

Barclays Yankee Credit Forum**September 2015****Dan Hodge, Group Treasurer****Slide 2: Holding slide**

Good morning and welcome to Barclays' first Yankee Bank Credit Forum.

I'm very pleased to present to you today and have the opportunity to reflect on how, from my perspective as Group Treasurer, I think about managing the bank through the complex regulatory and market environment the industry is facing

Slide 3: Agenda

In my presentation today I will firstly reflect on regulatory and market developments and what they mean for the industry. Secondly, I will focus on the implications of structural reform and development of resolution frameworks in the UK, and how Barclays is currently addressing and planning for these structural changes. Lastly, given the importance of the Yankee market to Barclays, I will talk to how we as a UK bank view and engage with the USD market

Let's then first turn to regulation and the wider market environment and what this means for the banking industry

Slide 4: Managing through evolving regulation and markets

Since the crisis, the banking industry has become much safer, more advanced in undertaking and managing risks, and, importantly, much more transparent

However, banking remains an industry in transition

- Regulation is changing
- Market dynamics are changing
- And banks are changing their business models as a consequence

And clearly there is a feedback loop between all these dimensions

Overall, the continuous flow of new regulation aimed at driving improved bank and financial stability has had a profound impact on how banks operate, with implications also for the wider market environment. This has clearly made Treasury management a more complex task, particularly around forward planning

While there is a significant level of uncertainty around many of these areas, we at least know most of the building blocks and are supportive of what regulators are seeking to achieve. This has resulted in many banks, including Barclays, pro-actively adapting their business models in order to remain competitive under stricter regulatory regimes

This is obviously a very broad area so I'll just give a flavour of what I view as key focus areas

Regulatory developments

In terms of regulatory developments, the ones that I would particularly like to highlight are:

- a) First of all, the creation of credible resolution frameworks, including TLAC-requirements for G-SIFI banks, and MREL
- b) Secondly, structural reform, particularly ring-fencing in the UK
- c) Thirdly, the potential, but as yet uncertain, changes to the calculation of risk-weights
- d) ..and fourthly, regulatory stress testing

The regulatory developments around resolution and structural reform to make banks more resolvable, effectively results in UK banks adopting a single point of entry resolution plan, and adopting a funding model that is similar to those of the US banks:

- Mandatory ring-fencing of certain UK liabilities - such as traditional retail banking deposits - into a separate legal entity, seeks to protect depositors and tax payers in the event of resolution

- And, in order to meet the regulator's objectives on the continuous provision of key banking services through resolution, many are also moving to a holding company capital and primary funding model; a model US banks have long utilised

These two areas are clearly very important topics for us and for investors – both drive the ongoing transition to a HoldCo capital and funding model for Barclays - so I will spend more time on these two areas a bit later in my presentation

The third key regulatory development, RWA re-calibration, is an area banks are watching very carefully given the potential impact on the capital efficiency of certain products or businesses. The main changes underway are new trading book rules, requirements to capitalise interest rate risk in the banking book, revisions to the securitisation framework, standardised approaches to credit risk, proposals for capital floors to risk-weights, and IFRS 9. These developments are clearly important considerations when banks are making strategic decisions about how to most efficiently deploy capital within a group

Given that rules and frameworks are still being developed, it is however very difficult to estimate and comment on the potential impact as it will depend on both where the final rules end up, and what banks' balance sheets will look like at the time of implementation. The key areas of debate here are calibration, i.e. how much of a change in risk weights will result, and the time banks will be given to comply



While banks, including Barclays, are proactively taking actions to best position themselves to anticipate and manage the potential implications of these regulatory initiatives, it does make long-term strategic planning much more challenging

As a fourth point, I mentioned stress testing. I won't go into much detail here but stress testing is a very important part of financial resource management. The stress testing frameworks by regulators have evolved materially, with C-CAR in the US being a blue print for other regulators. We are also conducting our own internal stress testing and the outcomes of the tests feed into our business decisions, for example the sizing of our capital buffer, and they provide more insight for regulators into our balance sheet. This should further aid stability of the banking sector as regulators and banks themselves should be better placed to anticipate potential stresses ahead of time

I would note that for Barclays, our balanced business model between both regions and products, given that our portfolio includes retail, cards, corporate as well as investment banking activities, makes our franchise much more resilient against the different types of stresses which may emerge. For example, we have a strong credit profile in our mortgage portfolio in the UK which in itself helps with resilience, but it is further balanced by our overall business mix if there were a stress in the housing market in particular. But a balanced business model extends beyond the products offered in the group to also encompass legal entities with balanced business mix and strong risk profiles, and a balanced funding mix. I shall return to the entity view later when addressing structural reform

Now I have only highlighted a handful of the regulatory changes the banking industry is facing and there are obviously several more that we are addressing and implementing on an ongoing basis

Slide 5: Key expected structural and regulatory reform timelines

On the next slide, slide 5, I've outlined some of the currently expected timelines for these regulatory changes. To just highlight the key ones on this timeline:

- MREL or 'Minimum Requirement for own funds and eligible liabilities' is the requirement for holding loss-absorbing capacity in the EU, applicable to all EU banks. Though details are yet to be confirmed we expect MREL to be implemented from 1 January 2016. For G-SIBs we expect the phase in timelines and requirements to conform with TLAC rules
- Later next year we have the deadline for the creation of the IHC in the US. We are well on track to meet this, having submitted our plans to the Fed at the end of last year
- We expect TLAC to be implemented by 1 January 2019 for GSIBs, and the respective banks, including Barclays, are already working on building up their TLAC stack

- Lastly, as mentioned earlier, I would note that the major UK structural reform implementation will require UK banks to ring-fence their retail operations by 1 January 2019

Slide 4: Managing through evolving regulation and markets

Market developments

Turning back to slide 4 and market developments

The regulatory agenda to make banks safer clearly has wider market implications, and in turn, the current market environment has implications for how banks balance their liquidity and solvency targets

In the current environment, banks have been able to accumulate and sustain abundant liquidity. Fuelled by QE, deposits have generally grown faster than lending, and the marginal propensity to save by individuals and corporates remains high

Regulatory developments have also resulted in banks deleveraging their balance sheets, further fuelling abundant funding for banks, but limited their ability to support primary and secondary capital markets. This has clearly reduced banks' critical role in improving resilience and depth of these markets, which may specifically hurt in a stress

This impact can clearly be viewed in developing deeper corporate capital markets in Europe, which are still lagging far behind the US in volume. Bond financing only accounts for single digit % of total liabilities in the corporate sector in most of Europe, while it is between 10-20% in the US. Loans on the other hand account for between 20 and 40% in major European countries, compared with around 10% in the US¹. While the capital markets in the UK are more developed than the rest of Europe, there is more work to do, and authorities are starting to recognise the need to understand the stress impacts of shallower markets, in particular because we are seeing many sources of market volatility, illustrated by the Greek debt crisis and China sell-off

In managing their liquidity and overall balance sheets, it is critical for banks to plan for the effects of lower market depth in stresses, as well as the impact on overall market liquidity once monetary policy is tightened again, even if that is further out in the future

The waves of regulatory change since the crisis has also forced many banks to adopt less diversified business models - in terms of product and geography - and led to concentrations in fewer institutions, including in investment banking. In addition, some businesses and services that banks previously provided have become smaller and/ or migrated to the non-banking sector. This, again, is a trend which needs to be carefully watched

¹ Eurostat, OECD. http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper_en.pdf



A final theme is that of interest rates. With falling rates, net interest margins are getting compressed, and most banks have reduced the impact of this through structural hedges, smoothing income streams through the cycle. Across the US, UK and Europe, interest rates have been 'lower for longer' and many have reacted by protecting themselves against further falls in rates which leaves banks differently positioned in terms of rising rates. Nevertheless, classic banking book businesses should still benefit from rising rates but to different extents. That is, in my view, a beneficial outcome with banks being diversified in their positioning rather than concentrated at particular parts of the curves. This diversification reduces vulnerability of the system as a whole

Basel is currently consulting on the capitalisation for Interest Rate Risk in the banking book. We are of course feeding into that, but in our view it will be critical to look at the hedging of bank balance sheets through the full cycle, and create a framework which clearly distinguishes between appropriate hedging activity, which also allows diversification between banks

So all in all, there is a clear interplay between regulation and markets which we are monitoring and constructively debating with regulators as we move to implement the next key building blocks of banking and structural reform

Summary points



So before I go on to talk about structural reform and resolution in more detail, I would note that adapting to regulatory change isn't something new for the banking industry – it's something we've been actively doing for several years

Barclays always seeks to take a proactive approach to addressing regulatory change, and I think that it's something we have become very good at

Also, our strategy and the excellent progress we've seen on execution to date - particularly in terms of strengthening our balance sheet and capital position - has meaningfully improved our ability to absorb and manage regulatory changes. I also believe that the constructive dialogue we have with our regulators enables us to proactively address and plan for structural change such as ring-fencing and resolution, and manage the overall impact on our stakeholders

We are of course not the only bank addressing regulatory change and while there is more work to do for us, and the industry as a whole, we've all come a very long way

Slide 6: Progressing with plans for structural reform

I'll turn now to slide 6 and the changes we are facing as a result of regulatory developments around resolution planning and structural reform

Structural reform is a strategic priority for the group, and underpins much of our forward thinking on capital, funding, and liquidity



For Barclays, there are two headline implications of structural reform for our legal entity structure:

- First of all, the creation of a newly established material UK retail bank to which assets and liabilities will be transferred from existing Barclays entities. Non ring-fenced assets and liabilities will remain where they currently are
- And second, the consolidation of our activities in the US under a newly established intermediate holding company

Each of our new UK ring-fenced bank, our new US IHC group and our existing regulated banking entity, BB PLC, will have their own governance, regulatory capital, leverage, liquidity, funding, and internal TLAC requirements. They will also face clients, counterparties and investors in the market. Maintaining financial robustness for each of these entities is therefore absolutely critical in our planning

While we are still limited in terms of the detail we can provide around the respective composition of these entities as dialogues with our regulators are still ongoing, let me just highlight the high level shape of each of our UK ring-fenced bank, Barclays Bank PLC, and US IHC, and outline the key implications for current and future capital and term debt investors in Barclays



- The UK ring-fenced bank will have a substantial presence in the UK market and will be the Group's provider of UK retail and some UK corporate products to over 16 million customers
- BB PLC and international entities, i.e. the non-ring fenced group, will continue to have a diversified business model, offering international retail, investment banking and corporate banking, and will include our African and US businesses. In this respect the range of Barclays' businesses is a virtue allowing us more easily to create a broad and stable non ring fenced group
- The US IHC is expected to continue to be a subsidiary of BB PLC, and will be the holding company for our US businesses, mainly our broker-dealer, Barclays Capital Inc., and Barclays Bank Delaware which holds our US Cards business

So what does this mean for bondholders?

For new capital and term senior unsecured debt issuance, most of which will be done out of our HoldCo, the key thing to bear in mind is that the diversification benefit of the Group is expected to be retained at the HoldCo, irrespective of how the legal entity structure beneath it evolves

From the perspective of diversification, a future investment in the HoldCo, is similar to a current investment in Barclays Bank PLC, the entity that historically has been the main issuing entity of the Group. Exposure to this diversified portfolio of businesses will no



longer be available post ring fencing solely by investing in Barclays Bank PLC or any of the other individual legal entities

The capital and term senior unsecured needs of the material subsidiaries within the Group will primarily be met through internal TLAC, ultimately downstreamed from the HoldCo in appropriate form

As we create the UK ring-fenced entity in 2018, there will be some residual capital and term funding outstanding at BB PLC, however, this will be notably lower than today and further reduced over time as we continue to refinance out of the HoldCo

Importantly, while you'll get the diversification of the whole group at the HoldCo, the non-ring fenced group i.e. Barclays Bank PLC and its subsidiaries, will continue to be a financially robust banking group. Given the business mix across retail, investment and corporate banking, it will clearly not - as some commentary has erroneously stated - be dominated by investment banking. In fact, less than half of the capital in the non ring-fenced group is expected to be allocated to the investment bank. It will also have access to a very broad range of deposits, the vast majority of which will qualify for a very stable treatment from a regulatory perspective

Slide 7: UK approach to resolution

Moving then to resolution and slide 7



Given the importance to us for our ongoing issuance programme, I'd like to highlight where I currently see some differences in how resolution might play out in the US vs. the UK – both as a result of differences in the respective regimes, and due to the structural differences in banks' funding models today. While the aim of keeping operating companies outside of resolution is shared across the US and the UK, how this is achieved with current group structures differ

This is particularly relevant during the transition phase where banks like Barclays have capital and debt outstanding at both their HoldCo and OpCo

From the angle of a US investor, I appreciate that resolution regimes in Europe, and the UK, can seem counterintuitive. The situation is further complicated by the different approaches to building loss-absorbing capacity that issuers have taken within the same jurisdictions, and by diverging and often punitive approaches taken by rating agencies

As you will know better than I, the US approach to resolution is often described as being "top-down". This badge can be a bit misleading, but where it is used in the US context it means a situation whereby the HoldCo or parent company is placed into receivership and all its assets – primarily investments in its operating companies – are transferred to a new bridge holding company. The operating subsidiaries will continue to operate and conduct business without going through any bankruptcy process. Meanwhile, the original holding company goes through a receivership, transmitting the group's losses to the investors in the original holding company, with the equity created in the new stabilised group being



given to the original HoldCo's creditors. In this construct, as typical for US bank groups, all of the group's capital and term funding resides at the original holding company, and not at the subsidiary level, and so that is where the group's losses are transmitted externally. The outcome, therefore, is that the subsidiaries' losses are transmitted to the original HoldCo and its creditors

In the UK the objective is the same. However, the approach to resolution necessarily has some differences to deal with the fact that UK banks currently continue to have loss-absorbing capacity outstanding at the OpCos; in that sense it is easier to think of UK resolution as being more "bottom up" than "top down". Under the UK construct, the subsidiaries' losses are transmitted to the HoldCo via the write down of the HoldCo's investments in the subsidiary, in accordance with the subsidiary's creditor hierarchy – this sees losses being shared by both the HoldCo and OpCo's external creditors of the same rank. The loss transmitted to the HoldCo is then externalised to HoldCo's investors, in line with the creditor hierarchy of the HoldCo

On this slide we've illustrated how this sequencing of losses in the UK would occur through a three stage process so let me try and provide as much clarity as possible on this with the help of this slide

- Step 1. Losses are incurred by the OpCo and transmitted in accordance with its creditor hierarchy; that is its equity, then AT1, then Tier 2, and then other internal TLAC to the extent that there is any. Each class of instrument is

expected to rank pari passu irrespective of its holder; for example, the HoldCo's internal Tier 2 investment in the OpCo should rank pari passu with Tier 2 held by external investors

- Step 2. The way in which the OpCo's losses are transmitted to the HoldCo is therefore through the write-down of its intercompany investments. The write down is in line with the OpCo's creditor hierarchy, meaning losses are also being shared with external OpCo creditors. The HoldCo's total loss will equal the sum of the losses on its equity, AT1, T2, then internal TLAC - to the extent that there is any - and then senior unsecured debt investments. It is important to understand, therefore, that the external capital and funding at OpCo is also bearing losses in each class – that loss sharing is effectively providing support to investors in the HoldCo. It is also why it's important under the UK construct to understand the nature by which the HoldCo investment has been downstreamed to the OpCo
- Step 3. The total loss transmitted to the HoldCo via its OpCo investments is then in turn allocated to the external HoldCo investors in accordance with HoldCo's own creditor hierarchy, i.e. equity, then AT1 then T2, and then senior. Therefore, depending on the size of each layer of HoldCo debt, the losses for any given layer at the HoldCo could be different to that of the OpCo



It is hopefully very clear therefore that a senior debt holder in the HoldCo will only suffer losses once all of the equity, AT1 and T2 in HoldCo have been exhausted. It should also be clear that, where a subsidiary enters resolution, losses should not be experienced in the HoldCo senior layer before legacy capital at the level of the OpCo subject to the resolution have been wiped out in full

Slide 8: Managing the risk profile of Holding Company term senior unsecured debt today and in end-state

I now turn to Barclays' journey in building TLAC in our HoldCo B PLC

The first non-equity HoldCo issuance we executed were the AT1 CoCos in 2013, and we have since issued further AT1s, T2s as well as public and private senior unsecured debt from this entity

As a result of these issuances, our TLAC at HoldCo currently consists of the consolidated group's equity position, £5.3bn equivalent of AT1, £0.8bn equivalent of T2 and £5.9bn equivalent of senior unsecured. Our intention remains to issue most of our capital and term vanilla senior unsecured debt out of HoldCo going forward to meet future TLAC and/or MREL requirements. We were particularly pleased to execute our first private placement MTN (€100m) and Samurai transaction (¥60bn) out of the HoldCo just last week too



As we have a significant stock of capital and term vanilla senior unsecured debt outstanding at Barclays Bank PLC, which previously was our main issuing entity, the transition of this stock to the HoldCo through refinancing is a significant task, and one which we are approaching as a multiyear undertaking

We've therefore been transparent in how we seek to manage this transition and better align the credit profile between HoldCo and OpCo investors in order to effectively deliver a robust position for HoldCo investors both in transition, and in end-state. The way in which we are seeking to achieve this is shown on this slide. We are currently downstreaming proceeds raised at the HoldCo as capital and funding to our OpCo, with corresponding ranking, i.e. AT1 as AT1, T2 as T2 and senior unsecured debt as senior unsecured debt

Given these intercompany arrangements, we believe that the current pricing and certain rating differentials between HoldCo and OpCo senior unsecured debt in particular, overstate the risk of structural subordination

Some might argue that current pricing and ratings reflects a future state in which senior unsecured debt has already been used to invest in "TLAC-eligible" debt - that is, subordinated - in the OpCos to meet future TLAC and/or MREL requirements – something we don't do today, but recognise we will be required to do, in part or in full, at some point in the future



However, when subordination of some or all of the intercompany leg is required, we expect senior unsecured investors to benefit from our progressive refinancing out of the HoldCo as there will be a thinner layer of term senior unsecured debt at the OpCo to be subordinated to, and a thicker layer of senior debt at the HoldCo to absorb any losses

How much of the HoldCo senior debt we will need to downstream as “TLAC-eligible”, and by when, will depend on upcoming TLAC and/or MREL requirements and we hope to get clarity from our regulators on both later this year

While therefore some uncertainty remains in this area, we will continue to be as transparent as we can with our formal disclosures and ongoing engagement to endeavour to mitigate risks for investors, where permitted to do so, throughout the transition period that we face. We have aimed to be sector leading in this respect and hope that a combination of the TLAC requirements and the requirements of the investor community will apply such standards across the market

With this, I will move on to my third focus area for today, our engagement with the USD market

Slide 9: Yankee market of significant importance to Barclays



As the deepest debt capital market globally, the dollar market has historically been, and remains, a cornerstone of our funding plan. Indeed, USD makes up c. 40% of our overall outstanding wholesale funding

In terms of capital and term senior unsecured debt, we first accessed the Yankee market with an SEC registered capital transaction in 1981, and have since issued a number of meaningful capital and debt transactions in this market as you are very well aware

More recently, the USD market has been the market we have first turned to when we have executed innovative or “first of its kind” types of transactions. As an example we issued our first contingent capital transaction in USD - the T2 CoCos in order to facilitate opening the CoCo market in 2012. We also issued our inaugural HoldCo issued AT1 CoCos in USD in 2013. This is a practice that of course partly reflects the depth and sophistication of the US market, but is also coloured by our view of the US as one of the home markets for Barclays (alongside the UK and Africa)

Since then, we have accessed the USD market for a number of our key funding and capital transactions as we commenced the transition to a HoldCo capital and funding model

As you know, our latest foray in this market was a 30 year senior unsecured transaction in early August - the first time Barclays has tapped the 30 year USD market



In the future, we expect to remain active in the USD market for our HoldCo needs, both for senior and subordinated funding, though we will continue to diversify by product and currency with the expectation that HoldCo will be as diversified in the future from a funding perspective as BBPLC is in the capital and senior unsecured space today

On the secured side, we set up our US credit card securitisation platform, Dryrock, in 2012, and have been a frequent issuer since. We would expect to continue to be a programmatic issuer, in line with the growth of the US credit card business

In terms of short-term unsecured funding, along with the rest of the industry, we have been reducing our reliance on this funding source. However, money market funding will remain a key component of our overall funding strategy and we will continue to interact closely with our clients and counterparties in this space

Hence, the USD market and investor base continues to be very important to us, so I would like to thank you for your continued support

Slide 10: Demonstrating further strengthening of Barclays already solid credit proposition

And finally I would like to take the opportunity to remind you of Barclays very strong credit profile



We have made significant progress on executing our strategy transforming the business to deliver higher and more sustainable returns, reducing our non-core balance sheet, and further strengthening our key financial metrics

Our Core businesses are performing well, and we have significantly reduced the size of our Non-Core unit. I am also very pleased that we've reached our 2016 capital and leverage targets early by delivering an 11.1% FL CET1 and 4.1% leverage ratio at the half year

We continue to demonstrate a very strong liquidity position and we have made good progress on the transition to a HoldCo capital and term funding model. As I said earlier, you should expect us to continue to diversify our term funding base at the HoldCo over time across multiple currencies, formats and tenors as we refinance maturing OpCo debt out of this entity

In terms of the regulatory challenges the industry is facing, we remain committed to working with our regulators and investors as this continues to evolve, to efficiently plan for and adapt to these regulatory changes. As always, we aim to be as transparent as we can throughout this transition

We believe that our robust financial position, and strategic direction, should position us well to proactively manage this change and evolve our legal entity structure over time



With that, I'd like to thank you very much for your time today and to open to the audience for questions.



Important Notice

The information, statements and opinions contained in this presentation 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.

Forward-looking Statements

This presentation contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost Programme and the Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implementation of the strategic cost Programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. Additional risks and factors which may impact the Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2014), which are available on the SEC's website at <http://www.sec.gov>.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States 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.