

Barclays PLC Q3 2023 Results**9 November 2023****Analyst meeting transcript (amended in places to improve accuracy and readability)****Anna Cross, Group Finance Director**

Thank you for joining us today. We're trying a slightly different format, so hopefully it works. You can give us some feedback on the food and the format at the end, as well as the quality of the questions. Perhaps, before we start, I want to introduce Dan Fairclough. Dan is our Group Treasurer, and I'm going to touch on something that he's going to do for us in a little bit. So important that you know what he looks like. So what I'm going to do is I'm going to touch on some of the key themes that we've been discussing with investors over the last few weeks since the Q323 results announcement. Hopefully that will provide a bit of clarification for many of you.

As I said at the Q323 results, we are evaluating actions to reduce structural costs. The reason that we are doing that is to improve future returns. It's not in any way a reaction to the current environment. I also wanted to highlight that these are not restructuring charges, and we are not embarking on a large scale restructuring of the Group. So, hopefully that's clear. These are actions that relate to structural costs, and essentially they pertain to three broad blocks of activity. The first is people, the second is property, and the third is infrastructure. Now we will clarify exactly what we've done when we get to February, and we will give you an idea on the payback. But think of anything between 12 months of payback on people, longer for property, and infrastructure somewhere in the middle. Linked to this, there did seem to be some misunderstanding after the event on whether or not we are still targeting greater than 10% [RoTE] in the medium term. I want to be clear that our targets are unchanged, including delivery of a greater than 10% return on tangible equity. We will come back in February with revised targets including RoTE. To give you a bit further colour on that, as you heard from Venkat at Q323 results, one of his slides actually showed that over the past three years we have really reset our returns profile, and stabilised Group returns to be above 10%, providing a solid foundation on which we can build further.

On capital distributions, many of you and our investors have asked about the size of the structural cost actions and their impact on our 2023 capital plans. As we said on the day, we are thinking about enhancing future returns as well as distributions to shareholders, so we'll size the actions appropriately. Just to reiterate, we started Q423 deliberately with a CET1 ratio at the top of our 13 to 14% [target range], and we're pleased with the capital generation that we are consistently delivering, 130 basis points year to date, and that underpins that ability to continue to return capital. Actually the day before our results, we completed the £750 million buyback, and that's brought the total distributions so far this year to £1.2 billion, which is about 30% higher than the prior year, so you will see therefore that capital distributions are a real priority for us. We continue to see buybacks as a very attractive way of returning capital to shareholders with very low execution risk. We are comfortable operating within the 13 to 14% range, and you've seen us do that over the last couple of years.

As I said during the results, in any typical year we incur between £200-£300 million of structural cost actions, which we don't normally call out. So by calling out the actions in Q423 we're indicating that it's going to be higher than that. Looking at consensus, it looks like the majority of people have got that message. I can't comment on specific levels, simply because we haven't finished the work, but we are

extremely focused on future returns and extremely focused on returning capital to shareholders. My last point on structural cost actions is why we announced the actions before completing the review. The start point for that is, whilst, we don't know the exact level of the structural cost action charges we will incur in Q423, we know that they will be higher than those that we incur in a typical year, and were of a size that compelled us to disclose the actions as soon as the decision had been made, which we did through the announcements at Q323. I fully understand that it would've been much neater for you and much easier for you if we had been able to package up the charges and all of the impacts at that time. But that was just not a choice available to us, and actually, our preference is to get on with those actions because we think they're the right thing for our shareholder base.

On UK NIM, we're giving you a bit more colour on [Q323] and how we reflect on it. With hindsight, I think two things happened. One was in our control and one was not. The first was, really under the auspices of Consumer Duty. We sent a mailing to our customers in July, we think that's very much in the spirit of Consumer Duty, ensuring that we communicate clearly with customers the options available to them. It's fair to say that the response was faster than we expected, and we saw a degree of switching. We upped our pricing as we had planned to do on fixed term products in mid-Q323. What was less within our control was the competitive dynamics, and we priced up, as I said, in the middle of Q323, broadly at the same time as some of our competitors launched rival products. The lessons for us, as I look backwards are, it would be better if we stayed consistently in the market, and had a more consistent pricing position for our customers. Having said that, we will always price commercially, we will never price uncommercially, so we would aim to be competitive, but we will never take our pricing to a point where we believe it's uncommercial. I think the other thing is we need to, improve the digital journey on many of our savings products and actually that work is underway and will be largely complete during the current quarter.

You've pretty much all asked me my thoughts on NIM forwards from here, there are three factors as I called out on the day. The first is the structural hedge, we still expect that to be a tailwind and remember two thirds of it sits within BUK. The second is a bit more neutral, we expect the impact of mortgage churn to be more neutral into 2024, and we have some degree of visibility about that because we know who is maturing and from what cohort, and we know the price and the margin of the product that they were written. Then one which is more negative, which is this ongoing impact depositor behaviour, that's more difficult to call, we may go into that as we get into questions.

Overall, we do expect the structural hedge tailwind to remain strong and help mitigate some of those uncertainties, and just remind you that the structural hedge is broader than the UK and it includes the elements of equity structural hedge, which will continue to roll irrespective of what happens to depositor behaviour. Actually, at current rates, rolling the equity portion of the structural hedge alone would give us structural hedge income in FY24 of greater than £3.6 billion, which is about the same as the current year locked in position. So clearly whether or not we roll the depositor part or the product part of the structural hedge depends on that depositor behaviour. We assess that every single month, and remember, if we choose not to roll, provided we keep the deposits, those deposits would then attract SONIA. So they're going to attract an overnight rate, and given where rates are, that's not actually a significant income headwind, relative to rolling the hedge. Of course, it does continue to give us a pickup from where the hedge is currently struck.

So, there's a lot of focus on the structural hedge, rightly so, and that comes from both yourself and from the buy side. On the 28th of November, we are going to undertake a structural hedge teach-in, that will be hosted by Dan, which is the reason that I introduced Dan at the beginning. We would invite you to attend that, and we would encourage your buy-side clients to attend if they are able to. Hopefully it'll be helpful to you, as it's a very important part of our story.

On CIB, it's worth reiterating a few points that actually we didn't really get into on the call, but really impacted our Q323 performance. In Markets, it was actually our second highest Q3 print ever, the highest Q3 print was this time last year [Q322]. Quarter-on-quarter, Markets results were up 4%, which was actually better than the US peer trend. FICC was down 3% quarter-on-quarter versus US average up 6%, what we are seeing there is, much of the volatility that we saw in rates in Q323 was relating to US. Whilst we monetised the UK rate volatility in Q322, the US banks had a greater ability to monetise the rates trends in in Q323. I think the other thing I'd call out, is that we are small in Securitised Products, and of course we don't participate in commodities, which were two things that our US peers called out. Equities was actually a pretty good performance in the quarter. In financing, you'll note that continued to perform really well, providing ballast to the Markets performance overall. That's really reset itself now to £0.6-£0.7 billion each quarter, as opposed to the £0.5 billion that we were seeing a few quarters back.

In Banking, we did have pockets of underperformance versus our US peers, and that in part reflects our business composition. Specifically within DCM, we did fine in investment grade, but when we get into leveraged finance, we were much more selective about the deals that we did as a risk matter, and therefore probably printed a lower number than many of our peers. In ECM, it's a smaller business for us. So whilst we did well, and we are showing really good progress, we led on some key transactions in the quarter, for example, and we actually finished number three in the US on IPOs in the quarter, but it's just a much smaller business for us. So did well, but from a smaller base.

In CC&P income was up 9%, driven by US card balances, but remember the UK Wealth transfer that happened in Q223, and you saw a full quarter impact of that in Q323. There were obviously some FX impacts that reduced income, but really the biggest story here, or the biggest area of investor focus is around impairment, and what are we seeing in impairment. Above 660 FICO, we are seeing trends very similar to what we saw pre-pandemic, similar purchase behaviour, delinquencies in line with pre-pandemic. What we're focused on is customers below 660, they are showing delinquencies higher than pre-pandemic, but remember for us it's only 12% of our book. And that might explain some of the comparative performance between us and some of our monoline US peers. So it's not a big exposure, and we've already taken credit action in that space. Overall, the book continues to grow nicely, and on impairment overall, our guidance remains 50 to 60 basis points [LLR] through the cycle, compared to a position year to date where we are obviously performing better than that. We're mindful of Q423, where we do normally see some seasonality, in US cards, but as of now we're not seeing anything that concerns us. I'll just remind you that the UK impairment charge remains low and stable, and for nine consecutive quarters it has been below consensus.

Just touching on the balance sheet before I conclude, deposits increased by £7 billion in Q323 to £561 billion. That really reflects our diverse franchise across consumer, UK and international, and essentially the decline in consumer deposits that we have experienced in Q323 in particular, is just more than offset by the trends that we see. Just reminding you that the LDR for the Group is 72%.

On capital, as I said, we completed our buyback, which with our half year dividend of 2.7 pence [per share] means that we've, distributed £1.2 billion this year so far, about 5% of our market cap in the first half. Since 2021, we have distributed £5.8 billion, roughly a quarter of our market cap. Lastly, in the quarter we delivered earnings of 8.3 pence per share, generating an 11% RoTE, 12.5% year to date.

So at that point, I'm going to stop talking and I'm going to hand over to you. I'm going to take your questions and hopefully we'll have an open discussion. Please can you introduce yourself, because we're going to transcribe this. We're going to aim to wrap up around 9:00-9:15am, so we can let you all get on with your days. Traditionally I start with Joe, and since you're sitting opposite me, I'm going to start with Joe and then I'm going to go clockwise around the table.

Joseph Dickerson, Jefferies

I guess everything you've said on the [RoTE] target and some of the guidance points, particularly about the track record you already have on delivering [RoTE] higher than where you are. It sounds like the ambition is actually to push higher than the 10%. Is that correct? And to distribute as much capital as you can while investing in the business. I guess, how do you think about, on that latter point, things like further card portfolio acquisitions and so forth?

Anna Cross

Okay, so I'm not going to give you a new RoTE target now, I'm sure you won't be the last to try as we go around the table. Our target has always been greater than 10%. So, I guess what we're saying, is we'll give you some greater clarity about how that might progress, but our target today is greater than 10% and you should recognise that we've never tried to invest down to 10% where we've seen that performance. We've let it flow through and that's really underpinned the shareholder distribution. We'll just be a bit more specific about that.

Our predisposition is to distribute capital; we're really focused on that. As I think about that hierarchy, we think about obviously running the business first and foremost, prudentially, soundly, meeting all our regulatory requirements, that is number one as you would expect it to be. Number two is distributing capital to our shareholders, particularly in the form of a buyback. As I said, we want to ensure that our dividend has been progressive; as you'll see, it's been growing steadily over time. We're mindful of our valuation and the real pickup in returns, and the attractiveness of a buyback. But we obviously do need to invest in the business, but as we do that, we do so with a high hurdle in mind. In terms of US cards in particular, the nature of that business is that it's always evolving. You're always looking at new portfolios and it really depends on what comes to the market, given the nature of our business and our interest, and the way we want to support our institutional clients. As portfolios come to market, of course we will look at them, but as we do so with a high RoTE hurdle in mind. And to some extent with cards, there is a timing element of it. There is a J curve impact, but we're always looking for something that's heading [towards] a teens RoTE as we look at those portfolios.

Elsewhere in the Group, we talked a few times about the businesses that we want to invest in. We've been investing in Prime and Fixed Income Financing. They're high RoTE, low RWA. We are also investing in our ECM and M&A businesses again; they're lower capital. We're also investing in our Wealth and Private Banking business, and in Q223 we brought that back together again.

So hopefully that tells you how we're thinking about growth, and having said that, we are actively now regrowing our UK cards book. You're not seeing that coming through into interest earning lending yet, but you see the early signs of that because total balances are starting to grow. I guess the summary would be, we do see opportunities for growth and to invest in the business, but the hurdle to invest in the business is high, given the impact that we see of distribution.

James Invine, Societe Generale

You talked a little bit about it, Anna, in your comments, that the response to your mailing was a lot higher than expected. So I was just wondering if you could say a bit more on that. So, how well do you think you understand your customer base? So if you increase deposit rates by 20 basis points, do you feel you know what the volume implication is going to be? If you are less comfortable with how they're going to perform, does that mean you have to slightly change the way you manage your deposits, run with more deposits than perhaps you otherwise would?

Anna Cross

I think the start point is that BUK is in a very, very strong liquid position with a really strong franchise, and one of the things that we called out on the day was the extent to which our deposit base has really grown over the last few years. The point about deposits is we've never really been in a situation where we've had such rapidly rising rates, in an internet enabled environment, and that clearly has changed customer behaviour. We did expect customers to become more rate sensitive as rates continued to rise, and that's exactly what's happened. I think what I was calling out specifically was, we did expect a response from the mailing that we sent out. The speed of that response was just a bit faster than we anticipated. I think we expected it to happen through Q323 and Q423. It was very [swift], the response was much earlier in the quarter. In terms of elasticity, you can't look at your elasticity in isolation of the market. Clearly what happened in the quarter was, there were some extremely strong rates, up to 6.2%, out there. As I said, we will not price uncommercially, we cannot price at 6.2% and benefit the P&L, that is an uncommercial rate for us to price at. We're very conscious of that. We do understand how customers respond to pricing changes that we make. However, you also have to put that in the context of the wider market, and what your competitors are doing, and they may have different motivations.

Benjamin Toms, RBC

You've spoken already about costs. If we think about how we allocate the structural costs across businesses, you mentioned about one of the drivers being to improve returns to the business. So should we be thinking about the lowest returning businesses being the ones where the highest proportion of those structural costs are allocated?

Anna Cross

Frankly no; we've done a few things. The first is, we have an ambition to continue to improve the returns of all of our businesses. So we've been focused business wide. For example, actions around property would tend to impact the businesses more broadly. I think another couple of points I would make: we've been very focused on, as we've looked at the businesses over the last few years, digitising them. Every business has been subject to some element of digitisation, whether that be the UK business, which is actually a long way through its transformation, or whether it be the Markets business where we've invested in electronification, pretty much across all of the products. Typically what happens is, you invest in digital and you retire the physical afterwards, and that includes the people. So, to a certain extent, there's an element of timing on this across all of the products, but think of us as being focused on returns in every business that we run, rather than specific pockets.

Robin Down, HSBC

It would be rude not to ask Dan a question given he is here, so can I start with the structural hedge. Your maturities in 2024 seem to be a much higher yields than one of your competitors, and your competitor's is easier to understand in terms of looking back five years of where swap rates were. So I don't know if you could give us the explanation, or whether you want to save this to the 28th of November, as to why your maturities may be at higher yields.

The second question, I suspect I am going to be batted back on this. The structural costs, you gave us those three broad categories, and I guess we can all guesstimate the sort of payback time periods on those. Can you give us a broad indication as to how the costs in Q423 might be split between those three? Is it going to be a roughly kind of one third, one third, one third, or is it likely to be skewed towards one category?

Daniel Fairclough, Group Treasurer

Yeah, so obviously the five year average life is an average. So what we will do, is we will look at the stability and the stickiness of different types of deposits. So when have a five year weighted average life, that will be comprised of a range of different maturities, so there might be some three years for deposits that we deem as less stable or seven years for deposits that we deem as more stable. So, it can be difficult to compare weighted average life. It may look the same, but they may have some different underlying composition. But we're happy to go into that in a bit more detail on the 28th.

Anna Cross

You are right, so hopefully it's not batting you back, it's just that we haven't yet completed the work, and made all of those decisions. It will be a blend of all of them. And obviously when we get to February, what we will do is we will detail them, we will help you understand which businesses they impact and actually the payback, and how it impacts those businesses.

Chris Cant, Autonomous

Could I just ask about deposit pricing please? I appreciate the position is that the BUK NIM is not the be all and end all for the Group. But from an investor perspective, it's one of the things I've found myself discussing a lot after the third quarter. It's definitely in-focus for investors because it's a bit of a business that people feel like they should be able to understand. I guess we all don't feel like we understand it given the last two quarters of guidance revision. So when I think about the pivot from guiding for sequential NIM expansion this year to where we are now, it's fairly dramatic. Is part of this just you expected to be able to hold down deposit pricing more aggressively as we came through this year?

When I look at your first half, I've been trying back out where your equivalent of some of the disclosures for peers might have been, based on the increase in interest expense in the BUK financials. That would point I think to something like a 1.1% rate on interest bearing sight deposits in the first half. I just wondered if you could comment on how you thought through where that would progress to during the year. Is the surprise there? Is the need to price up and catch up in the second half with peers part of the reason you've had dramatic guidance revisions, and any colour you can give us around the actual rates. So we can think through where you sit versus peers, because I think that would be low relative to peers in the first half and maybe a catch up is part of the reason for your worsening trajectory in the second half

Anna Cross

Okay, so when I reflect on where we were at the beginning of the year when we gave that initial guidance. I think two things were very different. Firstly, the outlook for rates was different, and secondly, the outlook for inflation was different. As we said as the year progressed, to the extent that we think customers become more rate sensitive as rates continue to rise, they are clearly more rate sensitive than we expected them to be because rates are higher. The second point is that, clearly inflation and mortgage costs are significantly higher than we anticipated at the beginning of the year. That has weighed on customer behaviour in quite a few ways actually. It's not just deposits. We see it in mortgage behaviour, we see it actually in credit card behaviour. The reason I call those two things out, Chris, is because they have changed significantly during the year.

Actually the biggest change driving our NIM expectations is not actually the pricing, it's the quantum of deposits, it's the movement in absolute deposits themselves, both the reduction in current accounts from the way people are managing their money, and also I think the impact of competitive behaviour we've seen more generally, but particularly in Q323. I think we were very clear at the half year that we

expected the impact of rising rates to be negative in the third quarter, because customers would become more rate sensitive and that's exactly what we saw. You might remember that in the second quarter, what we call base rate and pricing was positive and then it became negative in the third quarter. We did expect that. The real difference was in the column that we call deposits, and that's about the quantum of deposit change.

Now, I'm not going to talk specifically about blended deposit rates, that's not something that we disclose. However, what I would say is that clearly we evolved our pricing during the year. At the half year, we expected to make the pricing changes that we subsequently did in our Everyday Saver that was included in our NIM guidance and was included in that expectation around the base rate impact being negative ongoing. So those bits, we expected; I think the piece that's been more unexpected for us is really the degree of competition around fixed term deposits in particular, and that's very similar to the answer I gave before. In terms of our pricing from here, our objective, as I said, is to be more consistently in the market, and specifically to price competitively. So we're retaining balances where we can, but we will not price uncommercially.

Chris Cant

Could I just ask one follow up question as well? One of your competitors makes quite a lot, or has done historically, of its multi-brand strategy. Another of your competitors are now dabbling in multi-brand strategy, recycling a brand I thought we'd probably seen the back of, but they're now playing around with that. Do you have any aspirations to seek the opportunity to be able to flex across multiple brands, particularly post-Consumer Duty, to avoid a situation where you can't really adjust pricing on a marginal basis because it impacts your whole back book?

Anna Cross

So we don't have back booked products. So to be really clear, we don't have those. I think that was a question on the call on the day, so that's not really an impact for us. Clearly I understand the point about, about multi-brand, I'm not going to talk about our forward strategy from here. Our objective has been through the Barclays brand, which is clearly the core of our franchise to ensure that customers have access to the right range of products. As I said before, we feel like we've got some work to do with hindsight, but that work will be complete in Q423.

Guy Stebbings, BNP Paribas Exane

One quick follow up on deposits, and then I have a second one if I am allowed. Sort of a fortnight or so since results, were nearly halfway through Q423. I imagine you get plenty of weekly, even daily MI on depositor behaviour. Is there anything you can say in terms of what you are seeing thus far in Q423, how that looks versus third quarter particularly in terms of BUK and mix?

Anna Cross

Yes, obviously we get daily MI. The one thing I would say though is we've only seen one month end, consumer deposits move around an awful lot during a month, so looking at any particular day doesn't tell you very much actually. So we've only had really one key read. However, what I would say is that, if you think about the broad trends as customers continue to seek yield, I think those trends remain out there. I think clearly the deposit pricing tables have changed a little bit. So some of the very high rate products have come out of the market, although there are still some smaller players at similar rates. So the competitive dynamic has changed slightly, but I would say the big macros that of consumer trends are still in evidence.

Guy Stebbings

Okay, thank you. A quick one just on UK cards, interested to hear the messaging that you're actively looking to grow again. I think really since 2016 it's felt like Barclays has been quite conservative in terms of risk appetite to UK unsecured. So how much can we take that as a sign that you really think you've got confidence on credit quality from unsecured as we look forward from here?

Anna Cross

Yeah, so let's just go back a bit and reflect on your opening comments. So, you're right, particularly after Brexit, we had a more conservative risk stance and we were also in a position where actually we had a very large unsecured book and a mortgage book that was actually considerably less risky. So actually what we've done is we've grown mortgages and attempted to sort of dial back a little bit in cards to rebalance our risk appetite across those two. Then of course COVID happened, and COVID took that a step further than we would've wanted it to be.

So pretty much all year actually, we've been actively growing our credit card book, the main mechanism for that in the UK is really through the zero balance transfer market. We've had a much stronger market share across that than we have done over the last few years, deliberately so. Pricing very carefully, you don't necessarily want to be at the top of the table because the returns can be difficult. You don't want to be at the bottom either because you get adverse risk selection. So really using our expertise to bring in the business that we want, that takes time to mature into interest earning lending. But the fact that we are seeing our market share grow, and we're seeing those balances come on, gives us quite an indication that those interest earning balances will grow.

I think the other point is obviously the biggest source of growth for us will be existing customers starting to borrow again, because when I look at what our existing card customers are doing, they're spending like they were pre-COVID, but then they're paying it off. So the repayment rates are extremely elevated all the way through the risk stack. So actually it's not like the US, where you've got differentials between sort of the top and the bottom. It's, it's very, very universal. So I would hope that when we get beyond the period of rates certainty, and when customers have greater confidence, we'll start to see our existing customer borrow again and that also will impact growth.

Andrew Coombs, Citi

If I could have one follow up and one new question please? Firstly, for the follow up, you talked about this quantum of deposits point being the surprise around your NIM expectations, if we take a step back since your results, we've had Lloyds and NatWest report, and then September data from the Bank of England. So we've got more points of comparison, and if we look at your quantum of deposits, you saw an acceleration in deposit flight in Q323, whereas when we look at the others, we've almost seen the opposite in Q323, we've actually seen a slowdown in overall, not personal current accounts, but overall deposit base. So when you're talking about quantum of deposits, why is it you think you've seen a step change versus peers in Q323? You talked about consistent pricing, but is it your product offering? Is it the pricing? What's differentiated you and your experience in Q323?

Anna Cross

You're right. I think, in current accounts we are broadly much of a muchness with everybody, we would've hoped to capture much more of the flow into higher rate products than we did in Q323. I think that was about the timing of our pricing because by the time we moved our pricing, we ended up in a competitive table, which had a 6.2% [rate] at the top of it. So I think it was, with hindsight, poor timing on savings

pricing, which is why I'm saying it would be much better for us to just be consistently in the market. I don't think it's about the product construct actually, when I look at the absolute rates, and where we are on the table, we're broadly in line with most of our major peers. So, I think it was a specific point around Q323 timing.

Andrew Coombs

I can read from that that you expect to be more in line with the broader system in Q423?

Anna Cross

Well, we've only had one month in. For all of us, I think the actions of competitors in the market, it won't necessarily be the big six, or the bigger peers, it's more sort of, you can get some quite interesting rates coming out from challengers that may impact us all.

Andrew Coombs

My other question was around FRTB, also since your results you've had Deutsche and UBS report, both have actually guided down on the impact from FRTB, smaller impact than previously guided. I appreciate there are nuances depending on the region, and how it's being introduced. But any update you can provide around FRTB and Basel [3.1] more broadly.

Anna Cross

Clearly we've had a delay in the final guidance from the PRA, so we would expect broadly the market [risk] guidance in Q423, I think we're expecting it in November. Then obviously the credit risk guidance next year. So unfortunately that guidance is a little behind where we might have hoped it might be, Andy. So, I'm unable to guide you more firmly now, other than to just remind you, we said between 5% and 10% of RWA increase [impact for Basel 3.1] and through mitigation, we would hope to be towards the bottom end of that range.

Rohith Chandra-Rajan, BofA

I think we could probably spend all day on deposits, but I'm going to ask another one. In terms of the prompts for customer behaviour. So you talked about the Consumer Duty mailing, which I presume is broadly a one-off. Rates are on pause for the time being at least, so some of those prompts may be there less going forwards, but you've talked about there's still the search for yield, and then you've got competition which potentially heats up next year as people look to pre-finance TFSME. How do you think about that in terms of that pace of change in the deposit mix and when you talk about commercial pricing is that, you would be willing to lose deposits if you were not writing a positive spread on them.

Anna Cross

As I look forward into 2024, you are right, many of the adjectives if you like, for consumer behaviour, so rising rates is definitely one, the mailing that we have done, I'm not aware of what our competitors have done in response to Consumer Duty, but that's an ongoing requirement for all of us to ensure that we communicate effectively with our customers around savings and availability of savings pricing. The mailing may be a one off, but I think ensuring that customers fully understand what's available to them is an ongoing requirement for us as it should be.

Into next year, I'd remind you that the first quarter is normally very competitive simply because it's ISA season. Customers typically reassess their financial position during that period, so I would expect to see some activity during then. I'd also say that as the year has progressed, clearly fixed-term deposit pricing

has increased. There'll be many of the customers who took out a fixed term deposit in the first half of 2023, who will be coming to maturity, who will be back out in the market seeking yield.

My thoughts are I would expect this depositor behaviour to settle down and to alleviate itself; the exact timing of that is really difficult to call. There are factors in the first half of next year that would mean I would expect that competition to continue. I think the point that you make around TFSME is an important one. For many competitors, they have relatively large TFSME repayments to make, and that will influence their behaviour.

What I really mean, when I say we won't price uncommercially is, we would always seek to produce the right products for our customers, and we would always seek that those are also producing some degree of positive spread for the business. At the margin we would compare marginal customer pricing to wholesale pricing at the appropriate point, we are some distance from there though, just because of the strength of their franchise in BUK.

Rohith Chandra-Rajan

Can I ask you for a bit more clarity around really what we should expect from the investor update in February? So, you told us that we are going to get some clearer and specific financial targets, some more clarity around your distribution policy, some discussion of the structural cost actions. Then in terms of the business itself, how should we think about what update we'll get there, in terms of where the business is focused, and what that mix is. How you are organising the business, and then also how you are presenting it. Will we get updates on those types of things as well?

Anna Cross

I don't want to be too specific at this point in time. I think you've done a very good summary all on your own. I mean, when I step back, I think we're really trying to answer two questions. The first is, what is Barclays going to be, if you were going to look at Barclays in 2024 or 2026 or 2028, how would we expect it to look? How will it generate returns and what will those returns be? And then secondly, and very importantly, what does that mean for the investor? So in terms of the investor return from that, and it's those two specific points that we want to answer.

Perlie Wong, KBW

Following up on the strategy update, as you go through the process, do you feel like it's a communication thing that the business is fine, it can deliver returns and you're happy with the shape of business as it is. You're happy to take this business into 2024, 2026, 2028 in its current form. Or as you go through the process, you think, actually the share price is not trading where it is because of costs or whatever it is that is part of it, but there is something about the business mix or structure that you want to work towards. The question is really, is it a communication problem from your perspective or is it something more than that?

Anna Cross

So, let me just refine your language at the outset, it's not a strategy update, it's an Investor Update and the words have been deliberately chosen. I'll go back to the question I just answered, which is really, we feel we need to be really clear about what Barclays is and how it makes money and what the implications are for the shareholder. Now, to some extent that might be a communication problem or a communication update from us because it is some time actually since we've spoken about our desired shape of the business. It is some time since we've updated the targets and we're very conscious of that.

To a large extent, it's answering that question and you can put that in the communication bucket if that's how you think about it.

I think the other thing I would say is though, that we are, as you would expect us to be, very focused on the returns of all of the businesses and being really clear about what needs to be true for those businesses to be successful, what investment they need, what efficiency that they require. There are parts of our business, that we've all talked about in the past where we feel we've got more work to do. I'm not going to give you those headlines now, but feel reassured that as we go through the process, as we always do, we are considering how we deliver returns in a sustainable way and how each of the businesses contributes to that, and therefore what the actions are that we need to take. It's that kind of thing that we'll be going through on the day.

Perlie Wong

Is there any reason why the commercial bank has to be reported within the CIB? I guess if you look at share price's reaction on any day, it tends to trade very reactively to what's happening in the UK, but it's actually not such a big part of the business mix. I guess part of it is just because it's very hard to predict IB trends and therefore the entire CIB tends to be, well not ignored, but more looked through on results day. So, is there any reason why it has to be reported this way?

Anna Cross

The way we report is the way we manage the business, and the way we report reflects really how we think clients are best served by the bank. So that's how we think about it. Now, when we went through the ring fence, we obviously struck the ring fence at a very pure level where SME below £6.5 million was within the ring fence, and everything was out with it, and there are large parts of the Corporate Bank that aren't really commercial banking. They're much closer to institutional and international corporate banking, very, very large clients with a very, very strong nexus to the IB. But there are some corporates within the Corporate Bank that actually look a lot more like the corporates within BUK. So it's a very, very broad spread and you could put it in a number of places within the firm. So, I'm not going to talk about structures now, but the way we report is really the way we run the business, as it should be.

Alvaro Serrano, Morgan Stanley

Got one quick one, hopefully the last one on deposits and then one on capital. On deposits to hopefully nail this: your range of the guidance, you did say that at the top end was continuing trends. After having listened to all your competitors during the result season, they kind of pointing to a slower trend and more stability in October. So I guess, are you being more conservative or is it more about that timing that you've spoken to around that mailing? What would be your guess around the differences in guidance? And then I'll ask you about the capital.

Anna Cross

I mean it may be more conservative, but my view is the factors that were present in Q323, absent one particular rate, are still there in Q423. Pricing remains competitive, affordability remains pretty stretched for customers. Rates remain pretty high and customers continue to look for yield. The broad macro trends will still be there, there may be a question of degree, which is depending on particular price points in the industry. But as I answered before, Q124 and Q224, you're still going to see that degree of competition be there in my view. We'll see, it's really difficult to call. So, there will be an individual perspective here, I'm sure.

Alvaro Serrano

Then the second one is around capital, and I'm thinking more about the Basel endgame in the US and how that might impact you indirectly. So if I look at your intermediate holding company in the US and try to back out the capital that you've got allocated to credit cards in the subsidiaries. On my numbers, you've got about 30% of the CIB business RWA booked in that intermediate holding company, and I guess it's more like 50% of the business that is in the US. So the question's really, do those numbers roughly make sense to you? Related to that, what are you required to book locally and what kind of flexibility you would have to book some businesses maybe in the branch or here in the UK? I'm not sure what the local regulators will ask you and what maybe the PRA will have beyond that as well, maybe. How you can manage other lending?

Anna Cross

Not all of the US IB business is booked through the IHC, some of it is booked depending on the client location, and indeed the specific product, it might be booked in the branch. To give you an idea, much of the IB banking activity you might expect to see coming through BBPLC, simply because it's a banking entity. Whereas, if you were to look at some of the Prime activity, it's going to be booked in the broker dealer within the IHC. So I think you are comparing the revenue with a capital position that isn't quite complete because actually some of it sits within BBPLC. If I step back, that's really how we think about booking the business, it's very much dependent on the client. It's very much dependent on the type of business. So there is a degree of flexibility about it, but it's pretty much product and client driven. Only about 10%, maybe slightly less, of our capital is actually in the IHC. So the Basel endgame does have an impact, but it's not enormous. Therefore, what we are really focused on, as I said before, is the PRA rules, finalisation of those, they will be the binding constraints for the Group, and we will see that finally emerge through Q423 and Q124.

Alvaro Serrano

So for that, because according to my data that less than 10% of the capital in the holding companies, that's the investment banking piece, because I think you've got \$111 billion RWAs in the IHC dollars from memory.

Anna Cross

Capital wise? So I'm talking about the capital of the firm. Rather than this [inaudible] RWAs. We'll come back to you.

Alvaro Serrano

Related to that, do you think that might give you a competitive advantage outside, for example, if you're competing with US firms here in Europe?

Anna Cross

Let's see. I think there's clearly been quite a reaction to the Basel endgame from US firms, which you probably are quite close to. We'll see, where that ends up. To a large extent, as I say, our binding constraint will be the PRA rules and we need to see them all settle down before we see what's going on. I think the final thing I would say is, arguably the step up from Basel overall, whether that be the European rules, the UK rules or indeed the US rules, actually probably benefits the incumbents in the long term because once you've got over that step, the barrier to entry of many of these markets then becomes extremely high. We're mindful of that as well, Alvaro.

Sanjena Dadawala, UBS

Perhaps how do you think about the shape of the CC&P business? I mean, besides from US cards, the rest of this, and how they contribute to the Group. At some point, does it make sense to provide more colour on each of these apart from just the income split particularly?

Anna Cross

Yeah, so I'll take the second bit quite quickly. I'm not going to comment on how we will report, and any changes that we might make at this point in time. We'll obviously, give you an update when we get to February.

So, within the CC&P business, there's clearly cards, and then our private banking and wealth business, which has two broad legs within it. The first is our Private Banking business, which has clearly done extremely well. We've been calling that out for some time. It's grown its client assets and liabilities. It's grown, its invested assets very strongly over the last year. It's a business that we would regard as a complete ecosystem. What I mean by that is, within the Private Bank, what you have is customers moving their money from non-interest bearing accounts to fixed term deposits, but also into invested assets. So all of that client flow is retained within the Private Banking ecosystem. So you see some movement from net interest income into fees, but it's a good position for us, for that client. So a business that we really like, one that we are increasingly focused on, and you should take the movement of Wealth from BUK into that business is as an indication of that focus.

Elsewhere, I'd call out our Payments business. There are two parts to that, there's the merchant acquiring business and there's also the corporate issuing business. Merchant acquiring business is the terminals that we all see within the physical retail infrastructure, but it also includes, a considerable digital business, and that's really where we've been focused on over the last few years. Which allows us to extend it into our SME book, but also means that we're able to provide to our clients, higher margin, more value added products like, for example, an e-commerce gateway, like fraud, analytics and protection etc. So it's a business that we have invested in, and one that we want to leverage more into our business banking community.

The corporate issuing business, think of that as if you have a corporate Barclaycard that's that business, clearly that business stepped back quite a long way just during Covid because travel and entertaining from most of our clients are significantly lower. Clearly now, that that's back in growth.

Raul Sinha, JPM

I've only got three left, maybe the first one, just going back to what you said in your opening remarks on the restructuring charge, you said most people seem to have got...

Anna Cross

Structural cost action, not restructuring charge.

Raul Sinha

Structural cost actions. You said most people in consensus seem to have gotten to the right place. Can I ask what the range of consensus is?

Marina Shchukina, Head of Investor Relations

£500 million to £1.5 billion.

Anna Cross

There is a cluster.

Raul Sinha

Consensus?

Marina Shchukina

£844 million [Around £800 million¹].

Raul Sinha

The second one is, when you say it's an investor update not a strategy update. Does changing the balance of capital going back to investors versus going back into the business count as a strategic change or is that something that you look at as part of an investor update. I guess one of the reasons some of us think your shares trade where they do, is because the payout ratio of the Group has been far lower than most of your peer group. Would changing that be considered a strategic shift, so it's off limits, or is that still on the table?

Anna Cross

I wouldn't describe it as strategic because I would argue we're already on that journey. So, when you look at our results over the last two years, you should see a couple of things pretty strongly. The first is, firm cost control. So our costs are flat, quarter-on-quarter, flat year on year, so driving efficiency, and that's really then very strongly connected to the structural cost actions that we're taking. So that's probably the first area of focus. That's why I wouldn't say that's a strategic change in direction. It's more of the focus or an intensification of what we're already doing.

I think we think about capital in the same way, actually. So, if you look at the capital discipline in the firm over the last few quarters, it's been very strong. We deliberately placed ourselves at the top end for Q423, so you'll see that capital is being controlled and well managed as it's deployed into the businesses, and that's really what facilitated the buyback at the half year, so I wouldn't say that these are a change, they are clearly an intention that's already there in the way that we're operating and that's why I wouldn't distinguish it. It's not that I don't think it's important. It's so important, we're doing it already.

Raul Sinha

I guess we'll have to follow up on that in February. The third one, and just given Dan is here in the room as well. One of the challenges I think the market has is the mix shift that is going through the deposit base, it's coming from arguably very extreme levels when you look at the last 20 years in terms of position of the bank, and this is true for the industry.

A couple of questions related to that. First thing is, if you look at your time deposit mix, it's relatively low at 9%, and obviously thank you for giving us this disclosure so we can actually look at this. I'm a little bit conscious that December this year is probably when a lot of the time deposits that were very sensitive start to refinance. You talked about the fact that Q124 there's going to be a pickup in that activity. So can I ask you for your thoughts on where you think the time deposit mix shift ends up, just broadly without committing to any kind of specific numbers?

Secondly, maybe to Dan, on the product structural hedge, it used to be £130 billion in 2016, it is at £200 billion now. Obviously, most of the other banks are following you in terms of shrinking the hedge, but

when we think about the pace at which hedgeable deposits are falling, it looks like it is accelerating rather than decelerating based on data. So the question is, even if pricing doesn't be as rational as it was perhaps in August, why should we expect hedgeable deposit declines to ease off?

Anna Cross

Okay, let me start with the first one on time deposits. You're right to call it out and that's what I was referring to before when I said, I'd expect continued activity into next year, so it's difficult to call out a specific number. I would expect it to certainly increase from here as a percentage of total deposits, I probably wouldn't expect it to be as high as it was historically, simply because most banks had a significant difference in their overall funding profile at that point in time. The LDR of most of the large banks was well over a hundred percent at that point in time and so if you combine that with a kind of wholesale funding environment that was prevalent then, essentially banks were using fixed term customer deposits as a source of marginal funding, which I don't think is true at this point in time, absent some of the TFSME activity that I called out before. I'd expect it to rise but not go to the levels it was before. Typically, Barclays is not a hot money bank, our objective would be to price to keep the customers we have. We don't really want to attract hot money into the franchise. That's not really our strategy. We want to provide the customers we have with the right products, so we would seek to price to keep them within the franchise, but as I said before, we won't go beyond what we think is commercial.

Daniel Fairclough

On the structural hedge question, so look, I think you are right. The hedge balance will decrease over time, and I think we've seen that quarter-on-quarter with us and with peers. I think the point that we would make is that the notional effect is far less powerful than the rate effect. So, we think you should expect that there's going to be increases in gross structural hedge income from that rate effect, even with declines in deposit balances. We've talked about the level at which these rates are coming off versus the current market, that is a huge positive effect, even if it's on a smaller deposit balance. We can pick up that in a little bit more detail in November.

Anna Cross

I think the other thing, just to add to that is, because we rolled this hedge so systematically, obviously as each month passes, we do have an opportunity to change the size and scale of the hedge. We feel that we're able to react to the customer trends or the corporate trends as they emerge, as we've done through the current year.

Thank you very much for coming. You can give us feedback on this format, whether you liked it. I think the food's the same, but the table setting is different. It's been an important quarter for us, and obviously the next quarter of activity for us is very intense, and we're working really hard in the background. We look forward to seeing you in February and talking about many of our plans. Thank you for your patience. I know it's frustrating, and you want to know the answer right now. I understand that many of you are going to be joining the IR team for Christmas and holiday drinks. So, should you attend, I'll probably see you there. Okay, take care. Have a great day. Thank you.

Footnote

¹ Correct consensus number for Q423 Structural Costs Actions is c.£800m

Important Notice

The terms Barclays or Group refer to Barclays PLC together with its subsidiaries. The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments.

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- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change, as determined by the Bank of England, taking into account a number of factors as described in the policy, along with international developments. The Pillar 2A requirement is also subject to at least annual review;
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In preparing the ESG-related information in this document we have:

(i) made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. This is for example the case in relation to financed emissions, portfolio alignment, classification of environmental and social financing, operational emissions and measurement of climate risk.

(ii) used ESG and climate data, models and methodologies that we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. However, these data, models and methodologies are subject to future risks and uncertainties and may change over time. They are not of the same standard as those available in the context of other financial information, nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There is an inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies will also be affected by underlying data quality which can be hard to assess or challenges in accessing data on a timely basis

(iii) continued (and will continue) to review and develop our approach to data, models and methodologies in line with market principles and standards as this subject area matures. The data, models and methodologies used and the judgements estimates or assumptions made are rapidly evolving and this may directly or indirectly affect the metrics, data points and targets contained in the climate and sustainability content within this document and the Barclays PLC Annual Report. Further development of accounting and/or reporting standards could impact (potentially materially) the performance metrics, data points and targets contained in this document and the Barclays PLC Annual Report. In future reports we may present some or all of the information for this reporting period using updated or more granular data or improved models, methodologies, market practices or standards or recalibrated performance against targets on the basis of updated data. Such re-presented, updated or recalibrated information may result in different outcomes than those included in this document and the Barclays PLC Annual Report. It is important for readers and users of this document to be aware that direct like-for-like comparisons of each piece of information disclosed may not always be possible from one reporting period to another. Where information is re-presented, recalibrated or updated from time to time, our principles based approach to reporting financed emissions data (see page 87) sets out when information in respect of a prior year will be identified and explained.

Information provided in climate and sustainability disclosures

What is important to our investors and stakeholders evolves over time and we aim to anticipate and respond to these changes. Disclosure expectations in relation to climate change and sustainability matters are particularly fast moving and differ in some ways from more traditional areas of reporting in the level of detail and forward-looking nature of the information involved and the consideration of impacts on the environment and other persons. We have adapted our approach in relation to disclosure of such matters. Our disclosures take into account the wider context relevant to these topics, including evolving stakeholder views, and longer time-frames for assessing potential risks and impacts having regard to international long-term climate and nature-based policy goals. Our climate and sustainability-related disclosures are subject to more uncertainty than disclosures relating to other subjects given market challenges in relation to data reliability, consistency and timeliness, and in relation to the use of estimates and assumptions and the application and development of methodologies. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops.

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Subject to Barclays PLC's obligations under the applicable laws and regulations of any relevant jurisdiction (including, without limitation, the UK and the US) in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Non-IFRS performance measures are defined and reconciliations are available in our results announcement for the period ended 30 June 2023.