Barclays PLC Q2 2026 Results

03 August 2026

Analyst Sell Side Meeting transcript

(amended in places to improve accuracy and readability)

Anna Cross, Group Finance Director

Okay, good morning everyone and thank you for joining. We'll get started this morning. It's less than a week since we reported, so I'm going to keep my remarks pretty short on some of the themes from your reports, and also areas of discussion with investors last week.

So let me start with NII, where momentum across the divisions remains strong. Whilst the Barclays UK product margin has been a focus for some of you, the £61 million headwinds that we saw in Q2 was similar to the Q1 level of £52 million as we guided. In the third quarter, we expect the product margin to be neutral to positive. So what drives that improvement?

Firstly, part of the Q2 reduction reflected a switch from product margin income to structural hedge income, after we increased the hedge notional at the end of Q1. That classification did not materially affect NII. Second, as we called out at full year, maturities of higher margin mortgages written in early 2021, create a headwind in 2026 and that is now mostly complete.

The only area that was marginally weaker than we expected was deposit margins. Specifically, we observed strong competition from maturing fixed rate ISAs, which are mostly one year, and the market was larger than a year earlier. This reflected outright growth and competition within the time deposit market, rather than migration from current accounts, which have been stable for more than two years.

So this differs from the industry's experience in 2023. The pricing of time deposits is now close to the H225 level, which alongside seasonally lower deposit maturities in H2, supports neutral margin effects. Along with card seasonality and higher day counts, we therefore expect BUK NII growth in Q3 and Q4, and for 2026 NII to be around the middle of the £8.1 to £8.3 [billion] range.

Next, I know costs are a focus, so let me remind you of our plan. Our actions to drive efficiency and deploy new technology are revealing new opportunities to simplify our structure and create more agile processes.

Stronger H1 profitability allows us to invest earlier to deliver this model, without disrupting our cost to income ratio, RoTE, nor distribution commitments. So in H2, we anticipate up to £300 million of additional structural cost actions versus the initial plan of around £300 million per year. Having taken £100 million of SCAs in H1, this implies up to £500 million in H2 and £600 million for the full year.

Given an expected RoI of a hundred percent within 12 months, additional SCAs will drive a commensurate increase in gross efficiency savings next year. Thus underpinning a meaningful improvement in the 2027 cost to income ratio from the high 50s target in 2026, towards the low 50s target in 2028, both of which we remain committed to. Further, we do not view £600 million as a new normal run rate, and I expect this level to be a ceiling in 2026.

Separately, regulatory changes from October 2025 allow us to alter the mix of material risktaker compensation, with a lower fixed and larger variable components carried over a shorter period, better aligning costs and performance. This will increase H2 costs by £100 to £150 million, weighted to the IB (Investment Bank) and will not materially repeat. So from 2027, IB costs will be more flexible, rising and falling even more closely with returns. And in quarters like Q226, where we enjoyed higher income, you would of course expect us to accrue additional compensation costs.

Finally, you will have seen two developments this quarter which reposition USCB towards being a full-service digital consumer bank. On 1st of May, we completed the acquisition of Best Egg, adding consumer lending capabilities to our existing credit card and deposit businesses.

And on 20th of July, we announced a partnership with Samsung. We didn't get a chance to outline the significance of this launch, nor the distinction between wallet and card partnerships, so let me do that now. The strategic value of this partnership extends well beyond the co-branded credit card. This is not a one-product partnership. If you were to look at another well-established brand US mobile wallet, you will see that this includes a range of products including cash payments, savings and installment loans. Whilst this brand's wallet uses multiple providers for these services, Barclays is the contracted provider for a range of products in Samsung's wallet, with more products becoming available in coming quarters.

When we talked to you in February about a re-pivot of this business, from a partnership cards model to a multi-product digital only bank, this is exactly the type of client relationship that we meant. With that, I'm happy to take your questions. As ever, please say your name before asking your questions, as this call is being transcribed.

Sheel Shah, JP Morgan

I've just got a few questions, first on the US deposits, [with core deposits around 82% of total funding]. I know the ambition is to grow this model, where could this grow to? Will this be a 100% funded business or near enough and should we expect that to be a relatively linear process? The last quarter saw some tighter pricing as well, so with that in context, are you looking to step into that on a more gradual basis or see a step up?

And then secondly, with regards to structural costs, you've mentioned a step down in cost in 2027, any indication as to [what that would be]? Thanks.

Anna Cross

Okay, thank you Sheel. So on US deposits, as you noted, we've clearly seen a step up in the quarter. We continue to see absolute momentum but equally, obviously we've had AA (American Airlines) leave the platform in the quarter.

We haven't given a target about where we expect this to grow to. But take some significance from us talking now about a digital only consumer bank and our desire to grow this strategically across the partners we already have using our existing deposit platform. Much of the growth we've seen is from AARP. Now clearly that is predisposed to good deposit growth, but some of the products that we've launched there have been very successful. So we would seek to deploy those more widely with other

existing partners. And then with Samsung, well you'll hear a bit more about that in time, but we do feel that could be an important platform for us to develop our deposit business further, and you will see that in the other platform that I referred to. So I'd expect it to be gradual and we haven't got a target at this point, at the point which we do, we will obviously tell you.

On SCAs, a normal rate we have always said is between £200 to £300 million. And over the last couple of years, we've seen that more towards the £300 [million] end than the £200 [million]. As I said, I don't expect £600 [million] to be the ongoing run rate. To the extent that we see opportunities to deploy additional investment and accelerate our progress towards that higher RoTE, the all-weather RoTE that we talk about beyond 2028, which really relies on both the stability of the income but also the operating leverage in the firm, then we would seek to do so. But at this point I haven't got any plans to do that. So £300 million is a good planning level for you to go forward and clearly we would only do so, if we were to leave all of our targets unaffected as we are this year.

And just to remind you, our cost and cost income ratios are an all in statutory number. So when we quote cost income ratio to you, that includes any structural actions, cost actions that we are taking. Ours is not our below-the-line structural effort. Okay, thank you. Next question please.

Michael Christodoulou, Berenberg

One on UK Corporate, can give us a bit more color on the loan to deposit ratio evolution in loan [growth] but also in terms of deposits? Is it growing, or is penetration slowing? Is it mainly seasonal? Just some additional color, that would be helpful.

Second, in terms of costs and the SCAs. Does that include any expectation about growth in AI spend? [Can you provide any colour on how you expect to funnel that cost growth?] And lastly on the all-weather RoTE, is there a specific range you're having in mind? Maybe through the cycle level, maybe range, some expectation on that please?

Anna Cross

Okay, thank you Michael. So let me start with UK corporate. So our objective here is to rebalance that business and obviously it contributes significantly to our growth expectations in the UK. In fact, you'll see that our corporate loan growth is actually exceeding the overall growth, which is around 5%. So what we've seen is growth in loans, but as we attract new customers to the platform and we've seen around 1400 new clients since the beginning of the plan. So we're seeing them also bring their deposits, we're seeing both sides of the balance sheet grow. That's great, happy with that. I wouldn't call it out as seasonal.

And if you look at our loan to deposit ratio, which is 35%, that would compare to between 50 and 75% in our UK peers. So we feel like we have a considerable degree of runway here. In so doing, it's really coming from focus and some capability that we've launched in terms of onboarding clients and offering facilities to them. We don't feel that we are yet getting the benefit from our new technology platform [iPortal] which we launched last year.

You'll see that we've noted, we've got about 20% migration onto that platform. What that will allow our clients to do is to navigate the whole of Barclays in totality. So we hope that will be commensurate with a pickup in the number of products, but too early to say that. So that benefit still to come.

In terms of growth in SCAs, I wouldn't call out a specific spending in AI within that. AI is included within our ongoing runway of technology costs, whether that be the development of new processes or the ongoing token costs. So they would all be included in technology and not an SCA. Actually, what we are looking at in the shorter term I would say is organisational simplification, and process improvement and simplification. So AI benefits really still to come in material scale from here.

And then finally on your point on the all-weather RoTE, it's an interesting question. What we want to do is, obviously over time not only increase the level of RoTE but to have that more stable. That comes from allocating capital to more stable sources of revenue and returns. It also comes from much of the cost action that we are taking now because when you have greater operating leverage, you have greater resilience through your P&L (Profit and Loss). So we're also very, very mindful of that. It's probably a bit too early to call, but we see that if you like as a third phase of the plan. But hopefully you can see where we're going in the steps we're taking.

Ed Firth, KBW

Morning everybody, Ed Firth from KBW. Yeah, I have a couple of detailed questions and then some more scattered. In terms of the detail, I'm always struggling a little bit with this one.

On slide 17, you show us a nice little walk through the [Barclays UK] NII and I guess the way I look at it, the first two are margin boxes, and the next two are volume boxes. And yet the two margin boxes would suggest the margin was up a bit and actually the margin was down. And so I'm just trying to understand how I look at this? How do I take the margin being down from that chart? So that's the first one.

The other detailed point, in terms of cost, can I just be actually absolutely clear on this? So if we're forecasting 2027 costs from 2026, we should take £300 million off for a reduced investment and some more for the savings, which I guess will be half, another £150 [million] annualised over the year and that is our new baseline when we're looking forward into 2027. So any sort of cost: income improvement or anything should be from that core base? Is that the right way of looking at it?

In terms of a substantive question, this Samsung thing sounds quite interesting. Can I just understand, are you going to own the customer? I guess that's the key question, because that's always been the criticism of your US business. The ownership of the customer is not with Barclays. And I guess I'm asking that in the context of frustration I have anyway, that UK banks sit here with Chase, Revolut, everybody picking you off and never ever appearing to ever fight back in any way.

Should we see this as the beginning of something of a fight back, where actually you are going to go and start getting new customers in other places and perhaps trying to grow the business in a material way, rather than just protect what you've got?

Anna Cross

Okay, there is consistency here for three questions rather than two. Okay, so let me start with the detail and I guess you're asking about NIM (Net Interest Margin). So simplistically, the NIM has gone down because we grown mortgages by so much, it's a mix impact. I mean we had a £10 billion pound gross quarter and it's one of the reasons that we are guiding you to NII, rather than NIM, because the extent that we are growing our secured lending and NIM goes down as a result, that's a good thing. So I'll leave it there.

On your second question, if I were sitting in your shoes, I would adjust for the £300 [million additional SCAs], I would adjust for the £100 to £150 [million for Material Risk Taker compensation mix changes] and I would also adjust for Motor Finance. That gives you a reasonable baseline to go forward.

And then on your more substantive question, so who owns the customer? It's quite a philosophical question, so a good way to start a Monday. So arguably that's the attraction of Barclays. We are not competing in the wallet, and that is important to our partners, but at the same time we have a customer expertise that allows us to carry that around for them, with a level of customer service that they help us define and they expect.

So we are very good at this, that partnership model, but the fact that you are not competing for the customer is actually a very attractive proposition to those brands. So then in terms of fight back, so this is really interesting, because this is a disruptive consumer bank, entirely digital, sitting in the US with 25 million customers. So it gives us a good platform on which to test and learn and go forward from here. But I would really counter your, we are not fighting in the UK. So, if you look at something like ISAs, we are defending, I think that's fair. And certainly with our Premier customers, we priced to retain deposits, and as I look at our ISA growth, it's 85% driven by our Premier customers, that's a good thing. So that shows you that we priced selectively at appropriate levels, and so our share of the ISA market was broadly flat.

But look beyond that at the actions that we are taking, and they are tangible. So, creating the wealth initiative with Private Banking and Wealth Management. That is explicitly designed to capture the investment requirements of the Premier customer in particular. Then look at the fact that we are currently going through the relaunch of the app. That app is designed to be contemporary technology, much more flexible for us to work on, much more intuitive for the customer, much more compelling as a pathway and to allow us to create direct links to things quite well. So you will see quite a change when you observe that [...].

Think about Go Henry. Go Henry is explicitly purchased with our Premier customer set income, really important to capture the youth market. That's clearly a place where some of those digital only banks have gone, and therefore see it as an opportunity for us and the way we are thinking about that end of the market, which from our perspective is underserved right now.

And then finally, while I've talked a lot about Premier, actually the entirety of the current account base is obviously very important to us. So we are now opening new branches, you're going to see some in the second half. We have gone through a considerable branch reduction process over the last few years. So when I joined in 2013, I think there were over 1800 and now there are just slightly over 200.

But then with any retail network, you are always looking at which areas are you in, which demographics are growing, which part of that town are you in. So you're going to see us invest and develop that branch network. So that will be absolute new branches, and you will also see us opening in areas in

order to greet our customers. So, we've opened our first Premier suite, which is in Leeds, because we do think it's really important, when you have a current account relationship, for customers to be able to see you face to face.

Amit Goel, Mediobanca

A couple of areas where I was getting some questions on the results. So, I think one you've already touched on a bit, so with regards to the structural cost actions, but thinking about it in a bit more detail. I guess [I'm] trying to understand, is there any specific businesses beyond just the broader spread across the business units, that that's the incremental £300 million is targeted at, and any real examples of how that money is being spent. That should be helpful.

And then secondly, just with regards to Best Egg and the profitability that it seemed to report for the last couple of months. It seems to take a bit of a step down, I know there's commentary about the spread pressure related to the funding costs versus the APRs, but it seems to swing from actually something which was profitable when you purchased it, to something that you is essentially loss making the last couple months. So quite volatile there. So just trying to understand the dynamics and how we should think about the profitability of that business and [how it develops] over the coming months, notwithstanding the cost reductions [that you've called out].

Anna Cross

Okay, so let me start with SCAs. So, I wouldn't call out any specific businesses. You're going to see it across the entirety of the firm - front office, middle office, back office impacting. It relates organisational simplification. So, I'm not going to call out specific examples now, but we will give you much more detail at Q3 and Q4, when we're actually spending that money. But think about all simplifications, think about process simplification and then the reduction in costs associated with that.

In relation to Best Egg, I think the confusion here actually relates, not to Best Egg, but to American Airlines. So, when American Airlines left the platform, I think everybody has accounted for the NII associated with the balances, but remember that American Airlines was in large part a transactor book, that's why it was low margin. So you're also seeing when American Airlines leaves the platform, non-NII falls.

So then what you've got is non-NII falling from two months worth of loss from American Airlines, then replaced by non-NII coming in from Best Egg. So if you are assuming that actually, there was no loss of non-NII, then what you're doing is you're seeing a suppress number for Best Egg. So, I think that's where the confusion is coming from.

So, what you're seeing is non-NII pickup, there is a very small NII impact, very small from retained balances. [Best Egg] costs coming in at $45 million per month. But I mean this business is the opposite of volatile, that's what it's designed to be. It's designed to be a largely fee driven servicing model. So you're going to see a high cost to income ratio but a low level of capital against it.

I'm really hopeful that when we come to Q3, that will give you a much cleaner read and again we will sort of talk you through that one again.

Amit Goel

So if we just assume a similar level of profitability to what it has been doing, so we can then work out the non-NII [amount]?

Anna Cross

So I would expect that the Best Egg income as broadly as we took it on, subject to the point that I made, which is that the securitised margins are a little bit compressed by the fact that the reference rates in the industry are a bit elevated at the moment. And clearly we have some optionality to deal with that over time. So, we could retain more on our balance sheet if we chose to, or at a point in time we will be taking control of that securitisation process within our own Markets business. That will give us a bit more control over the economics also.

Guy Stebbings, BNP Paribas

The first question is very much on that last point on the US Consumer [Bank]. I'm just trying to get to what the clean run rate was in Q2 and then how we get to that Q1 level. So, I think if you take out the American Airlines gain on sale, you account for an extra month of Best Egg and take out a bit of [American Airlines underlying income, you get to] the £900 [million] type Q2 income number, maybe fractionally below.

I guess the positive takeaway from that, is if we do get back to that Q1 level within two three quarters, that's a real good pace of growth. Is that the right interpretation? How do we think about sustainability of that level of growth into 2027, into 2028? I mean I know that you talked about the securitised margins being a little compressed and maybe that's a bit lumpy, but it does imply a really strong pace of growth in this franchise and maybe you can talk about Samsung and pace of income contribution there?

And the second question was just on the IB and the hedge, I guess it's something you probably don't think about that much in terms of structural hedge contributions in the Investment Bank, where does that allocate through in terms of the different lines? That'd be really helpful. I'd say it's not something we tend to think about with other UK banks for instance.

Anna Cross

Okay. So let me start with the US Consumer [Bank], appreciate it is a very noisy quarter. The only thing I'd add to what you described is there was also a day one impairment impact of £26 million. So, I'd take account of that as well.

The growth from here is going to come from a number of areas. Clearly, we are going to have organic growth from cards and you can see our businesses, the partners that we've got producing really well. I'd call out General Motors, which has had a really strong start. I'd expect to continue to see that margin growth as we grow deposits and continue to move towards a more retail focused business or a more balanced business.

You are going to see growth from Samsung, but it is a de novo partnership. So, starting from zero. So, whilst it's strategically important, it's going to be quite small to start with. So, I wouldn't over rely on that.

The other thing I would just call out is that, think of Best Egg in the same way as we described Tesco [Bank] to you, which was initially you're going to get funding synergies. Remember it has external banking relationships, both for its funding but also its securitisation and then that forward flow, all of that will get internalised. That will create some revenue related synergies into that business. You will see those before you see meaningful balance. So you're going to see this build gradually over time.

And then on the IB hedge, just so everybody understands. Meaningfully, the hedge in the IB comes from the equity structural hedge, which is clearly smaller than the product structural hedge, but is important. The equity in the firm is growing. The way we allocate that to businesses is through RWA utilisation. So, you're going to see a higher level in areas where we have heavy RWAs, which is why you see quite a substantive part of that landing within the Investment Bank. And you should think that Markets would attract a bit more than that, more of that than Banking per se. There will be a small amount in the International Corporate Bank on the product structural hedge, but it's pretty modest given the sophistication of those clients, but coming through the NII line.

Jason Napier, UBS

First one Anna, just on the present strength in [Global Markets] in the IB. I find it really hard to put a minus number on the forecast, but you're clearly many hundreds of millions ahead of the three-year plan in [Global Markets]. So, I wonder whether you'd share a view on whether anything we've seen in the outperformance so far is structural.

And then secondly, I wonder whether you'd give us a perspective on what you're hearing from shareholders on the increased cost plans. Clearly a hundred percent RoI is better than we can do in most organic businesses, but if the bank can't deliver outperformance in a bull market, what you're really doing is de-risking the same road here as we already have in our models. I just wonder whether shareholders are happy with that and how they're taking the near-term plans?

Anna Cross

Okay. So let me start with the [Global Markets] business. So, it would be useful if you have a quick look at page 41 [of the Q2 results presentation]. Let me take a longer lens to this Jason.

We have two objectives within revenue within the Investment Bank. The first is to grow the more stable sources of income on an absolute basis. And on the chart that I'm showing you on page 41, they are Financing and the International Corporate Bank, and you can see those growing over time. And one thing to think about would be, back to that point about operating leverage and the ability to generate a return in the Investment Bank, not just in a bull market, but in a market where there may be an air-pocket in opportunities.

Think about the proportion of the IB costs that those stable revenues cover, because that's important. That's gone from about 50% to about 80%, and that means that as you are getting upside,

either from fees because of the opportunity in Investment Banking, or from [Global Markets], the Intermediation line, then that has much more feeling on the P&L.

The second thing we've been trying to do is to diversify our [Global Markets] effort, alongside areas that we feel are very strong for Barclays. So, whether it's Securitised Products within the FICC business or whether it's Equity Derivatives within Equities, growing alongside Prime. And what that does is it gives us chance to be more successful in the range of environments. So, if you look at that chart, it also makes the business less seasonal. What you are seeing is the peak to trough is narrowing. It's still there of course, this is a seasonal business, it's seasonal for everybody. You would expect it to be a bit more seasonal for us, given our stage of development. But we're trying to compress that H1 to H2 drop off. So a few years back, a performance like what we've just achieved in Q2 would not have been possible for Barclays, because we would not have had the Equities franchise to be able to deliver it.

So, clearly we are benefiting from a market that is much bigger than we planned for, but we are in part monetizing that because of the structural things that we have put in place that underpin it. So, I think of it as making structural progress not just in revenue, but in our capital allocation discipline, in our cost discipline and that's what's really driving the RoTE to the bottom line. And even after the SCAs that we are calling out for this year, and even after the change in the MRT [costs], then, we are expecting this to hit circa 12% this year, which is good progress and continuing to build out that structural base.

To your question on the perspective from shareholders, I think if we were thinking about a permanent and elevated level of investment, it would be a different topic. But what we are saying is, we can see opportunities to do some of the things that we were envisaging through our three-year plan, faster [and] quicker, not just because we have the upside, but because we have better line of sight as to what they are and better confidence in being able to deliver them and move on.

That is a positive thing, in that it creates a longer-term progression for the RoTE and in so doing, what we are trying to do is balance the upside here, between a progression in the RoTE number, between a progression in the distribution, and the distributions were up 61% in the first half. So really ensuring that that money is in the hands of the shareholders and it's going back faster than they would've seen previously, because of the quarterly buyback and because of the way that we've now balanced the dividends. So certainly from the conversations that we've had, Jason, it is a balance of all of these things.

Jason Napier

Just to clarify that 80% of IB costs are in the stable business?

Anna Cross

No, what I'm saying is if you look at the revenue from those stable businesses, it's covering around 80% of the IB costs in totality. If you want greater stability, then that is the kind of metric that you need to be stretching.

James Invine, Rothschild and Co Redburn

I've got two questions. First one is on the US Consumer business, [specifically on the cards side]. You just have given us an update on how competitive that space is when [looking for partners] and then your new capabilities in the USCB, does that make you more willing [to push in terms of repricing]?

And then the second question is, just in terms of UK branches, how many are we talking? Is that 50, 100? You are quite a bit smaller in terms of UK branches, compared to your large UK bank peers? Thanks.

Anna Cross

Okay, so let me just update on cards within USCB. So the environment is competitive but it has always been doing so, I wouldn't call it out as different. When we are competing for those partnerships, we are assuming that we go to our new capital level. So we are assuming an AIRB capital loading and that's the basis on which we would assess their financial delivery and we have hurdle rates that you would expect and we would expect new partners to meet those levels and we've clearly given a target of mid teens for this business.

Typically, it takes a while for a partnership to mature. If you bring on a new partnership and it has a back book, you get there quicker because obviously you've got the momentum of that back book. Whereas if you start from scratch, then really you have to work your way through the J curve.

The capability that we are building does obviously enhance that program, and certainly some of the capability that we are building for Samsung allows us to take some of that back to our existing partners in time. So definitely, but as you can imagine as we spoke to Samsung about building this forum with them, they are an exact same technology partner and it's because we have confidence about how we can deploy technology in this business that A, we want it and B, we deployed it in a quarter when we were doing two other significant strategic changes. So think about agile change methodology, think about the ability to use AI to deploy code, that made that whole process faster.

So, I think if you like the cost of onboarding new clients, the cost of deploying additional features is definitely coming down in that business and see it as a template for where we are trying to get to elsewhere. It's quite similar in corporate, because once you have iPortal in place, so you can then use that contemporary technology to play into.

On UK branches, look we haven't announced [the number], but think of it as relatively modest. We are talking about balancing, really our view of where the demographic opportunity is, but don't think of that as constraining us in any way. We obviously work through the hub network, as other banks do. That's very successful for us and allows us to interact with our customers very flexibly and actually like most UK banks, the vast majority of customer interactions are through the app. That's what customers prefer, and relaunching the app will only make that [more useful]. Thank you.

Canberk Benning, Citigroup

So just two questions, one on the IB first. So, in terms of the primary business, Advisory and ECM, fees have grown pretty strongly. I'm just wondering is that pent up deal flow from prior years or is that more on structural share gains both in the M&A and ECM franchise, and which sector or geography is driving the most momentum?

And then second on capital. So looking at the reported CET1 [ratio] is 14.3%, pro forma is 14% [and] is comfortably in the 13-14% range. Given that you plan to return more than £15 billion between 2026 and 2028, just wondering is there any upside risk to this, given that there's strong earnings trajectory?

And then coming back to your point earlier on competing with digital players, are you going to prioritise more organic investments, such as go Henry that you mentioned earlier?

Anna Cross

Okay, so let me start with ECM and M&A. So I would say more deal flow than market share gain. We are clearly benefiting from the market, which is bigger than we anticipated, but again able to do that because we made some investments in talent. So for example, we participated in nine out of 10 of the larger IPOs in the US and there has been some, I guess, structural skew overall. That's probably not to the areas that we are strongest in. So if you take the very large technology IPOs, that's probably not where we have our greatest strength, although we are building it. Much more for us, I would call out is industrials, and is certainly a strong area for us, but our objective here is to be able to access the larger markets. So healthcare, technology, certainly the transition economy, industrials remain large sectors.

Just to remind you that the balance of our business is exactly that of our US peers. So about 70% of our fees come from the US market, where the margins are wider than in the UK. So that certainly helps us. So we are making good strategic progress in this business, but I just remind you of the relative scale within our IB. It is a relatively small business for us. Banking fees are 19% of our overall IB revenue and that includes DCM where we are clearly stronger.

Just moving to capital, but we're at 14.3% [CET1 ratio] and as you say, 14% proforma after the buyback. That's testament to the ongoing capital generative nature of the businesses and the discipline through which we're allocating capital. We did say that you should expect us to operate at the top of the range, and when we get regulatory clarity, we will reassess where we will operate. That's going to come in two chunks.

The first is, if you like, the Pillar 2 part of Basel, which I would expect to get in the second half of this year. Clearly our plan has us sitting at 14%. We know what the Pillar 1 element of Basel is, we have a good idea, now narrowing the range. What we don't know is the Pillar 2 impact, so we're waiting for that. And then the second thing which is elevating our Pillar 2 is obviously, we have not yet put down the AIRB model for US cards, so the advanced model. So we are carrying Pillar 2 equivalents for that in advance. Again, our plan assumes that we put down the Pillar 1 equivalent, we do not yet have what the Pillar 2 offset will be and we'll get that from the PRA nearer the time, we expect that to be in the second half of FY27. So you're going to see this come through two chunks.

In terms of how we invest, you're seeing some really tangible examples of investment, not just for revenue but also for costs. So we talked a lot about SCAs today, but that is just one deployment of

investment to the business, whether it be new partnerships in USCB or I would say capabilities that we've tucked into BUK and elsewhere. There are a few things that these capabilities have in common. If we've got external first, think of them as somewhat future proof. So they've either been digital in nature or something that we feel is a capability that we don't have and that was Kensington for example.

We're very mindful of what the relative, and this is true for every investment, what the relative payback is to the balance of distributions to our shareholders. So we are looking at it relative to a buyback, and that links strongly to Jason's question from before and making sure that we've got that discipline. Notably where we're doing organic investments, we put that through a similar rigor. So we are deploying additional tech spend, for example, in the business. How do we expect that to [translate into] RoTE or growth of that business, and notably do we expect a cost or an income upside of the result. So if you took something like the wealth proposition, I I would expect that to be largely revenue, because it's new. If you took the build out of, for example, iPortal that's going to have revenue and cost implications. If you took our SCAs, only cost, [we are quite disciplined in the way we approach that]. Next question please.

Mike Evison, Autonomous

So just picking back up on UK corporate loan growth, obviously a bit more [broader than] before. Your peer banks have anticipated that they see improved and resilient corporate loan demand, obviously you are having some success. I think 70% loan growth was coming from existing clients. Could you comment a bit further on what you are seeing in the market broadly, do you see the broader market backdrop better than you expected given the acceleration in non-financial corporate loan growth that we see in the Bank of England data?

And then on tax, we looked at another few months of uncertainty in the run up to the budget. At the Q1 breakfast, you indicated about £35 million pounds impact per 1% increase in the surcharge. Your last country snapshot showed about five and a half billion of UK profit before tax. Could you help us understand which parts of that UK PBT that I consider non-banking for the purposes of the surcharge calculation and just give us an update?

Anna Cross

Okay, so let me start with corporate loan growth. So I think the start point, if you look at page five [of the Q2 results presentation]. So there has been a de-leveraging from UK corporates, and one might argue that if you took the COVID spike out, that de-leveraging has been slowly, slowly happening since the GFC. And so where we start from as a country is a low loan to GDP ratio, which means that there is the capacity to take on lending within corporates. The same is true of households. And so what we are seeing is somewhat structural demand. Where does that come from? We see it very heavily in technology and there are probably a few things underpinning that. One is the kind of thing that we've discussed here today, the ability to deploy technology more flexibly, more cheaply than before.

I want to say about 70% of the corporates that we've surveyed have talked about cyber. You don't have to be a large corporate to have concerns around cyber and therefore we've seen some deployment into there, and clearly around productivity more generally given the increase in the

national minimum wage and employers NII, that is clearly front of mind for corporates. So we're seeing that loan demand come through.

I wouldn't call out any particular sector or region. It's very, very broad based and if I can move you to, I think it's slide 15. For us, I guess we knew that was a backdrop, as we entered our plan. We also knew two other things. The first was we were starting from a position where we had actively, for a number of years, tried not to lend to our existing corporate book because of the place where it sat. It just did not get the capital or the investment to do so. So we knew that we had a group of clients already within the bank with a cash relationship, which by the way is the hard bit to get, to whom we were not lending.

And the second thing is we have been deploying both process change and capability in order to drive and underpin that. So I would say there is clearly a demand and there is clearly a capability build on our part. What I want to do here is also just clarify one point which has been raised, which is, there is an increase in risk taking across corporate lending. For us, that is certainly not true. So if you look at the chart on the bottom left hand corner [on slide 15], that has the distribution of the default grades in it. So if you look on around page 72 of our Pillar 3 [report], you are going to find the default grades, I'll excuse you if you haven't found it up to now, think of that as like a FICO for a corporate.

What that chart shows you is that in 2023 and now, the distribution of those default grades is not deteriorating. So in other words, neither the passage of time, the lending that we are doing nor the macroeconomic environment is deteriorating that. Now to be clear, we would not originate at a default grade 22, but sometimes you get migration into that. Think of it a bit like stage migration and impairment.

To your point on tax, I stick to the £35 million. PBT of £5 billion in the UK, but do remember there are several things that are going into that tax calculation, that for example, would be below the line. So we would have some of the interest payments below the line on our debt. We would also have deferred tax assets. We also have some index linked gilts, which will give us some protection. So £35 million is the number you should be [looking at]. Thank you. Okay, next question please.

Philip Richards, Bloomberg Intelligence

First of all, with the Investment Bank share of risk weighted assets at the Group level seems to be quite stubbornly stuck at the around 55% level. Is that making the 2028 target more difficult to get to, or is it just because the quarter is so strong in Investment Banking and you are taking advantage of that? What's going on there [to get to] at least to circa 50% [RWAs]?

And then secondly, actually the equity trading. 45% growth would be seen in any normal period as a very, very strong performance. But when the US peers are doing about 70% growth, by definition therefore you have lost share versus them. So how has that been looked at internally? Is it seen as a blowout, very strong quarter or are you seeing it as losing share essentially?

Anna Cross

Okay, so on the RWAs, we lent in a little bit in the quarter in RWAs in the Investment Bank. It's up about 1% quarter on quarter, about 40% of the growth year on year was FX, so you can ignore that. I'll come back to this a bit more fully when I talk about Equities, but our objective here is to maintain

the discipline around [RWAs], and if we do deploy a little bit more, then we're looking for revenue. So you can see revenue over RWAs has gone up to 7.7%, that's a hundred basis points up year on year. So this capital efficiency is really what we are driving.

The second, so let put a different perspective to this, clearly we continue to grow the rest of the bank. Notably in that percentage is the deployment of the advanced model in US cards, which is going to meaningfully change that percentage. That was always in our plan, so that's the piece that you're sort of missing.

On Equities, for us, market share is an output. So scale matters in this business. We are very, very well aware of that, but at the same time we have scale and we're showing that, because as I said before to a previous question, we would not have had the Equities capability to get a result like the one that we had. So we see it as a good reflection of the investment that we've put in place in previous years and it is years, it's back to 2022. And for us, our objective is returns in this business. So it is about revenue over RWAs and it's also, I mean we talk about discipline, what does that actually mean? It means returns on the capital that we deploy. So is revenue over RWAs going up?

Yes it is, but also are those returns flowing through to the bottom line? So expect us to be taking risk actions that are commensurate with the environment that we see around us, which we do see as uncertain and we do see as volatile. So if you look at our trading revenues and it is page 40, you can see that that bell curve of daily trading has shifted to the right and that there was one loss day in [H126] and zero in the quarter. That is what we want. We don't want enormous days and loss days. So that risk management's really important. You can see that bar is largely stable.

By the way, we're taking the same approach on our Banking side. So if you look at our corporate lending line, it's relatively low. That tells you we're doing a lot of hedging, and one of the reasons that our DCM performance was below that of our peers is on Leveraged Finance. We walked away from some opportunities because of the return and the risk involved. So we've taken quite a defensive posture, but we think that's the right thing given the environment and we are getting the returns that we expect from the business.

Sachin Nayar, Goldman Sachs

Morning Anna, Sachin Nayar from Goldman Sachs. First question, just on the BUK product margin. So I think there was around a £50 million headwind at Q1, primarily from the roll-off of five year [Covid] mortgages and then £61 million at Q2, so slightly higher than expected. You mentioned on the call a larger and more competitive ISA season and now you expect a neutral to positive impact for H2. So could you just elaborate on some of the assumptions there? I think you mentioned in spite of competitive deposit pricing, there is an impact from cards seasonality and day count, could you maybe quantify those or even talk about the moving parts going forward through to even 2027 if possible?

And then secondly, just on the USCB business, I guess following up from Amit's question, on the pricing pressure to non-NII, what proportion of the business roughly is impacted by this, given of course Best Egg is an originate to distribute model. Are some of those numbers you gave earlier, such as the $700 million revenue uplift per annum, are those still relevant now or should we maybe lower our expectations slightly? Thank you.

Anna Cross

Let me start and I refer to some of this in my prepared remarks, but me go back to it. So we guided at Q1 that we would expect the margin impact to be broadly similar in Q2 and it goes from like £52 [million] to £61 [million], so it's marginally worse. That number of £61 [million] is somewhat exaggerated by the fact that we grew the structural hedge in absolute terms, the notional at the back end of Q1. So what that means is we are moving income out of the product margin and into the structural hedge bucket. So those two numbers are inflated and somewhat exaggerate the effects. Now that's a couple of times we've called that out. Clearly, we've had a more stable structural hedge notional in Q2, so you're not going to see that impact in Q3.

Secondly, you called out mortgages. So just to remind everybody, we have this cohort of mortgages from 2021, written during the stamp duty holiday in Covid at wide margins, that is rolling off. [It is] an industry wide matter and a substantive proportion of it has rolled off thus far. Then for deposits, you are right, the deposit margins or the deposit market was a bit more competitive than we expected. But let me just take you back to the numbers. We said it would be broadly stable and we're talking about a number here, that's £61 [million] versus £52 [million]. So it was marginally worse than we anticipated and that's just because the market was very buoyant, 7% growth year on year. This churn within the time deposits market, we were able to somewhat step back, because most of our maturities were in Q1 and not Q2. So that allowed us to really focus on that Premier brand, which is what we did. As I look forward into Q3 and Q4, there are many fewer maturities of those time deposits and we know what those market maturities are.

The second thing is, you are now seeing a situation where the front book and the back book margins are somewhat converging and the pricing didn't change from here, they would be neutral by the fourth quarter. So the pricing pressure in volume and margin terms in deposits is dissipating as the year continues.

Then the last thing is, you just see stronger cards seasonality towards the back end of the year. We've seen pretty good underlying growth, but towards the end of the year, you just see higher level of purchases naturally. It's not as extreme as the US, but it is there, so you're going to see that. Then there's day count. There are just more days in the second half than there are in the first. I'll let you guys work that out and work out what the impact of it is, so I'm not going to call out a number, but equally that does help. That's why Q1 is always a [lower print].

[On USCB], look, the non-NII and Best Egg, the only pressure on non-NII is coming from Best Egg and it's coming from the point that I called out, which is these securitisation margins. I still think the $700 million is a relevant number. What we are saying is that it would just take us a bit longer to grow back to that Q1 base and to the extent that reference rates move around, you will see that margin move around a little bit and it's just because, if you imagine you are the purchaser of those loans, the reference rate matters because you are raising wholesale funding to buy them.

So to the extent that the reference rate is going up and the APR is not, it just creates a bit of margin pressure on their sales, that's all we're seeing. It's a bit of margin compression, nothing significant. And as I said before, we have mechanisms to be able to modify that in time either by holding a bit more on the balance sheet, or alternatively by controlling the placing of those securitisations more fully ourselves. So we have some optionality here and we'll talk about that more in time, but you will have heard some of our peers, with similar businesses call out exactly the same impact [in Q2].

Nicolas Payen, Kepler Chevreux

Thank you. First one on USCB, just want to check the offset regarding the securitised loans. Just wondering if we could expect any impact on capital that you are potentially holding on that. The second one would be on the capital efficiency within the IB. Things are important, we noticed also the hedge allocation. So I was just wondering, if the increase in hedge allocation for the IB was actually helping efficiency and to what extent?

Anna Cross

Okay, so let me start with securitised loans. So important to understand that the capital weighting of loans is materially below that of cards. That is true in the UK, it's also true in the US and actually the divergence between UK and US Basel for loans is much less significant than it is in cards. So if you think about why that is, if I lend you money in an unsecured loan, then clearly there is a defined amount of drawdown. With a card, you have a limit and therefore I am required to hold the degree of capital against that limit, irrespective of whether you have drawn on it. So cards are actually a much more significant utiliser of capital. Now, clearly they are much higher margin, but in terms of capital, much more significant. So we would be very, very thoughtful about how we deploy additional capital into this business, but it's not like additional costs, so much, much more efficient.

Secondly, in terms of your question on the hedge, on the IB. The hedge allocation on the IB, I think we called it out year on year. So you'll be able to work that out, because you know what the income up lift is from the gross structural hedge income and we've given you the allocation so you'll be able to work out what that number is. It will clearly be a tailwind, but don't think of it as other. It directly relates to the capital that that business is utilising. So it is not a discretionary allocation, it's directly in alignment to those businesses, completely proportional to the RWAs that they are using.

Ben Toms, RBC

Morning, Ben Toms from RBC, thank you for taking my questions. The first one, we talked a lot about costs and structural cost actions. If we stick all that together, your FY26 target for cost: income ratio is high 50s and FY28, it's low 50s. Post those incremental SCAs, you've talked about a meaningful improvement in the cost to income ratio. Can we interpret that as Barclays bridging more than half the gap between those two cost income ratios by FY27?

And then secondly, in terms of the structural hedge, can you just update on what your expectations are for the notional growth on structural hedge, particularly the in year growth at the end of the year?

Anna Cross

Okay, thanks Ben. So as I said, expect high 50s this year. We've guided to low 50s for 2028, all of that including SCAs. We expect there to be a meaningful step between H226 and 2027, as you would expect if we follow our plans and continue to grow the business. The only thing I would say is that FY27 growth efficiency will also be circa £300 million higher as a result of the actions that we're taking this year. So it gives us more confidence about making our step, if you like. More operating leverage in the

business, more optionality and really helps with the RoTE progression. So that's probably the way to think about, Dan?

Dan Fairclough, Group Treasurer

Broadly stable, the equity balance will grow a little bit. Obviously we continue to assess stability of those [balances].

Anna Cross

So that seems to be a fitting way to bring the breakfast to an end. I'll take the opportunity once more to thank Dan for his 25 years at Barclays. He is about to disappear to the Aussie market. So Dan, thank you so much for your participation in these breakfasts and I'm sure everybody on the call will join me and wishing you the best of luck in your adventure. Thank you everybody.

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