred Partnership A and B</td>
<td>$53,527,909</td>
<td>$53,527,909</td>
</tr>
<tr>
<td></td>
<td>$125,527,910</td>
<td>$125,527,910</td>
</tr>
</tbody>
</table>

The Managing Subordinated Partnership Interest has no voting rights and is not entitled to any return.

15. ULTIMATE HOLDING COMPANY

The Designated Members of the Partnership are Relative Value Holdings LLC and Barclays Group US Inc. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that

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Relative Value Investments UK Limited Liability Partnership

Notes to the financial statements
For the year ended 31 December 2017

15. ULTIMATE HOLDING COMPANY (CONTINUED)

presents group financial statements is Barclays PLC. Both companies are incorporated in the United Kingdom and registered in England. Barclays Bank PLC’s and Barclays PLC’s statutory financial statements are available from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP.

16. FINANCIAL RISKS

The Partnership’s activities expose it to a variety of financial risks. These are liquidity risk, credit risk and market risk, (which includes foreign currency risk, interest rate risk and price risk). Consequently, the Partnership devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

The Managing Partner monitors the Partnership’s financial risks and has responsibility for ensuring effective risk management and control.

Liquidity risk

This is the risk that the Partnership’s cash and committed facilities may be insufficient to meet its debts as they fall due. The Partnership has the financial support of the parent undertaking Barclays Bank PLC, it also maintains banking facilities with Barclays Bank PLC. These facilities are designed to ensure the Partnership has sufficient available funds for operation.

The monitoring and reporting of liquidity risk take the form of cash flow measurements and projections for the next day, week and month as these are key periods for liquidity management. Source of liquidity are regular reviewed.

The table below presents the cash flows payable by the Partnership under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values), whereas the Partnership manages the inherent liquidity risk based on discounted expected cash inflow.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities repayable</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>- in less than 5 years - interest payments</td>
<td>-</td>
<td>3,414</td>
</tr>
<tr>
<td>- in more than 5 years - Principal</td>
<td>2,630,099,181</td>
<td>2,630,099,181</td>
</tr>
<tr>
<td>- in more than 5 years - interest payments</td>
<td>191,035,305</td>
<td>116,839,406</td>
</tr>
<tr>
<td></td>
<td>2,821,134,486</td>
<td>2,746,942,002</td>
</tr>
</tbody>
</table>

Credit risk

This is the risk that counterparties to the Partnership’s financial assets may default. The Partnership assesses all counterparties, including its customers, for credit risk before contracting with them. The Partnership monitors its exposures and seeks to minimise its credit exposures by monitoring the credit rating of its counterparties in accordance with Barclays Group risk management policies. Cash and cash equivalents, loans and advances are with companies in the Barclays Group of which the Partnership is a member and are of investment grade.

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Relative Value Investments UK Limited Liability Partnership

Notes to the financial statements
For the year ended 31 December 2017

16. FINANCIAL RISKS (CONTINUED)

The Partnership’s maximum exposure to credit risk is detailed in the table below. The exposure does not include any collateral or other credit risk mitigants which reduce the Company’s exposure.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>Loans and advances</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying value</td>
<td>$932,578</td>
<td>2,825,106,155</td>
<td>2,826,038,733</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$932,578</td>
<td>2,825,106,155</td>
<td>2,826,038,733</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                  | As at 31 December 2016 |            |            |            |      |
|                  | Cash and cash equivalents | Loans and advances | Total      |            |      |
|                  | $                      | $          | $          |            |      |
| Carrying value   | $15,975,937            | 2,732,443,582 | 2,748,419,519 |            |      |
| Total            | $15,975,937            | 2,732,443,582 | 2,748,419,519 |            |      |

The table below describes the Partnership’s credit exposure by industry type:

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>Loans and advances</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial institutions</td>
<td>$932,578</td>
<td>1,046,707,666</td>
<td>1,047,640,244</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial intermediaries</td>
<td>-</td>
<td>1,778,398,489</td>
<td>1,778,398,489</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$932,578</td>
<td>2,825,106,155</td>
<td>2,826,038,733</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2016</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>Loans and advances</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial institutions</td>
<td>$15,975,937</td>
<td>954,228,012</td>
<td>970,203,949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial intermediaries</td>
<td>-</td>
<td>1,778,215,570</td>
<td>1,778,215,570</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$15,975,937</td>
<td>2,732,443,582</td>
<td>2,748,419,519</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market Risk

Market risk is the risk that the Partnership’s earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Partnership’s interest bearing financial assets and liabilities. The Partnership’s interest rate risk arises from interest on its loans and advances and borrowings.

Interest rate sensitivity analysis

The sensitivity of the income statement is a measure of how it is affected by changes in interest rates as they impact the net interest income for the year based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2017, including the effect of hedging instruments. The Partnership has net floating rate non-trading financial assets of $83,698,537 (2016: net floating rate...
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

16. FINANCIAL RISKS (CONTINUED)

non-trading financial liability of $32,555,200). Note that the 2016 net floating rate non-trading financial liability has been restated in 2017 due to the incorrect inclusion of fixed rate instruments in 2016.

Impact on net interest income

The Partnership has considered the effect on net interest of a 100 basis points change. This analysis has been performed by applying a 100 basis point change to the outstanding principal of the non-trading floating rate interest bearing positions at the year. The impact would be as follows:

<table>
<thead>
<tr>
<th></th>
<th>+100 basis points 2017</th>
<th>-100 basis points 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>836,985</td>
<td>(836,985)</td>
</tr>
<tr>
<td>As a percentage of net interest income</td>
<td>25.08%</td>
<td>(25.08%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>+100 basis points 2016</th>
<th>-100 basis points 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(325,552)</td>
<td>325,552</td>
</tr>
<tr>
<td>As a percentage of net interest income</td>
<td>44.29%</td>
<td>(44.29%)</td>
</tr>
</tbody>
</table>

Foreign currency risk

The Partnership has no balances in foreign currencies and is not exposed to foreign currency risk.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial instruments are disclosed in the respective notes to the financial statements. The Partnership had no assets which were designated at fair value. Loans and Advances, receivable from group undertaking and borrowings have been classified as Level 2 (2016: Level 2).

Valuation methodology

A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations based on unobservable inputs is described below.

Quoted market prices - Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs - Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both.

The definition of related parties includes parent company, ultimate parent company, subsidiaries, associate, and joint ventures as well as the Partnership's key management which includes its Partners. Relative Value Holdings LL is the Managing Partner and controlling party. During the year there have been no other transactions with related parties other than transactions disclosed in the notes to the financial statements. The cash in hand is held with a related party, Barclays Bank PLC.

19. CAPITAL MANAGEMENT

The Partnership is required to follow the risk management policies of Barclays Bank PLC, its ultimate parent, which include guidelines covering capital management. The capital management objectives and policies for Barclays Bank PLC can be found in its financial statements.

The Partnership's main capital management objectives are:

- To safeguard the Partnership's ability to continue as a going concern; and
- To maintain an optimal capital structure in order to reduce the cost of capital.

The Managing Partner is responsible for capital management and ensures that the Partnership operates within the Barclays Group risk framework. In order to maintain sufficient capital, the Partnership may adjust the amount of distributions paid to partners and/or return capital to partners.

Total capital of the Partnership is as follows:

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Partners' Capital contributions</td>
<td>125,527,910</td>
<td>125,527,910</td>
</tr>
<tr>
<td>Accumulated Losses</td>
<td>(120,623,662)</td>
<td>(124,050,393)</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,821,134,485</td>
<td>2,746,942,002</td>
</tr>
<tr>
<td>Total capital resources</td>
<td>2,826,038,733</td>
<td>2,748,419,519</td>
</tr>
</tbody>
</table>

Restricted - External
Relative Value Investments UK Limited Liability Partnership
Notes to the financial statements
For the year ended 31 December 2017

19. CAPITAL MANAGEMENT (CONTINUED)

The Partnership regards as capital its equity reported on balance sheet, its Preferred Partnership Interest C and D and perpetual securities in issue of $2,821,134,485. The Partners expect that these funds will remain available to the Partnership in support of its continuing activities and they are therefore managed as part of the capital of the Partnership.

20. CONTINGENT LIABILITIES AND COMMITMENTS

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on balance sheet:

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees</td>
<td>$940,491,736</td>
<td>$934,428,156</td>
</tr>
</tbody>
</table>

Guarantees are given as security to support the performance of a group undertaking to another group undertaking. The main types of guarantees provided are financial guarantees given to a group undertaking to secure loans. As the Partnership will only be required to meet these obligations in the event of the affiliate’s default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.