**Barclays PLC H1 2025 Results**

**Fixed Income Conference Call Q&A Transcript**

**(Amended in places to improve accuracy and readability)**

Lee Street, Citi

Well done on the results today. Two from me, please. Just on the US Consumer Bank – I want to understand: how do you see that fitting with the rest of the Barclays businesses that they operate? Synergies - how does it fit in? How should I think about that in terms of its strategic significance, given its current size?

And secondly, on capital – I know there's lots of questions this morning. I'm not going to ask what you think is going to happen, but if capital requirements were to say drop by 100bps, is it fair to assume that your target CET1 ratio would also commensurately drop by 100bps?

Anna Cross, Group Finance Director

Thanks for the questions, Lee. So strategically, where does the US bank fit? From our perspective, we believe that this is a business where we can make good returns, and you can see that progress over time. So, RoTE that we reported this morning is over 10%. We are focused on getting that business to be in line with the group at greater than 12% for 2026. And beyond that, we think we can get it back to the sort of mid teens that we operated this business at historically.

To get there, there's a number of things that we need to do: work on the net interest margin (NIM) – and you can see that improving through time. We repriced the book last year, and you can see it coming through. And we're also really focused on generating dollar deposits in that business, which are up 27% year-on-year. The cost base is also important, and you can see the cost-income ratio falling to 48%, we want that to be mid-40s and delinquency is well under control, as you can see. So, we do have confidence in the operating moving parts.

Beyond that, how does it connect to the rest of the Group? Well, I think it's important to understand that we see this because it's a partnership business – it's not a direct-to-consumer business in the same way as our UK business is. We really see this as a business with 20 million customers, yes, of course, but it's actually 20 significant corporate clients. And we see ourselves as providing consumer credit to those largely IB clients. So that's really what's different about that part of the bank.

So, you can see the nexus that it's got to the IB, but it's also important to just stress the amount of connectivity between the two cards businesses on either side of the Atlantic. So, we share modelling and capital approaches, and we also are able to use the capability that we have in the US to bring across to Barclays UK. You can see it increasingly running a partnership model – not just with Tesco, but with Amazon and with Avios. All of that capability and attitude comes from the US.

So, there's quite a connectivity here. As a standalone business, its customer service record and its level of digitization is very high. Finally, I'll just say in terms of the overall capital efficiency of the bank, what the US cards business does is – it candidly give us a better CCAR result because it creates diversification within the US so you can see the low point of our CCAR was 10.8% and our stress buffer is around 3.3% – pretty much in-line with some of the other diversified banks in the US. So that's really important. If we were not to have this business, we would be holding proportionately

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more capital against the IB in the US. So provided it can wash its face and generate good returns, it provides other ancillary benefits.

As to your second question about CET1, we think about CET1 across a really long-time horizon. We're satisfied with our target of 13% to 14% now. We're obviously mindful of regulatory change when and if that may come. But there's some significant pieces of that regulatory change that are still outstanding – notably what is happening on Pillar 2 as part of Basel, but also the international alignment.

Dan Fairclough, Group Treasurer
I'd broadly say that it will be a big driver – what the regulatory expectations are will be a big driver of where our target is – but we will take into account a range of other things as well. So, we'll look at what investors expect. We'll look at where the peer set is, and peer comparisons. And we'll look at it through stress as well as BAU. So, it's a pretty strong factor, but there are other factors as well.

Daniel David, Autonomous

I just want to touch on a couple of topics – the first one on SRT and the second one on capital. On risk transfer trades, I appreciate the disclosure you've got in your bigger slide pack. I just wanted to ask: is there a target level you plan to get to, noting that you're one of the bigger users in Europe? And how does SRT play into loan pricing? Is it something you think about when you write new corporate loans? And although unlikely, what would be the impact on CET1 if you couldn't roll-over your current risk transfer trades?

The second one, there's quite a bit of excitement growing on whether requirements could be lower for larger UK banks. I'm just interested in your opinion – are there any areas you think that should be eased, so whether that's leverage, Pillar 2, or the countercyclical buffer? And then the second part of that, I guess is on your range. I think the lower end of the range makes us slightly nervous in that it's less than 100bps over the MDA. So, do you think you're likely to operate at the lower end of the range, let's say, over the next year? I think we all appreciate that you're intentionally at the higher end at the moment but just interested in to hear your thoughts there.

Dan Fairclough, Group Treasurer

So, on SRT, we consider market capacity quite carefully in sizing the SRT amount. We're also very aware – which links into the last point of your question – about the amount of RWAs that we would have amortizing in any particular period. So, we've said that for the Colonnade program, that's less than £2 billion. That's something that we will use as a guide. We would always want to make sure that we could respond to any particular stress in the market, and we think we're well positioned for that at the size that we're at. As we've said before, broadly, that the Colonnade program is at maturity in terms of scale.

In terms of the loan pricing, we don't reflect it directly into the loan pricing. We don't provide details with the loan originators as to what's going into the pool and what's not. And we think it's very clear that they would not be swayed in their commercial or credit decisioning based on whether we were getting protection or not getting protection on the assets. So, we keep those two things quite separate. It's more of a risk management tool rather than a commercial tool.

In terms of the capital position, I think we probably covered this broadly before. We took the decision to guide you to the upper half of the 13% to 14% range. We did that because we thought it was appropriate compared to where the MDA was, which was 12.2%. We think that gives a sufficient

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comfort buffer – particularly bearing in mind both the CET1 generation that we've obviously now demonstrated very consistently and also the flexibility that we have on RWA.

So, I wouldn't change your view of where we expect to operate in the range. If you want to add anything Anna?

### Anna Cross, Group Finance Director

The only thing I would add is that one of the things that we would hope that the regulator is seeking to achieve is actually how these different parts of the regulation fit together. So, stress testing plus the capital rules plus leverage plus G-SIB – quite frankly, all of those things together need to be taken as a whole. And that's what we will be seeking to discuss and are discussing with the regulators in the background.

### Paul Fenner, Société Générale

I've got a couple. The first one was – Dan, you mentioned when you were talking about supply – I'm sorry, I missed the comment you made... what was it that I missed about that? That's part one on supply.

The second was, is it fair to assume that you're still going to be doing another AT1 to cover your calls and that you're done in Tier–2. That's that on supply.

The [third] question relating to the US Consumer Bank – much of that has been covered. I've just got kind of a mechanical question. In the non-UK credit card business, you've got 8% NPLs [non-performing loans], I think. But you've got over 4% cost of risk. Have you just got enormous charge-offs? That doesn't really tally with your relatively low delinquency rates. What's happening with the mechanics out there of the cost of risk versus the actual NPL balances, which seem reasonably low?

Then the very last question is what I've asked before, but nothing seems to come of it. What is it that you're looking for in terms of bad news around consumer behaviour that you haven't yet seen? What's the first marker of that you care about in terms of risk metrics to tell us that we're in a new and more negative environment.

### Dan Fairclough, Group Treasurer

I'll take the first supply question – I think Anna will pick up the rest. Just to clarify, the point about the call in 2034 was in relation to our legacy capital. We haven't got very much legacy capital left, but one of the larger transactions is a dollar preference share. So, we were just clarifying that we don't have an issuer call on that until 2034. So, not too much more to say on that.

And in relation to supply for the rest of the year, we haven't provided guidance on specific splits, but we do have – if we were to exercise at first call – £3.1 billion of AT1 calls, and we've only issued £2.2 billion. So, we said we would be a broadly balanced issuer in AT1 as we go through the year.

### Anna Cross, Group Finance Director

Just in terms of your question about cost of risk – I mean, the way I think about it is cost of risk covers two things. It covers the piece that you've called out, which is your sort of real experienced true risk, if you like – which is the NPLs. But it also in very large part, covers the procyclicality of IFRS 9. So, what that requires us to do is to use macroeconomic forecasts to imagine what would happen to our portfolios in a range of economic scenarios.

And to give you an idea, the weighted-average unemployment rate that we are looking at that we are using in our US portfolio right now is 5.1%. And then you might recall in Q1, we took an additional charge because of the uncertainty. All in all, that basically means that we are running a cost of risk

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here that is imagining a 5.75% unemployment rate in the US. It's just that procyclicality points about IFRS 9, I think that's drawing that distinction for you.

The second question that you've got – which is what really is it that we are looking for? I mean, be reassured, we look very hard at all of the data that we see both in terms of our own portfolios, but also high-frequency data more generally. We see nothing either in the UK or in the US – and that includes retail and wholesale.

And specifically for cards, the kind of thing I would be looking for would be a market change in the way people were spending their money. And if anything, in the UK in particular, I would say people are getting a little bit more confident. We're seeing credit card spend outstripping debit card spend. And in the US, we haven't really seen a huge change in spending patterns – despite you know, quite a lot of speculation about inflation and potential of inflation – but nothing significant.

And then the other thing I would be looking for is change in payment rates. So, are customers going much more to the minimum payment level that we asked them for? The answer to that is we're not seeing that either. If anything, they remain higher than pre-COVID levels. That's true both of the UK and the US and it's true all the way through the risk stack. So, we're seeing quite conservative consumer behaviour – that's pretty reassuring at this stage.

### Robert Smalley, Verition fund management

Just a couple. First, you talked a little bit about the LCR and the LCR calculation. Can you talk about why these numbers went up so much, and what you think the proper running rate should be – if it should be in the 150s? Also, you're running a pretty hefty NSFR as well – if you could address that?

Secondly, you talked about this on the last call – NDFI exposure to non-depository financial institutions. Could you give us an update on that specifically? What kind of exposure you have to alternative asset managers? I know there's a lot of nomenclature issues around that, but that's really what I'm looking for, as we continue to see banks lend more to their non-depository peers' competitors.

And then third, you talked about raising deposits in the US – you're pretty active in the Yankee CD program. Can you see yourselves doing more larger transactions, market transactions from the US Bank, the same way that some of your peers do bank level issuance in market size?

### Dan Fairclough, Group Treasurer

So, you're right – we have operated at a pretty high level of liquidity. I'd say that's partly a function of the macroeconomics and money supply and to some extent that's seen in banks globally. I think specifically as well in terms of our case; we have got a strategy that puts deposits at the centre of the relationship in a number of different business lines. So, I'd call out the growth of our US transaction bank – that has obviously seen growth in deposits. Obviously, our Private Bank and Wealth Management has got a good deposit franchise as well. So, we're probably a significant beneficiary of that overall trend in money supply and in deposits.

We called out today that we're making some changes in the LCR calculation that will bring the LCR down a little bit, but I think you should expect it to remain at high levels and we're kind of calling back, if you go back to 2022 or 2023, it was 156% or 161% LCR ratio – so just to have that in your mind. And generally, we view it as it's still economic to run at that level of surplus liquidity just because the liquidity to us is low-cost and therefore, it's efficient.

Your second question on NDFIs – there's obviously been a bit of a push in the US with the US regulators to disclose more information on that. You can see some disclosure from us on those specific lending types. There is almost no exposure in our Barclays Bank Delaware or in our IHC entities. There is some exposure in our New York branch, which is where we would do a lot of that

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type of activity. And the number there is about $20 billion. It will be to a range of NDFIs, but maybe, Anna, you want to pick-up on why we do this type of activity?

Anna Cross, Group Finance Director

We do think that it occupies a really important part of the lending infrastructure more generally. And stepping back, regulation and impending regulation tends to penalize illiquid risk as it sits on bank balance sheets. But yet the world – both in the US and in the UK – needs this longer-term infrastructure spending. So, we think they do form a really important part of that infrastructure.

And we do have a very intertwined relationship with these parties, which does mean that we know them well and we can pick and choose the ones that we really want to do business with. So, some providers are our competitors on a lending basis, but we may lend to them, we bring their companies to market. And we are quite often offering bespoke risk management transactions for them. So, it's like any other counterparty really – we choose those counterparties carefully and we monitor their interactions with us carefully over time.

Dan Fairclough, Group Treasurer

The last question – just on US wholesale funding. We've got no plans to change the mix of US wholesale funding that we do. Generally, wholesale funding would be at the more expensive end of our liability sources. So, we wouldn't do that unless we had a big push to. If anything, as we've discussed on this call, the funding strategy for Barclays Bank Delaware is actually to do more retail deposits. If anything, less CDs in that mix. So, no real change on the overall mix of the US funding.

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