Barclays PLC H1 2025 Results

Fixed Income Conference Call Speech

Anna Cross, Group Finance Director

Daniel Fairclough, Group Treasurer

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1. Good afternoon and welcome to the H1 2025 fixed income investor call. I'm joined by Dan Fairclough, our Group Treasurer.

2. Let me begin with a brief overview of our financial performance.

Slide 3: Group performance against financial targets on the path to 2026 delivery

3. These results mark the mid-point of our three-year plan to deliver a better run, more strongly performing and higher returning Barclays.

4. I am pleased with the Group's operational and financial progress so far.

5. Return on Tangible Equity was 13.2% in the first half of the year and 12.3% in the quarter.

6. Total income grew 14% year on year to £7.2 billion, while costs grew by 5%, supporting a four percentage point improvement in the cost income ratio to 59%.

7. By design, our plan is delivering operational improvements across each of our divisions to drive structurally higher and more consistent Group returns in 2026 and beyond.

8. All divisions generated a double-digit RoTE in Q2.

9. This included a 2.6 percentage point year on year improvement in the Investment Bank's RoTE, to 12.2%, and a 1 percentage point improvement in the US Consumer Bank, to 10.2%.

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Slide 4: Halfway through the plan, confident in achieving our targets

10. Our three-year plan, set out in February 2024, outlined a roadmap to produce higher and more balanced returns.

11. And I would stress that our 2026 targets were never intended to be a resting place, and do not represent the extent of our ambition.

12. We are executing against our plan, as we said we would.

13. And momentum that we are seeing across the Group positions us well to deliver our RoTE guidance and targets, by continuing to drive income growth, operating leverage and business mix changes.

14. Since 2023 we have deployed £17 billion of business growth RWAs in Barclays UK, the UK Corporate Bank and Private Bank and Wealth Management.

15. This includes £10 billion from organic growth.

16. This organic progress, and the acquisition of Tesco Bank, mean that we have now deployed more than half of the planned £30 billion by 2026.

17. Within the Investment Bank, we have intentionally kept RWAs broadly stable for three and a half years, to drive optimisation and productivity.

18. And to ensure that the division is a consistent source of capital generation for the Group, which has not always been the case.

19. Stable income streams now account for 40% of the Investment Bank's income in the past year, up from 29% in 2021.

20. In addition, progress has been delivered alongside prudently managed risk, reflected in stable VaR.

21. By continuing to execute our plan, we will produce structurally higher and more consistent returns, supported by our diversified business model.

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22. As debt investors, I appreciate credit quality is a key focus area, so I will cover this topic in more detail on the next slide.

Slide 5: Q224 LLR of 44bps; maintaining through the cycle guidance of 50-60bps

23. The Q2 Group impairment charge of £469 million equated to a Loan Loss Rate of 44 basis points.

24. The UK credit picture remains benign, with low and stable delinquencies in our consumer books, and wholesale loan loss rates below our through the cycle expectations.

25. The Barclays UK charge was £79 million in Q2 resulting in a Loan Loss Rate of 14bps.

26. The improvement versus Q1 reflected a release of credit card provisions and diminishing post-acquisition stage migration effects for Tesco Bank balances.

27. The US Consumer Bank charge of £312 million was stable year on year and down 22% versus last quarter.

28. Consumer behaviour remains resilient, with payment rates in our book above pre-Covid levels and consistent with Q1, and a stable mix of new account acquisitions, as can be seen on slide 23 in the Appendix.

29. This is reflected in stable 90-day delinquencies, and 30-day delinquencies, which fell 20 basis points versus Q1 to 2.8%, consistent with normal seasonal trends.

30. Looking forward, the acquisition of General Motors card balances is expected to lead to a circa £100 million day-1 charge in Q3, and a post-acquisition stage migration charge of circa £50 million for the next few quarters from Q4.

31. Including this charge, we continue to expect a Group loan loss rate within the through the cycle guidance of 50-60 basis points for FY 2025.

32. I'll now hand over to Dan for the balance sheet highlights.

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Daniel Fairclough, Group Treasurer

Slide 7: Robust capital position with 14.0% CET1 ratio

33. Thanks Anna.

34. Let me begin first with capital on slide 7.

35. We ended with a CET1 ratio of 14.0%, or 13.7%, adjusted for the announced H1 buyback.

36. This is in line with our guidance that we expect to operate towards the upper half of our 13-14% target range.

37. This is a deliberate consequence of the strategy, which was designed to drive higher and more consistent returns and improved capital generation.

38. We generated 100bps of capital from attributable profits in H1, and expect around 170bps this year, aligned to our circa 11% RoTE guidance, versus around 150bps in 2024.

39. Looking ahead, we note the recent PRA publications on Basel 3.1.

40. We remain confident in our existing guidance of £3-10 billion of RWA inflation from Basel 3.1.

41. Although we are still working through the details regarding the option to delay implementation of the model aspect of FRTB, some elements of the PRA proposals have increased our confidence in this range.

42. For the avoidance of doubt, the range itself reflects fine tuning of implementation and potential business responses to provide mitigation.

43. It is not specifically related to the FRTB ruleset.

44. In addition, I would note that the proposals do not deal with the divergent international position, which is a principle that we will continue to engage with regulators on.

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45. As previously noted, we expect some offset in Pillar 2A. We are still awaiting further guidance in this area which is an important element of the final impact.

46. On the topic of Basel 3.1, we note that European banks have recently provided detail on the effect of the output floor which, for Barclays, is not expected to be binding at any point.

47. This reflects our business mix and applies at both the Group and the ring-fence level.

Slide 8: Operating with a prudent buffer to each tier of capital requirements

48. Moving up the capital stack, on slide 8, we show our Tier 1 and total capital requirements as a proportion of RWAs.

49. We continue to target a prudent buffer against each of these requirements, which helps us manage any RWA and FX movements, as well as our issuance and redemption profiles.

50. Our Tier 1 ratio is 17.8%, with a healthy headroom above our 14.6% regulatory requirement.

51. Within this ratio, we had an AT1 component of 3.8%.

52. We continue to operate with higher levels of AT1 versus Tier 2.

53. This reflects AT1's contribution to a number of regulatory metrics, specifically Tier 1, Total Capital, MREL and Leverage requirements.

54. As a result, AT1 supports the deployment of leverage balance sheet into liquid areas such as Financing within the Investment Bank, which generates returns significantly in excess of the cost differential between AT1 and Tier 2.

55. Clearly, our regular call and issuance schedule provides the opportunity to adjust this, if required.

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56. In line with previous guidance, we expect AT1 issuance and redemptions to be broadly balanced over time.

57. For 2025, we have so far issued £2.2bn equivalent of AT1 against up to £3.1bn of potential call decisions.

Slide 9: MREL position well established

58. Turning now to slide 9, our MREL ratio was 35.4% as at H1.

59. We are pleased with the progress made against our £14bn issuance plan, which is now over 70% complete.

60. Following this, we may look at some pre-funding, subject to market conditions.

61. We continue to seek MREL currency diversification where it makes sense.

62. For example, during H1 we successfully issued a one-billion Australian Dollar offering and our first offshore Chinese Renminbi private placement.

63. We have also been proactive and thoughtful in extending our weighted average life at historically tight spreads when compared to long run averages.

64. This can be helpful in reducing our overall sensitivity to spreads and annual issuance requirements.

65. Finally, a brief word on our legacy capital.

66. We have made continued progress on redeeming legacy instruments such as the call of the EUR preference share announced in May.

67. We remain comfortable with our residual position, which is now less than £1 billion, representing a very small amount when compared to our overall capital stack.

68. The largest position within this is our USD preference share where we do not have an issuer call until 2034.

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69. Given this, you should not expect to hear much more from us on legacy capital.

Slide 10: Prudently managed LCR supported by a highly liquid balance sheet

70. Onto the next slide on liquidity.

71. Our average LCR of 178% represents £135bn in excess of our regulatory requirements and includes the initial effect of methodology changes introduced in June.

72. The average net stable funding ratio was 136% and the loan to deposit ratio was 74%, both demonstrating a continued robust liquidity position.

73. To give a bit more detail on the revised methodology for the LCR, we are making changes to the way we measure outflows from our secured financing activities.

74. These changes result in a higher and more conservative net outflow calculation from modelling a more asymmetric unwind of client activity, which we have not observed in actual client behaviour.

75. As this is being implemented prospectively in our reporting, we expect a reduction in our average LCR ratio over time from current levels, which have grown over recent years.

76. Although these changes will utilise some of the Group's surplus funding position, we expect the LCR to remain broadly within levels reported in recent years, as shown on the slide back to 2022.

77. We will continue to hold a liquidity surplus well above regulatory requirements and maintain a robust and prudent approach to liquidity.

Slide 11: Diverse and stable franchise deposit base of £565bn

78. Moving onto slide 11.

79. Total deposits have increased around £4bn year-to-date.

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80. The diversification of our deposit base has supported this outcome with growth in deposits from Corporates and Banks offsetting a small contraction in Consumer deposits.

81. Corporate deposit growth has been driven by the development of our US Dollar offering in the International Corporate Bank and an improved market share in the UK Corporate Bank.

82. In Barclays UK, savings deposit balances reduced slightly, as customers took advantage of favourable term deposit rates around the new ISA season.

83. We were disciplined around pricing for term deposits, which was competitive in first half of the quarter.

84. This dynamic moderated later in the quarter, and our market share in current accounts has remained stable.

Slide 12: £2.8bn structural hedge income in H125

85. Moving onto slide 12.

86. Income from the structural hedge is material and predictable and underpins our confidence in delivering our income targets.

87. We have now locked in £11.1 billion of gross structural hedge income across 2025 and 2026, up from £10.2 billion last quarter.

88. And beyond 2026, we currently expect the structural hedge to deliver multiyear NII growth.

89. As we said in April, our plan assumes that we reinvest around 90% of maturing hedges at a 3.5% yield.

90. In each case, the Q2 outcome was more favourable than these assumptions.

91. On rates, we locked in hedges at a higher rate at circa 3.7%.

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92. And we kept hedge balances flat, reflecting the continued stability of hedgeable deposits.

Slide 13: Targeting Barclays PLC to be "A" composite across all indices over time

93. Finally, a quick word on credit ratings.

94. Our aim remains for Barclays PLC senior to qualify as single A composite across all indices.

95. We will continue to engage with all credit rating agencies and view this objective as consistent with the delivery of our 3-year plan.

Slide 14: Q&A

96. Throughout 2025, we have continued to demonstrate the strength of the Barclays balance sheet.

97. We expect our plan to continue to deliver increased capital generation, supported by a more balanced business model and growth in more stable income streams.

98. With that, I'll hand back to Anna.

Anna Cross, Group Finance Director

99. Thank you, Dan.

100. In conclusion, this is the sixth quarter of progress against our 2026 targets that we are reiterating today and remain on track to deliver.

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