Barclays PLC
Fixed Income Investor Call[1]

H1 2017 Results Announcement

28 July 2017

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[1] (From prior page) This presentation must be read and construed with all applicable law, rules and regulations applicable to Barclays and the information presented herein. You should ensure you have read and fully understood (and consulted with your legal or other advisers as you deem necessary to understand) (i) such law, rules and regulations and (ii) the Disclaimers contained at the back of this presentation |

Completed Barclays' restructuring

Africa selldown complete	Sold down to target shareholding of c.15% and achieved proportional regulatory consolidation
CET1 ratio within end-state range	CET1 ratio of 13.1%, reflecting strong capital generation from profits and 47bps from Africa selldown
Non-Core closed	Closure on 1 July 2017 with residual RWAs of £23bn, ahead of guidance

Group financial targets

Returns

Group Return on Tangible Equity (RoTE)

>10%

Capital

Group CET1 ratio

150-200 bps above regulatory minimum level ⇒ c.13%

Costs

Group Cost: income ratio

<60%

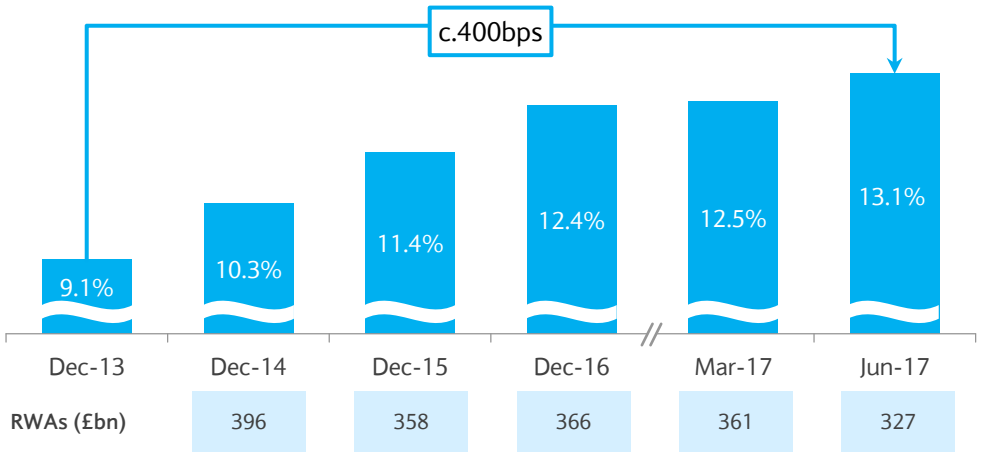
Intend to achieve these targets within a reasonable timeframe

Dan Hodge

Barclays Group Treasurer

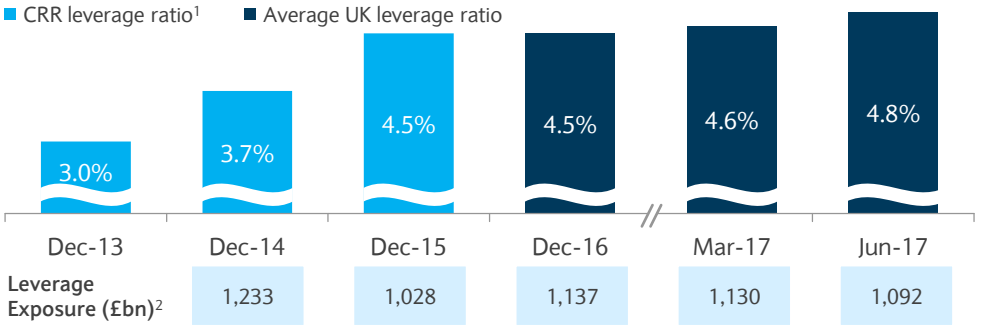
Strong CET1 and leverage ratio position

Fully Loaded CET1 ratio



- CET1 ratio increased to 13.1% at Jun-17. The 70bps increase in the half represents
  - c.65bps from profit generation
  - c.47bps from the sell-down of BAGL
  - c.30bps from RWA reductions (excl BAGL) partially offset by:
  - c.(20)bps provision for PPI
  - c.(15)bps defined benefit pension scheme deficit reduction contributions
  - c.(20)bps on redemption of the Series 3 USD preferences shares and share purchases to meet vesting share awards – both in Q117
  - c.(15)bps related to dividends paid and foreseen
- The £38bn decrease in RWAs to £327bn principally reflected a £28bn reduction in BAGL and a £9bn reduction in Non-Core RWAs to £23bn, which was £2bn below the £25bn of RWAs guided to for closure at Jun-17
- Estimate a further 26bps increase in the CET1 ratio on full regulatory deconsolidation of BAGL expected at some point in 2018 as originally guided

Leverage ratio

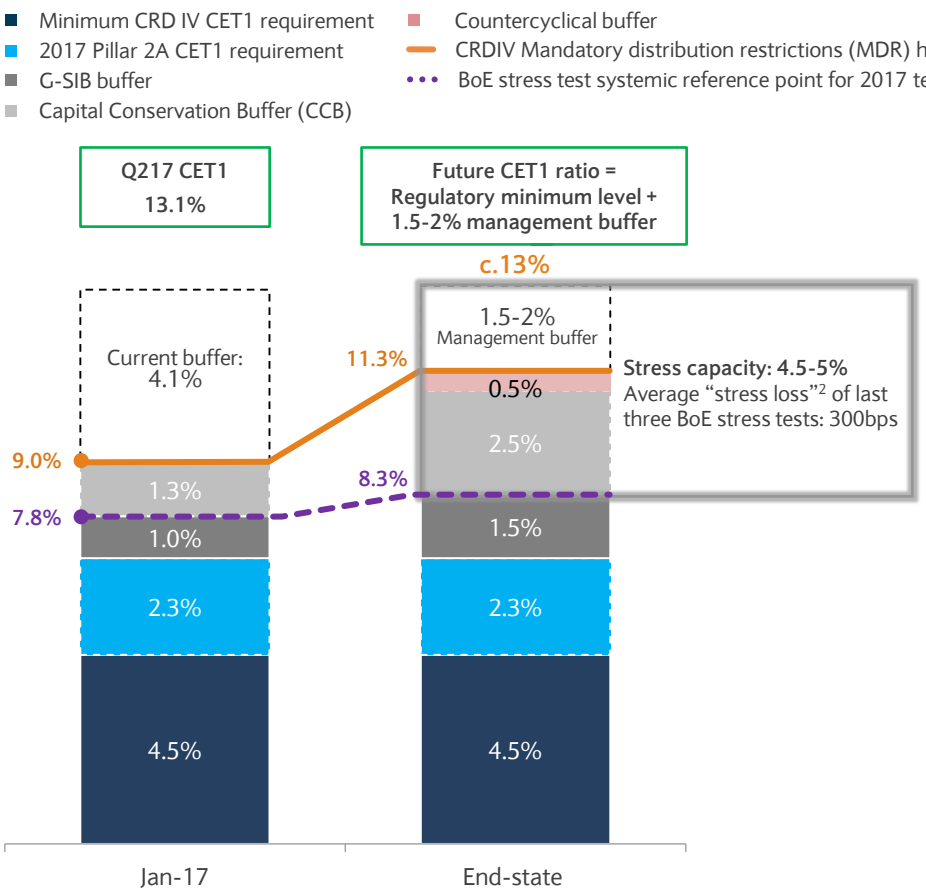


- Average UK leverage ratio (excluding qualifying central bank claims[3]) increased to 4.8% at Jun-17. The 30bps increase in the half represents
  - The increase in average fully loaded Tier 1 capital to £52.1bn reflecting the increase the AT1 issuance in the first quarter
  - Average UK leverage exposure decreased modestly to £1,092bn
- Our sole regulatory consolidated leverage requirement is to comply with the UK regime and we remain comfortably above the expected 4% minimum requirements applicable from 2019

[1] Dec-13 not comparable to the estimates as of Dec-14 onwards due to different basis of preparation | [2] Dec-14 and Dec-15 on CRR basis. Dec-16 onwards on UK monthly average basis | [3] As long as these are matched by deposits denominated in the same currency, subject to firms obtaining permission from the PRA |

Managing evolving future minimum CET1 levels

Illustrative evolution of minimum CET1 requirements and buffers

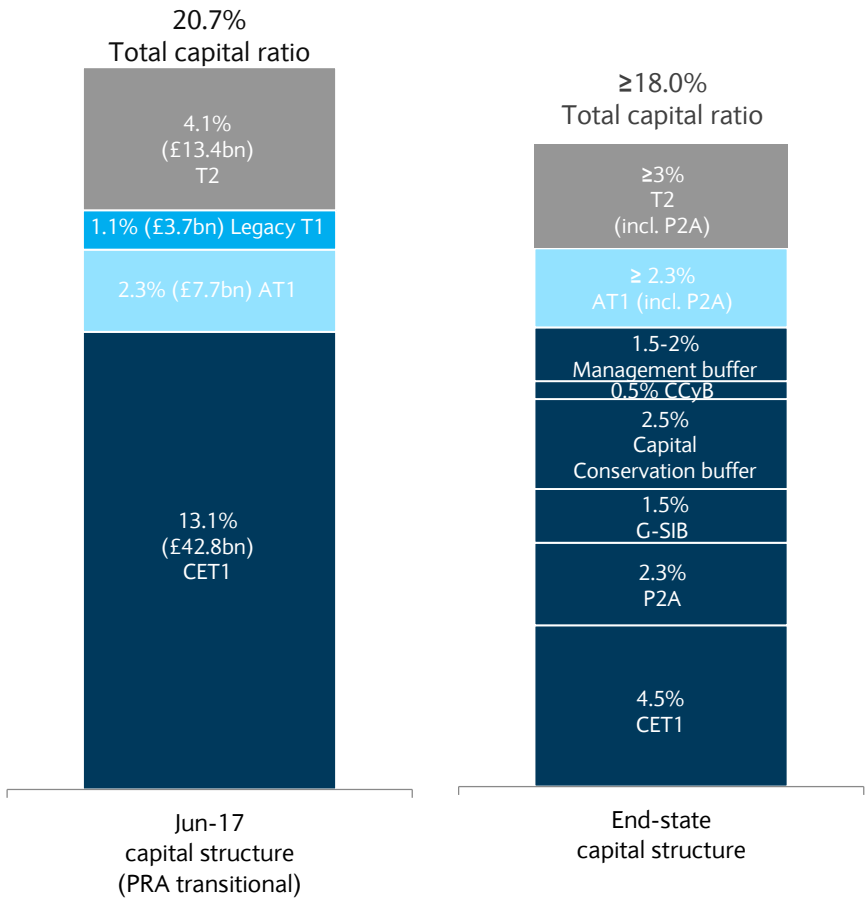


- **End-state CET1 ratio expectation of around13%:**
  - Assuming the introduction of a UK countercyclical buffer of 1% from November 2018, this would translate to around 45bps for the Group based on our UK exposures
  - This would result in a CRD IV MDR hurdle rate of 11.3%
  - With a management buffer of 150-200bps, this would create stress capacity of 450-500bps
- As capital buffers and RWAs will evolve over time, we manage our CET1 position to maintain a prudent internal management buffer over future minimum levels. This is to guard against mandatory distribution restrictions pursuant to CRD IV and to take into account stress testing
- The management buffer is prudently calibrated, intended to absorb fluctuations in the CET1 ratio, cover event risk and stress, and to enable management actions to be taken in sufficient time to avoid mandatory distribution restrictions

[1] Based on Barclays' understanding of "The Bank of England's approach to stress testing the UK banking system" published in October 2015 and "Stress testing the UK banking system: key elements of the 2016 stress test", published March 2016 | [2] Average stress-loss of past three years based on applicable year-end CET1 ratios against low-point stress outcomes |

Evolving CRD IV capital structure transitioning to HoldCo over time

Illustrative evolution of CRD IV capital structure



Well managed and balanced total capital structure

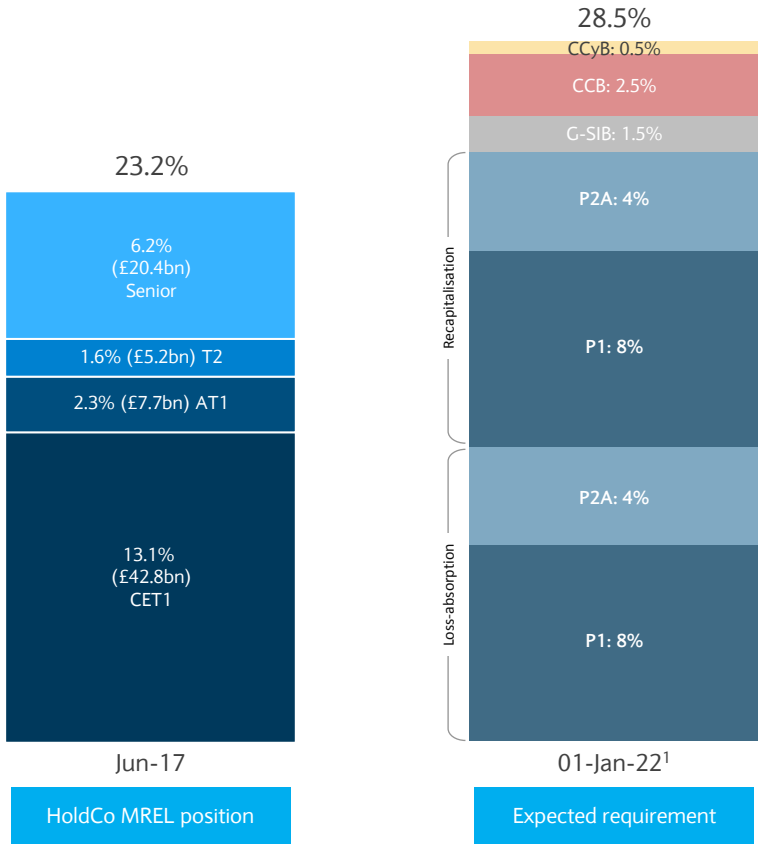
- Transitional total capital ratio increased to 20.7% (Dec-16: 19.6%), while the fully loaded total capital ratio increased to 19.8% (Dec-16: 18.5%)
- Currently most OpCo capital is expected to be eligible CRD IV capital during and, to the extent outstanding, after the grandfathering period. It is also mostly expected to qualify as MREL until 1 January 2022 based on our understanding of the current Bank of England position
- We aim to manage our capital structure in an efficient manner:
  - Expect to hold a surplus to 2.3% of AT1 through regular issuance over time
  - The appropriate balance of Tier 2 will be informed by relative pricing of Senior and Tier 2 and investor appetite

Pillar 2A requirement

- Barclays' 2017 Pillar 2A requirement as per the PRA's Individual Capital Guidance (ICG) is c.4.0%. The ICG is subject to at least annual review. This is split:
  - CET1 of 2.3% (assuming 56% of total P2A requirement)
  - AT1 of 0.8% (assuming 19% of total P2A requirement)
  - T2 of 1.0% (assuming 25% of total P2A requirement)
- Basel Committee consultations and reviews of approaches to Pillar 1 and Pillar 2 risk might further impact the Pillar 2A requirement in the future

Progressing well on MREL issuance

HoldCo MREL position and requirement including requisite buffers



Well advanced on HoldCo issuance plan

Issuance plan – currently expect average issuance of c.£8bn p.a. from 2018[2]

- Our MREL issuance guidance for 2017 is c.£10bn of which we have issued £7.6bn equivalent year-to-date. Remaining issuance this year is expected to comprise a combination of Senior, Tier 2 and AT1
- Beyond 2017, we currently envisage average issuance of around £8bn equivalent per annum to enable us to accommodate some RWA growth over time and to allow for a prudent MREL management buffer
- With c.£26bn of outstanding OpCo term debt and capital instruments maturing or callable by 1 January 2022[3] , remaining issuance is largely a matter of refinancing
- MREL position of 26.8% as at Jun-17 on a transitional basis, including eligible OpCo instruments, compared to 23.2% on a HoldCo-only basis

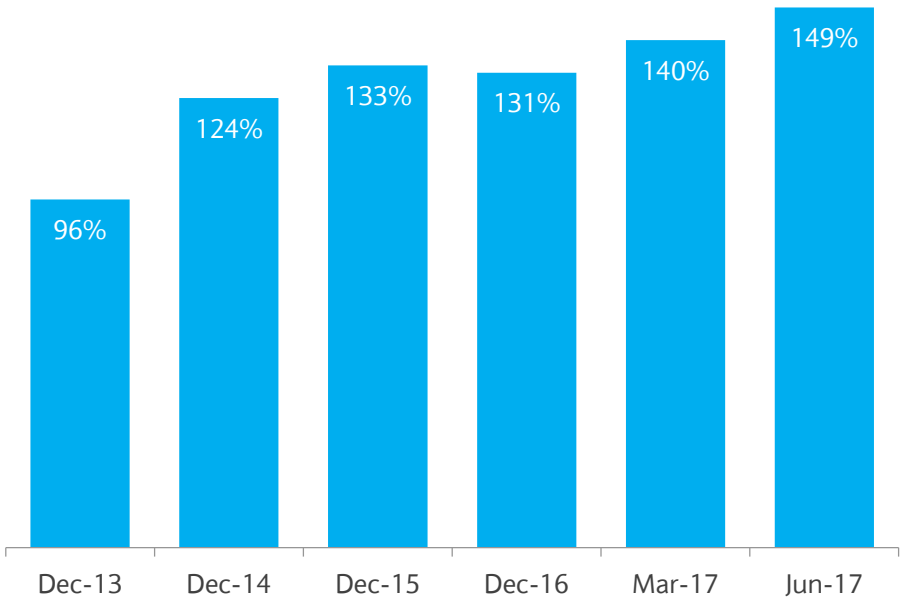
Requirements

- Barclays' non-binding indicative MREL is currently expected to be 28.5% of RWAs from 1 January 2022 comprising
  - Loss absorption and recapitalisation amounts
  - Regulatory buffers including a 1.5% G-SIB buffer, 2.5% Capital Conservation Buffer and 0.5% from the planned introduction of a 1% Countercyclical Buffer for the UK

[1] 2022 requirements subject to BoE review by end-2020 | [2] Issuance plan subject to, amongst other things, market conditions and regulatory requirements which are subject to change and may differ from current expectations | [3] Aggregated Tier 1 and Tier 2 capital instruments, and public and private senior unsecured debt, excluding structured notes |

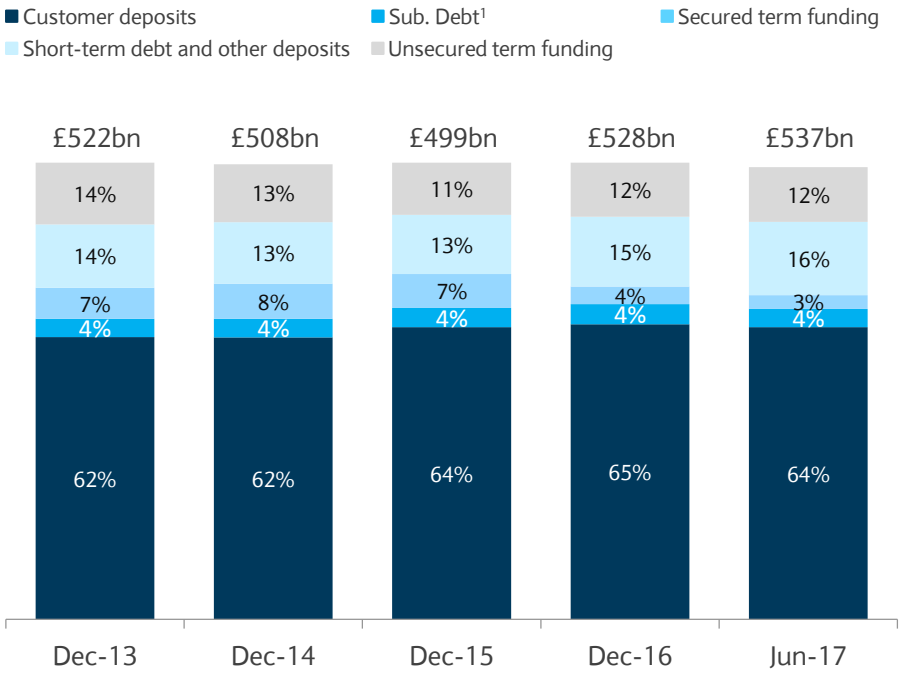
High level of liquidity and conservative funding profile

LCR continues to remain in prudential surplus



- Liquidity pool increased £36bn in the half to £201bn and the LCR increased to 149% equivalent to a surplus of £65bn to 100%
- The overall increase in the liquidity pool reflects net increase in MREL issuance, drawdown of the Term Funding Scheme, higher money market balances and deposit growth
- Quality of the pool remains high with the majority held in cash and deposits with central banks and highly rated government bonds

Conservative and stable funding profile (£bn – excludes BAGL)



- Retail loan to deposit ratio of 81% at end of Jun-17[2]
- Wholesale funding diversified across currencies, notably in USD, EUR and GBP
- The Group has £8.6bn of term funding maturing in the remainder of 2017 across public and private senior unsecured and secured, and capital instruments
- NSFR continues to exceed future minimum requirement of 100%

[1] Excludes AT1 capital and preference shares | [2] Loan: deposit ratio for Barclays UK, Barclays International and Non-Core, excluding investment banking businesses |

Structural reform plan remains on track achieving critical milestones as planned

H2 2017 Group Service Company setup

Milestones completed

- ✓ Legal entity repositioned and rated
- ✓ Target operating model agreed
- ✓ Relevant services identified and catalogued

Milestones to complete

- Migrate assets, contracts and employees
- Introduce arms-length service management
- Continue to prepare internal infrastructure

H1 2018 Legal entity separation

Milestones completed

- ✓ Barclays UK and Barclays International established as operating divisions in March 2016 to reflect the businesses within the future-state legal entities
- ✓ Conditional banking licence approved for the Ring-Fenced Bank in April 2017
- ✓ Ongoing communication with customers and clients with positive feedback to date
- ✓ Successfully commenced our sort code migration process

Milestones to complete

- Ring-Fencing Transfer Scheme (RFTS) court process to be initiated in November 2017
- Continue to prepare internal infrastructure

Supports delivery of fundamentally strong banking propositions for all of our stakeholders, consistent with the Group's strategy of being a transatlantic, consumer, corporate and investment bank

Ratings are a key strategic priority

Current Senior Long and Short Term ratings	Fitch	Standard & Poor's	Moody's
Barclays PLC (B PLC – HoldCo)	A F1	BBB A-2	Baa2 P-3
Barclays Bank PLC (BB PLC – OpCo)	A DCR[1]: A F1	A- A-2	A1 CRA[2]: A1 P-1
Outlook – Post EU referendum	STABLE	NEGATIVE	NEGATIVE

Future ratings expectations of Barclays UK and Barclays Bank PLC

- Rating agencies have made various statements on their expectation of ratings post ring-fencing
  - **Fitch** has said that they expect ratings differentiation to be small, if any
  - **S&P** already incorporates the expected implications of structural reform in its rating of BB PLC. It also expects the ring-fenced bank to be rated one-notch higher than BB PLC, subject to finalisation
  - **Moody's** expects standalone profiles of ring-fenced/non-ring fenced banks to be in line, or stronger/weaker than, those of existing banks

Rating priorities

- Barclays' objective is to maintain solid investment grade ratings
- We intend to create as much stability in the ratings of Barclays PLC and Barclays Bank PLC as we can – both before and after structural reform
- Focus on execution of strategy to support credit fundamentals

[1] Derivative counterparty rating | [2] Counterparty rating assessment |

Focused on delivery

Continued to deliver on Group strategy	Simplified business model with strong underlying returns. Restructuring largely complete – closed Non-Core at half year
Further progress made on balance sheet	CET1 ratio of 13.1% around our end state target of c.13%
Successful MREL build	Efficient issuance and liability management - maintained robust liquidity and funding diversification
Well positioned for structural reform	Structural reform plans on track as we continue to execute on key deliverables in 2017

Q&A

Appendix

Non-Core: RWA reallocation and guidance

		Allocated to		
Balance sheet – 30 June 17	Non-Core RWAs[1]	Barclays UK	Barclays International[2]	Head Office
Pre reallocation RWAs (£bn)	23			
ESHLA	4	3	1	
Legacy derivatives	7		7	
Italian Mortgages	3			3
Residual businesses/offices	5		1	4
Op Risk/DTA	4			4
Reallocated RWAs		3	9	11
Capital deductions	1.3	0.3	0.5	0.5
Allocated tangible equity	4.0	0.7	1.6	1.7
H217 Guidance				
Loss before tax	£300-400m	c.10%	c.40%	c.50%
Estimated H217 RoTE impact		2.0-2.5%	1.0-1.5%	n.m.

[1] Estimated allocation based on Jun-17 balance sheet | [2] Balance sheet and P&L allocation is entirely to the CIB |

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Information relating to:

- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, the BRRD, CRD IV and CRR texts and any applicable delegated acts, implementing acts or technical standards. All such regulatory requirements are subject to change;
- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions" (PS30/16) published on 8 November 2016 and the non-binding indicative MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into account a number of factors as described in the policy statement and as a result of the finalisation of international and European MREL/TLAC requirements;
- structural reform plans, including illustrations of Barclays business divisions in preparation for regulatory ring-fencing, are subject to internal and regulatory approvals and may change.
- future regulatory capital, liquidity, funding and/or MREL, including forward-looking illustrations, are provided for illustrative purposes only and are not forecasts of Barclays' results of operations or capital position or otherwise. Illustrations regarding the capital flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change, including amongst others, holding constant the Pillar 2A requirement at the 2017 level despite it being subject to at least annual review and assumed CRD IV buffers, which are also subject to change.

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