

Barclays Yankee Bank Credit Forum – Perspectives from a Yankee Issuer**September 2016****Slide 1: Introduction**

Good morning everyone and thank you for taking part in our second Yankee Bank Credit Forum. Hopefully you've found the speeches and panels this morning interesting.

I'm very pleased to present to you again this year and to have the opportunity to reflect on the progress we've made over the past couple of years as we've simplified our businesses and meaningfully strengthened our balance sheet.

The key point I want to make here is we now near the end of our restructuring, including the legal entity reorganisation required to comply with US IHC requirements, and by 1 January 2019, UK ring-fencing requirements. This positions us very well for success in the new, but still evolving regulatory landscape, and also to weather the consequences of Brexit, whatever they may be. I'm going to address Brexit first as I'm sure this is on top of everyone's minds - it's certainly the leading question from investor sessions so far.

Slide 2: Political and Economic landscape following Brexit Vote

Let me start with a few observations on the political landscape and the supportive actions by the Bank of England since the vote.

Immediately following the UK referendum, we witnessed a lot of political uncertainty with the somewhat unprecedented situation of both major UK political parties suffering a leadership crisis at the same time. Despite this, the governance of the UK remained steady and we saw Theresa May replace David Cameron as the UK's new prime minister within 3 weeks of his resignation. This was much quicker than anticipated and helped reduce the political uncertainty in the UK.

The biggest question now facing the new government is when and how the UK should negotiate its withdrawal from the European Union, and crucially, when Article 50 of the EU Lisbon Treaty should be triggered. Once triggered, the Article states that a member state will have up to 2 years to negotiate the terms of its exit, although this can be extended if agreed by all member states of the

EU. The Prime Minister has stated that the UK government will not trigger Article 50 until they are ready for negotiations with the EU, and that the trigger date will be at the start of 2017 at the very earliest. Until then, the priority for Government is to establish its negotiating position and its objectives in relation to the exit and future trade arrangements.

Meanwhile, we welcome the pro-active stance that the UK authorities, particularly the Bank of England, have taken in announcing actions to support the UK economy as well as the UK banking sector. This has definitely helped to calm the markets.

Firstly, in July the Bank of England Financial Policy Committee reversed its planned introduction of a countercyclical capital buffer for UK banks, at least until June 2017, demonstrating the Bank of England's willingness to use this buffer as it was designed.

Next, in early August, the Bank of England Monetary Policy Committee announced a number of proactive measures including a 25bps reduction in base rates to a record-low 25bps, a £60bn expansion of its UK government bonds asset purchase scheme, the purchase of up to £10bn of non-financial UK corporate bonds, and the introduction of a Term Funding Scheme – or TFS. The aim of this scheme is to provide funding for banks at interest rates close to the Bank Rate to help reinforce the transmission of the rates reduction to the real economy.

Taken together, most of these actions, including the ability for UK banks to exclude certain central bank reserves when calculating leverage exposures, and the impact of QE on bond markets more broadly - has generally been very constructive for UK banks.

In addition, the rhetoric from the Bank of England around UK banks' strengthened capital and liquidity positions has also been very supportive, and they continue to reiterate that UK banks' aggregate levels of capital are adequate. All in all, we agree with the comments of Mark Carney, the Governor of the Bank of England, that the UK financial system is very resilient.

Slide 3: Transatlantic Consumer, Corporate and Investment Bank

So what does this all mean for Barclays? From a strategic perspective, we have positioned Barclays as a transatlantic consumer, corporate and investment bank, with global reach, and we are very encouraged by the progress we have made against our strategy to date. Our core businesses are generating double digit returns in aggregate, we are on track with our plans to close non-core by end 2017, we've progressed with the sale of our stake in Barclays Africa, we continue to reduce

costs, and we've significantly strengthened our capital position. We believe we have the right plan in place for Barclays, and we see no reason to adjust it, or the pace of delivery because of Brexit.

Yes - the referendum outcome has resulted in increased uncertainty around the UK economy and the future framework under which we, and other banks operating through London, will do business in continental Europe. However, while we don't yet know precisely what all the effects will be, we believe that our diversified business mix and historically prudent approach to risk are inherent strengths for Barclays that position us well to manage this period of uncertainty.

Slide 4: Resilience from Prudent risk management and diversification

As illustrated on this slide, diversification is a huge differentiator for us, spanning products, customers and clients and geographies. In fact, at the half year, we generated nearly half of our income from outside the UK, and almost a third was here in the US, which is particularly valuable now given the increased strength of the US dollar. This differentiates us compared to many of our UK peers.

In terms of our risk profile, we have demonstrated a track record of prudent risk management and risk appetite since well before the 2008 financial crisis. Our mortgage book has a low average loan-to-value of 47%, we have very limited exposures to "riskier" types of lending such as high loan-to-value – only 2% of the book, and buy-to-let – only 9% of the book. Our commercial real estate exposure is very low at only 2.6% of our total loans and advances and is of good quality. Additionally, our UK and US cards portfolio is well seasoned with delinquencies above 90 days at only 1.2% and 1% respectively.

But don't just take my word for it - in its 2014 and 2015 stress tests, the Bank of England severely stressed the UK housing market and as you can see on this slide we had the lowest drawdown among UK listed peers, post management actions, in both years. Importantly however, we are not at this stage seeing any signs of significant credit stress, which would be a typical indication of an economic slowdown.

We also get asked about passporting and what implications this may have for Barclays. A substantial majority of our CIB income is actually not reliant upon passporting. For the parts that might be, we are confident that we have multiple options available to us for maintaining EU market access, while delivering our returns objectives both for CIB and for the Group.

It is of course not yet possible to be definitive as the UK hasn't yet started its exit negotiations, but we are spending a lot of time developing contingency plans for whatever the negotiation outcome.

In terms of the financial and monetary policy actions I mentioned earlier, we have been planning for a prolonged period of lower interest rates long before the referendum. At the half year, we said that we would expect to broadly offset the 25bps rates cut that has now materialised through further liability re-pricing. While we believe that negative rates are an unlikely policy tool in the UK as clearly indicated by the Governor of the Bank of England, we have undertaken work internally to ensure we understand the potential impacts of such a scenario.

We are also assessing our potential participation in the TFS against current and future funding requirements. While we have been an active supporter of such schemes in the past, we have a well-balanced funding position and high levels of liquidity so we will need to carefully assess the benefits of participating in the scheme against this position.

We also hope that our resilience and planned strategic actions will position us well to withstand rating agencies concerns around the potential implications of Brexit on UK banks. As you know, S&P and Moody's took industry-wide actions by changing the outlook on many UK banks' ratings to Negative following the referendum. We don't anticipate any immediate rating action, but expect agencies to take a medium-term view in assessing both how the UK economy develops and the respective banks' ability to manage any potential negative pressures.

In the meantime, we remain focused on improving group returns and to strengthen our balance sheet further through successful execution of our strategy. All this while executing our issuance plans to build additional loss absorbing capacity at the HoldCo, which ultimately should be ratings positive.

Let me now take a couple of minutes to reflect on the things that I am proud we have achieved at Barclays over the past few years.

Slide 5: Significant strengthening of financial position

Barclays is a fundamentally stronger bank today than we were two and a half years ago and we believe we have the right plan in place for the future. All our key liquidity and capital ratios have improved meaningfully. CET1 and leverage ratio growth have been supported by profit generation from our well-performing core businesses and the very strong progress we've made in running

down our non-core unit. Our liquidity position is meaningfully stronger, and we have reduced our reliance on wholesale funding and lengthened the average maturity, allowing us to meet future NSFR requirements well ahead of regulation.

As you can see on this slide, our CET1 ratio reached 11.6% at H1 2016 – up by a significant c. 250bps since Dec-13, despite absorbing c. 160bps of conduct & litigation charges, and the leverage ratio has improved by c. 120bps over the same period to 4.2%. While the quarterly progress may not always be linear, we expect both ratios to continue to improve over time through a combination of further non-core run-down, regulatory deconsolidation of BAGL, and organic CET1 capital build.

From a Treasury perspective, the non-core run-down has had the key benefits of strengthening our capital position, improving our stress resilience and reducing reliance on wholesale funding. As you see on this slide, the unit had £110bn of RWAs in Dec-13, and we have since successfully reduced it by £63bn, or £71bn if you include the top-up we did earlier this year. Many have asked whether Brexit will slow down the pace of the run-down – we absolutely do not expect that given our strong pipeline and we fully expect to reach c. £20bn of RWAs by end-17 which has always been our guidance.

While going through this period of restructuring, we have maintained a very robust liquidity position, as evidenced by our LCR of 124%, and we have improved the balance of our already well diversified funding position, as demonstrated by our 106% NSFR. This brings me onto the build out of our HoldCo capital and funding stack.

Slide 6: Proactive transition to HoldCo capital and funding model

We started the transition to a HoldCo capital and funding model by opening the AT1 market with our first HoldCo AT1 CoCo issuances back in 2013. Since then we've issued £10bn of capital securities and £15bn of public and private senior unsecured debt from the HoldCo as of the end of last month.

I'm particularly pleased with the progress this year. Despite the market volatility we saw in Q1, and the uncertainty around Brexit, we've issued £10.7bn sterling equivalent from the HoldCo year to date. Debt capital markets actually proved tremendously resilient with spreads recovering very

quickly after both the volatility of Q1 and after the initial aftermath of the referendum. In August alone, we priced 1.5bn of USD Reg S AT1s, 1.25bn sterling of senior debt, and 2.35bn of US dollar senior debt. In addition to that, we tapped the USD Tier 2 we originally issued in May by USD 800m, and we executed several EUR and AUD-denominated private MTNs.

It is worth noting the meaningful build-out of our private vanilla HoldCo MTN programme. Including issuances in August, the year to date balance of private MTNs has reached £0.7bn sterling equivalent. In addition to supporting our MREL/TLAC needs, private MTNs are very efficient for us from a cost of funding perspective as the deals tend to be priced inside new issue public funding spreads.

As we build our HoldCo capital and debt stack, we also remain focused on diversifying across currencies, to better match the geographical split of our balance sheet, and to maintain access to a well-diversified investor-base. As you can see on this slide, the currency mix of our senior debt at the HoldCo is now more diversified across US dollars, Euros and other currencies like Japanese Yen and Australian dollars, and as mentioned earlier, in August we also diversified into sterling.

To further support our transition, and to manage funding costs for the group, we have also been very active with LMEs and redemptions. This year alone, we have repurchased and/or announced the redemptions of £7.5bn of public OpCo senior unsecured debt, and £1.4bn of OpCo capital instruments, and we will continue to assess the value of similar exercises as a business as usual tool going forward.

So, while we still don't know precisely what our end-state MREL requirement will be, when assessing the ranges of potential outcomes, we are confident that we can get there with manageable issuance volumes given the progress we have made to date and the further reduction in RWAs, expected through additional non-core run down and our planned sale of BAGL.

To finish on this topic - last year, I talked at length about how we expect resolution to work in the UK – the bottom-up approach. I have been warned by the conference organizers not to take you through that slide again, especially right before lunch, but it is in our fixed income deck and I just want to reiterate that what I outlined then remains our expectation, no changes. If any of this is unclear, please do let us know and we'd be happy to take anyone through it.

Slide 7: Simplified businesses in preparation for structural reform

While strengthening our credit profile and transitioning to a HoldCo model, we've also made significant progress on our structural reform plans.

This year, we reorganised our business divisions into Barclays UK, or BUK, and Barclays Corporate and International, or BC&I in preparation for structural reform which you can see on this slide. The assets and liabilities of BUK will be transferred into a new legal entity over the 2018 Easter weekend to become our UK-centric ring-fenced bank, while the assets and liabilities of BC&I will stay within BB PLC and its subsidiaries. We have now also successfully established our US IHC.

Overall, structural reform improves the resilience and resolvability of the group and brings additional efficiencies as the respective management teams will be focused on managing their businesses also through a legal entity lens. This should force more efficient use of resources within each entity and in turn, result in a more effective set-up for the group overall. I'd also note that because our UK ring-fenced bank is expected to mainly comprise our UK retail and small business bank, Brexit – and in particular the uncertainty around passporting, has not caused us to have to rethink our plans.

So let me focus a bit more on the future group legal entity structure on slide 8.

Slide 8: Progress on Group legal structure

Let's start with the US IHC which became operational on the 1st of July. Operationally, establishing the US IHC was a large and complex project involving more than 1000 Barclays' employees over a 2 year time frame. It has been a successful and useful blueprint for what we are now going through in the rest of our operations.

The operations consolidated under the IHC have meaningful presence in the US market. The IHC now holds, under one legal entity holding company, Barclays' existing US subsidiaries, including Barclays Bank Delaware – which is our payments and credit card bank supporting Barclaycard, and Barclays Capital Inc. - our US broker dealer supporting our Markets business.

Our highly profitable and growing cards and payments business is the number 5 co-branded credit card issuer in the US, and within the top 10 based on credit card receivables, and our US investment banking operations – now significantly less capital intensive than they were - continues to perform

well. For example, in US M&A we have improved our rank to #6 based on involvement in announced deals year-to-date, and in US DCM we rank #5 overall - the highest ranking of a non-US bank.

The IHC itself is subject to the same consolidated capital, leverage, liquidity and Federal Reserve supervisory requirements as domestic US bank holding companies, and while we are currently not permitted to disclose details on its financials, you'll see those later in the year, we are compliant with all minimum requirements. The next milestone for the IHC is CCAR which we have been preparing extensively for. The first private CCAR is in 2017 and the first public one will follow in 2018.

In the UK, the preparation work for setting up our ring-fenced bank has also progressed, and we have advanced our plans for the Enterprise-wide Service Company construct designed to ensure operational continuity of our critical services in a stress event. This construct will likely be established under B PLC ahead of the legal separation of BUK. We submitted a draft banking licence for BUK in June and are in active follow-up with our regulators in anticipation of securing the license in good time ahead of the legal entity separation. This legal separation will take effect through a court-approved, so called "Part VII transfer scheme".

Importantly, there are a number of checks and requirements that we need to go through before executing the transfer, which should give creditors additional comfort, over and above our stated intentions to deliver two strong entities – ring fenced bank and BB PLC. One of these checks and requirements is the court-approved, independent expert, whose role is to thoroughly consider the impact of our plans on all stakeholders – including those transferring into BUK and those remaining in BB PLC. So this protection also applies to any legacy BB PLC fixed income investors. This independent expert is required to attest that stakeholders are not impacted beyond what is reasonably necessary to achieve the purposes of ring-fencing. The respective regulators, both the PRA and FCA, as well as the court, must be satisfied that this is indeed the case before sanctioning the separation.

As we continue the transition of capital and debt to the HoldCo, outstanding BB PLC capital and term vanilla senior unsecured debt will of course reduce over time. However, there will be some capital and term debt outstanding when we execute the legal separation of BUK. For holders of such instruments including many here today, we are deliberately seeking to ensure that BB PLC

continues to be a very well-diversified and attractive proposition with solid credit fundamentals before, and after, ring-fencing.

Slide 9: Barclays Corporate & International – Diversified transatlantic wholesale and consumer bank

There seems to be a misconception that BC&I is just a large investment bank and that structural reform therefore makes BB PLC a much more risky entity. This is clearly not the case. BB PLC will deliberately remain a very well diversified entity. In addition to the investment bank, it will also comprise our sizeable Corporate Bank (which is number 2 in the UK) our highly profitable and growing International Cards business, our leading payments capability through both corporate banking and the Barclaycard Merchant acquiring expertise, as well as our International Wealth business. In aggregate, this division currently comprises almost 60% of Group RWAs - 3 times the size of Barclays UK - and through its diversified income streams, the division generated an RoTE of 11.9% in Q2 when excluding the one-off gain from the Visa Europe sale.

We have also significantly re-positioned our investment bank over the past couple of years. It has meaningfully evolved to become much more focused on agency trading, where appropriate, acting as an intermediary between providers of capital and those seeking it, as opposed to taking principal risk. In fact, our Markets business in the IB – Credit, Equity and Macro – today utilises just 15% of the Barclays Group RWAs, or below 30% of the BC&I RWAs. So even within BC&I, there is a great balance between Markets and other businesses.

The diversified business mix within BC&I also results in a very well balanced funding structure, underpinned by around £170bn equivalent of customer deposits and is designed to deliver LCRs and NSFRs above 100%, ahead of implementation. We will also manage its capital position with prudent management buffers above regulatory requirements as we do for the group today. So all in all, we believe that our design of BC&I results in BB PLC remaining a very resilient and well-diversified entity that creditors therefore should remain very comfortable facing after structural reform.

In terms of ratings, we recognise that many of you are keen to understand what the implications of structural reform might be. Our objective for BB PLC is to maintain solid investment grade ratings, and we intend to create as much stability compared to current ratings as we can - both before and after structural reform. Over time we aim to further strengthen the credit proposition of the Group

through the successful delivery of our strategy, which supports our standalone credit profile, and through continued issuance from our HoldCo, B PLC.

Finally on structural reform, the entity you will face for all new capital and term vanilla senior unsecured issuance is the HoldCo, B PLC. While we have designed BUK and BB PLC as two solid entities in their own right, at the HoldCo, you will continue to benefit from the diversification of the full Barclays Group, as you previously would have done from facing BB PLC. The increased transparency and accountability that structural reform brings should further increase the attractiveness and strengthen the credit proposition of the HoldCo as the primary capital and debt issuer of the Group. So let me then conclude on slide 10.

Slide 10: Conclusions – “the future is bright”

The future for Barclays is bright. We have successfully undergone a period of extensive restructuring as we have executed on our strategy to simplify and strengthen the organisation by removing risky or unproductive assets, all this while reducing our cost base to make more efficient use of our resources and to drive improved returns.

At the same time, we have made significant progress in proactively shifting the capital and term funding model of the group to address the new recovery and resolution requirements, and we are undertaking an extensive operational task of changing the legal entity set-up of the group to comply with ring-fencing requirements in the UK and US.

These are not simple and straightforward tasks, particularly as they have to be executed in parallel. I am however very pleased with the progress to date and I’m very optimistic about the future as we now enter the final stages of our restructuring and truly see light at the end of the tunnel.

Barclays will be a stronger banking group as a result – more profitable with a simpler, yet very well-diversified business mix, and with a stronger balance sheet. And while Brexit brings increased macro uncertainty, we remain committed to the strategy and structural plans we have set out, and we are confident in our ability to deliver.

Before concluding, I would like to thank you for your support throughout this period. As you have seen from our issuance statistics, the US remains a vital market for us. We are keen to maintain a very proactive and transparent dialogue with you as we complete the restructuring of Barclays.



With that, I'd like to thank you for your time and look forward to discussing further over 1:1s this afternoon.

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