

**Barclays Global Financial Services Conference****12 September 2023****Transcript of fireside chat with C.S. Venkatakrisnan, Group Chief Executive and Anna Cross, Group Finance Director of Barclays****(amended in places to improve accuracy and readability)****Jason Goldberg, Barclays**

Good afternoon. I think I know most of you in the room or I've met most of you by now. But for those that don't, I'm Jason Goldberg, and I cover the U.S. large-cap bank stocks here at Barclays. Thank you for attending our 21st annual Global Financial Services Conference.

The feedback so far on the presentations and meetings has been terrific, and I'm sure the rest of the conference will measure up. Tonnes of people to thank, but I'm going to wait until tomorrow to do that to make sure everything goes smoothly over the next day or so and want to kind of maximise our time here at lunch today.

Very excited to showcase the home team today at lunch, in Barclays. As you know, Barclays is a British universal bank that's diversified by business, by different types of customers and clients, geographies. They have a large-scale retail and business bank in the U.K., an international bank containing a top-tier global corporate and investment bank, and a broad international consumer lending cards and payments franchise.

Very pleased to have Venkat return to the stage this year after making his debut as CEO last year. He's been Barclays' chief executive since November of 2021. Prior, he was Head of Global Markets and co-President of Barclays Bank and was Group Chief Risk Officer before that.

Joining Venkat on stage this year, we're pleased to have Anna Cross, Barclays' Group Finance Director since April of last year.

So, a perfect business mix and two perfect resumes should make for a fruitful lunch discussion today. So, Venkat, Anna, thank you for joining us.

**Anna Cross, Group Finance Director**

Thank you.

**C. S. Venkatakrisnan, Group Chief Executive**

Our pleasure.

**Jason Goldberg**

We'll throw out the first ARS (audience response) question just because we've been asking these in all the sessions so far. But maybe we'll just begin, to kind of set the stage, we're a couple of months since the Q2 earnings release. Maybe just take us through your performance, highlights. Remind us what you've been emphasising to investors.

## **Anna Cross**

Sure. What's really important to us is to deliver a consistent result. Consistent high performance in Q2 was another step along the way. So, we had a great RoTE, at 11.4%, and that brought us to 13.2% for the half-year. And really, through every line of the P&L, we saw good income growth, 6% growth, and that's comping against quite a difficult quarter last year. We're very focused on containing our costs, and our costs increased by 2%. So, positive jaws. And very laser focused on maintaining that cost discipline and delivering our commitment. And then, impairments, of course, remain pretty benign in the U.K. and in the U.S.

And when we take all of that together, what we saw was fantastic capital generation from all of our businesses. That allowed us to deliver not only a strong CET1 ratio, but also give a really good return to our shareholders in terms of dividends and buybacks.

## **Jason Goldberg**

Maybe pull up and look from a big-picture perspective, just given in my introduction I talked about Barclays' positioning across the consumer, corporate, payments landscape across the U.S., U.K. And just at a high level, maybe talk about what you're seeing, hearing from your broad customer base with respect to the full macro environment.

## **C. S. Venkatakrisnan**

So, I think, first of all, let's begin here in the United States, where we've got a prominent credit card business, but also a large corporate and investment bank business. I think we are seeing the approach to the soft landing, where there may be one more hike left in the Fed. But clearly, a normalisation of inflation. Seeing that growth is continuing to be fairly stable, at low levels.

And on the credit portfolio itself, fairly benign. I mean, it's behaving the way it should. Riskier parts of the businesses have slightly more delinquencies than less risky parts, but it's all within how we would predict it using our models.

The U.K. is not that much different in terms of delinquency behaviour. It is still fairly benign. The U.K. economically has had slower growth, or less growth, and the U.K. is a few months behind – maybe a couple of quarters behind – both in terms of monetary policy adjustment, as well as in terms of the control of inflation.

Now, what you saw this morning in the U.K. was a slightly higher unemployment print, which means that the effects of monetary policy tightening which we've seen over the last year and a half or so seem finally to be hitting the labour market and which I think brings us a little closer to the end game.

So, I think, overall, this is working out to be in this tightening phase more benign than many had feared and it is coming towards what I'm hoping is a softer landing.

## **Anna Cross**

I think that's right. I mean, one of the things I'd call out is that despite the fact the affordability pressures are really out there – we know that – our customers are acting proactively and rationally, and that's both our retail customers and our wholesale clients. So, for example, in the U.K., we see customers changing their spending behaviour. We see them paying down their debts. We see them being really thoughtful about where they place their deposits to get the highest yields. So, they're really managing their balances proactively.

So, we're not seeing that credit stress. Our mortgage book in the U.K. continues to perform really well. And actually, in the U.K., we stress our affordability very significantly. It's one of the conduct rules that we have. So, that's really playing out, actually, to the customer's benefit and our credit benefit.

So, we're really well placed, though, I think both in terms of the credit decisions we've taken in the past, the provisions we've got on the balance sheet, but also some of the extra protection that we've put around ourselves in terms of our securitisations across wholesale.

**Jason Goldberg**

And maybe we put up the next ARS question to get the audience involved. "What are you most concerned about for Barclays' returns? Outlook in the current environment?" I guess we can come back and address that. But I guess when you think about returns, Anna, you mentioned 13.2% RoTE in the first half. Obviously, it appears likely to be up over 10% for the year. But looking out, what kind of returns do you think Barclays is capable of?

**C. S. Venkatakrisnan**

Let me just add to what Anna said. I mean, looking at [over] 13% so far for the first half of this year, but that builds on two years of over-11%, double-digit returns; 11% and 13% – or 13% and 11% the past two years. And that, by the way, is true not just at the aggregate Group level, but it's true across the businesses of the Group. All performing at a double-digit level. So, what you're seeing is businesses that operate in the manner we'd expect them to through the different ups and downs that they individually experience, as well as, put together, give a fairly stable earnings profile to the bank.

And so, our target is above 10%, and we are fairly confident of meeting that target for this year, 2023. And as we said, we see the monetary policy environment and the economic environment being stable as we approach the end of the year and consumers behaving in the way Anna said, which is tightening their balance sheet and being prudent themselves; which, when you add their individual credit risk posture to our credit risk posture on top of that, it makes us believe that we've got fairly well controlled and good portfolio.

**Jason Goldberg**

It's interesting. You look at the audience response. There seems to be equal concern about the revenue outlook and the regulatory outlook. I guess when you think about how Barclays is positioned, I guess, maybe where are you kind of most concerned about, and how you're approaching it?

**C. S. Venkatakrisnan**

So, I think on the revenue side what you're seeing is, obviously, the normalisation of interest rates and the stabilisation of that aspect of our earnings.

You continue, I think, on the investment banking side – many of the people at the conference have spoken about it – the stabilisation in the markets and in the view is leading to some hope and expectation of a revival of activity, which we are seeing very, very early signs of, but it'll take time to play out. It's not something that's happening this week or this month.

And I think on the regulatory outlook, the rules are fairly fresh, a little fresher in the United States than they are in Europe. And it's complex. It's large. We are multi-jurisdictional. We have to digest the impact. But suffice it to say that we'll work with the impact and we'll manage our business appropriately in line with the rules.

**Jason Goldberg**

I guess you mentioned the interest rate backdrop. And when I asked around with Barclays investors, net interest margin actually came up a lot in the U.K. In July, you lowered guidance modestly, I think from [above] 3.20% to 3.15%. Maybe talk to what factors could lead to further changes, going forward. And perhaps you can talk to your structural hedge program and how that will work to help sustain margins.

## **Anna Cross**

Sure. I think as we go into this, Jason, it's really important to understand our U.K. net interest income in the context of the Group, because it's a little bit different from both our U.K. peers and indeed our U.S. peers.

So, for Barclays, about 50% of our earnings come from net interest income. And of that, about half of it is [Barclays UK]. So, it's our retail business. And that's the number that we're focused on here. So, it gets a huge amount of attention, but I keep reminding people we've got net interest income from our corporate book and from our private bank, as well. Hopefully, one day someone will ask a question on that on a call.

But in terms of the U.K. NIM, what we called out at the half-year were really trends around how customers were managing their deposits. As interest rates continue to rise, what we see is that they're using their deposits to manage their daily lives. They're managing the affordability pressures that Venkat talked about, and it's coming from rates and inflation. So, we've seen a slight reduction in balances across the industry; Barclays is no different. We're seeing customers seeking higher yields on their savings products.

So, really, what we guided to at the half-year was a continuation of those trends, that we expected deposit levels to fall within retail banking and for customers to continue to move their money towards higher-yielding deposits and, actually, for savings pricing across the industry to rise. Into Q3, those trends are persisting, which is what we expected. It's what we should expect, given the macro backdrop.

Now, clearly, that has some impact on NIM. And it's important to note, I think, that we're in an environment that we've never been before, seeing rates rise rapidly. And so, there's some uncertainty here. But actually, there are also some positives underpinning NIM, one of which you've mentioned, which is the structural hedge.

But one of the other things that we see through 2023 is a real compression on the mortgage side. I think we and our peers are all calling out that we expect that compression to ease somewhat as we go into 2024. That will lessen the impact on NIM.

But what's most important is the structural hedge. That's there for us to manage the stability of our U.K. retail income. And what we have is a significant amount of that hedge – £50 billion – coming to maturity in 2024, at rates of around 1%, that will get rolled at the prevailing rate right now. So, that gives us some real stability to the NIM as we look forward, above and beyond the deposit trends that we're seeing.

## **Jason Goldberg**

Maybe to shift gears, in terms of expenses and just the cost base, in terms of how you're managing costs in the current inflationary environment and what are you doing to balance kind of a desire to continue to invest in the business, invest in technology, yet managing the company for the current landscape.

## **Anna Cross**

Why don't I pick up costs, and you can go with investments.

So, we're super focused on costs and on cost discipline. And we gave some very clear guidance at the beginning of the year around expecting to be in the low 60s [%] for cost-income ratio and also that Q1 would be the highest operating cost point for the year for both the CIB and the Group, and we reiterated that guidance at the half-year.

For us, what we're doing is we're very focused on generating efficiencies to offset the impact of inflation. We've done that successfully so far.

But then, across each division we're approaching costs slightly differently. So, BUK, our retail business, very focused on transforming that business and making it more digital and more efficient.

Within CC&P, which is our consumer cards and payments business, that's got U.S. cards in it and our Private Bank. That's a business that we're growing, but we're disciplined to create operating leverage, positive jaws.

And then, within the CIB, we've been investing very selectively in businesses that contribute to the continued great performance of that business, and we're focused over time in generating positive jaws in that business, too. Venkat.

### **C. S. Venkatakrisnan**

I mean, just to emphasise what Anna has said, there's a pot of investment that we make which continues to give us cost benefit, and the digitisation of our BUK retail offerings is exactly about that: investing in technologies that later on you can manage other costs better. And then we will continue to invest in areas that allow us to generate fee income in a relatively capital-light way. Our wealth business and our Private Bank is one part of that. And we will invest in those things which over a long period will provide attractive returns to our shareholders.

### **Jason Goldberg**

Maybe we'll put up the next ARS question, about how comfortable are you with Barclays' asset quality and provisioning. And just maybe we could expand upon that. There's kind of limited signs of credit stress out there. Just how do you see credit performance developing from here across the portfolios. I think there's particular interest in U.K.

### **Anna Cross**

It's interesting. As rates have continued to rise in the U.K. and inflation has been a bit more persistent than perhaps we expected, we saw a very natural reaction from the market and analysts that actually predicted higher levels of impairment. I think what we're finding is that our customers are sensitive to interest rates, but just not in that way. We're seeing them manage their deposits very actively. And on the asset side, they're proving much more resilient than perhaps the outside world expected.

In Q2, our impairment charge I think was lower than consensus anticipated, but it was the size and in the shape that we expected, predominantly focused on our U.S. cards business, which is a business that we're growing and one where we're seeing impairment trends sort of normalise in line with the industry. So, we're seeing no difference there to our U.S. peers. We're seeing an increase in delinquency, but within normal bounds, as that business continues to grow.

In the U.K., actually, what we've seen is much more conservative asset behaviour from customers. Very little market growth across unsecured. Actually, our secured book performs very well. I mentioned before the affordability testing that we do. But also, nearly 50% of our book is on a five-year fixed rate, which means customers have the opportunity to manage their financial position before they refix.

So, we reiterated our guidance – and it's good to see that folks agree with us – around 50 to 60 [bps] loan loss ratio for the full year. That gives some headroom in the second half both for seasonality and some deterioration if that's what happens in the macro economy. But overall, we feel like we're really well positioned.

### **Jason Goldberg**

Maybe we'll go to the next ARS question. "What do you think it will take for Barclays to close its valuation gap?"

And before I ask the next question, I'll warn you. So, we polled investors before this event of what's on your mind. So, it was credit quality, NIM, ROE, and expenses. Maybe not surprising, the next question comes from my wife. Barclays is trading at 0.5x tangible book – which she thinks is too low – what do you think the market is missing? And what are you doing to change that?

### **C. S. Venkatakrisnan**

You might get a better answer from my wife.

So, obviously, it's a question that preoccupies my mind, preoccupies Anna's mind, and much of our senior management. I think that, at the end of the day, there are two important things for us to emphasise in our performance and to convey to you, our investors and our shareholders – and including Jason's wife.

The first is that we – actually, three things. The first is that we run each of our businesses in such a way as to produce attractive, high, stable RoTEs, and in a way that they can look at and they can see, yes, this is predictable performance, these are high RoTEs. We went through the last couple of years, we've been doing that, but we need to continue to show that.

The second is that the composition of the bank comprises businesses which when put together – because we know individual businesses have seasonality – produce the same thing at the Group. So, we must be in businesses which matter and operate them well. And as you've just been hearing from Anna, you've been hearing from me, if you look at our footprint in the investment bank – I mean, if you want to look at the scale and scope of our investment bank, just look around you in this room and just look at this conference and look at the reach of this conference. We are the sixth-ranked investment bank in the world in banking and in trading and in markets, and in many segments of that we are much higher than that. Because there are things we don't do. We're sixth-ranked globally, but we have a smaller footprint in Asia. We're sixth-ranked globally, but we don't have a commodities business, nor do we intend to. Which means there are some things we are doing much better at in certain regions. So, that's a great at-scale business.

The scale business in the U.K., we are in every part of that economy. There are some things which we need to do better, like wealth and the monetisation of our capability in payments.

And our U.S. credit card business, including the Xbox card which I spoke about yesterday, is a real jewel. And there are things where there's tremendous opportunity to grow.

So, I think we've got to show, (a), that we can operate these businesses very well, at good RoTEs; (b), that it's the right package, well put together; and (c), that we emphasise shareholder returns. And you've seen that in the first half, showing our willingness and based on the ability of the returns we've generated to share that.

So, I think that's important. Rinse, repeat; rinse, repeat; rinse, repeat.

### **Jason Goldberg**

I'll tell her.

I guess you mentioned capital return in this year, and I think that was well received. Just maybe expand upon how you're thinking about capital priorities looking out.

### **C. S. Venkatakrisnan**

I think, first of all, very mathematically, when the share trades, as it does, at 0.5x book, share buybacks – capital return, more generally – is one of the most valuable things you can do. If you look at us in the last two and a half years, including dividends and buybacks, we've returned about 25% of our market cap. If you look at us in the last couple of years – if my calculations are right – we've done about 13% of our shares have been bought back. So, these are numbers where the mathematics will ultimately work. And so, that's a very important thing for us.

And we've spoken about one claim on – the bank works, the bank generates profits, and there's a claim on the profits. The claim on the profits can come from certain regulatory items. We've spoken a little about that. We are in the Basel endgame. I think it was mentioned here that that Basel endgame was 10

years long – yesterday, somebody mentioned it – but I think we are near the end of the Basel endgame. So, there's greater clarity on that.

The second thing is, we spoke a little about investment, the things that are important to us.

And then, there's capital return, which is as important as any of the others and, in fact, higher in importance because it places a hurdle, a minimum requirement hurdle, on other things where you might spend your money.

**Jason Goldberg**

I guess it's interesting, because if you look at the audience response, it seems to be evenly distributed. You talked about capital distributions. You talked about wanting to drive a sustainable "rinse, repeat" RoTE. I mean, how, I guess, do you feel about the business mix as it stands today?

**C. S. Venkatakrisnan**

So, I like the business mix. I think that we are in businesses which we operate and run well and we operate and run in a predictable manner. It's clear that in the marketplace, some aspects of our businesses attract a higher valuation multiples than others. So, for instance, U.K. retail banks or monoline retail banks trade at a higher multiple than Barclays does. And so, we've got to assume that's true of our monoline retail business, which is as good as any of them.

So, what we've got to do, as we think about the mix over time, is maintain the strength and stability and presence of our investment bank, which is a built-out entity – we're not looking to do anything much more than run it extremely well – and continue to emphasise and grow, as I said, capital-light fee businesses, which would have a higher RoTE valuation, so that over time the proportion of the bank changes so that a greater portion of our revenue comes from capital-light fee-related businesses.

**Jason Goldberg**

Maybe put up the next ARS question. "How do you see Barclays positioned on capital and capital returns?" And I guess, Venkat, you addressed this in your prior comments on capital returns. But I guess, just given where you are on capital and the stock trading at 0.5x tangible book, is there an ability to do more?

**C. S. Venkatakrisnan**

Well, what we do is very, very carefully balanced among the three things we said, which is investment, making allowances for what regulatory matters might come ahead – and we are towards the end of the Basel endgame – and then prioritising capital returns. We completely get the importance of it, the effect it has on sentiment, and, quite mathematically, the effect it has on the share price.

**Jason Goldberg**

Got it. And then, in the second quarter, just looking at the markets businesses, tough year-over-year comps, lower volatility in markets impacted results, also along with others. What kind of gives you comfort your investments in the franchise are paying off? And maybe just some colour you'd provide on the current environment.

**C. S. Venkatakrisnan**

So, I'm very, very proud and pleased with our markets business. If you look at it year-on-year-on-year, we continue to gain market share. We continue to be more meaningful to our clients. One of the things which we measure is of our top 100 clients, with what fraction of them are we in the top five. So, overall, we're the sixth-ranked bank, but with what fraction of our top 100 clients are we in the top five? And that number has gone up by about 20% in two years. So, I think it's around 40% now. That is the one thing – we talk about it in our earnings. And to look at that and to see continued growth is an indication of market share.

The second thing that I look at is whether the places where we are making investments, we've seen growth. And we've seen that absolutely in our Prime business. And we see it everywhere, but I pick out the Prime and the Financing business as one simple example of it, where we've seen 9% growth year on year; we spoke about that as well. And the way you've got to think about that is this is a place where funds work with us to manage their cash, to clear their trades, to help them with their futures clearing, and to help them borrow stocks, and to finance fixed income instruments. So, we act, in effect, like their bank, helping them operate all of these things.

If you do well, provide great service, and manage your risk carefully and well, this can be a fantastic business. That's what we try to do. That's what our clients trust us to do. And we continue to gain market share and gain clients among the most prominent investors across the world, frankly.

So, in the markets business, those are two important things. And they all sit side by side. You run a trading and facilitation business. We've always been known for our excellence in Fixed Income, which continues. We're building out in Equities, and we continue to do well in Equities, including Prime, hired senior leadership into equities recently. And Securitised Products. The trading goes hand in hand with the financing, and the global reach into the largest investor clients in the world.

### **Jason Goldberg**

I have one more kind of question written down. So, if there's questions in the audience, start to get them ready. And Venkat, you touched on this earlier. So, I thought maybe I could expand on that. You mentioned the investment banking pipelines. Obviously, the last quarter, the last few quarters have been depressed kind of revenues across the street. You kind of touched on green shoots. Maybe you could expand that in terms of what you're seeing, what you're hearing from clients.

### **C. S. Venkatakrisnan**

I was asked yesterday on TV, do I see the green shoots? And I responded, "I'm smelling them." And Anna is a great gardener. So, she told me that's the appropriate order of things.

In my mind, activity is dependent on three things. First of all, there's the debt capital markets. And on the debt capital markets, it's a bit of a machine. Securities mature, they need to be refinanced. There's a little bit of timing of interest rates. There's a little bit of people finding windows where there's investment appetite. You saw a bit of it starting earlier this month, where we were prominent in many large DCM trades on the day after Labor Day and the day, the two days after Labor Day. So, that's a timing issue.

Mergers, buyouts, and equity capital markets are less time-dependent and more and less dependent on a process, but more dependent on people feeling that a few set of circumstances have come together. One is that the economy and the market has stabilised in a manner that you can understand the business model of a company and the business model is not going through a change. The second is that there's availability of cash – and there is cash. The third is that asset prices have fallen to a value that people believe are attractive. And I think in financial assets, you've seen a correction over 18, 24 months, and we may be getting to that point. And the fourth thing is that banks or other institutions are ready, willing, and able to lend and at a length and in the type of terms that an investor needs to make a good aggregate return, which may be falling into place.

So, the first one – economic stabilisation – seems to be falling into place. Cash, there is. The ability for people to assess whether asset prices have corrected seems to be falling into place. And then, the last one – bank lending and lending terms – seems to be falling into place.

So, what we've got to test now in the next few months is whether that coming together produces some deals. We think there's activity under the surface – the ducks are paddling furiously – and we'll just see over the next few months how much they move.

### **Jason Goldberg**

Any questions from the audience?



**Unidentified Audience Member**

Thanks very much for your comments. I wonder if you could comment a bit further on the current state of coordination between the U.S. and U.K./European regulators in terms of having broadly similar standards so that you don't have to work to the highest common denominator and current coordination versus what you've seen in the past. Appreciate your thoughts.

**C. S. Venkatakrisnan**

(...) a little during the spring; certainly, in Switzerland. So, I think the coordination is high. I think the coordination is, by and large, fairly efficient. They try as best as they can to implement one common set of Basel standards. We may or may not like the standards, but they try to keep them common. And then they try to do a little bit of managing of the standards for the local banking environment, which they have.

So, I think in the U.S., for instance, there's obviously a lot of emphasis on market risk, because of the large markets banks that there are. There's some emphasis on credit and operational risk as well. Operational risk is getting a little more emphasis these days. Interest rate risk in the banking book was something that the U.S. in the past emphasised a little less than the Europeans did. I think the events of this spring would have changed that as far as the broad banking community goes.

In Europe, I think they focus a lot on credit risk, because that is actually the biggest risk in their banking system. They don't have many banks which are deeply involved in the trading businesses, with few exceptions, of course.

And the U.K. is somewhere in between. And the U.K. tries to balance both because it has a jurisdiction over foreign banks in London – London is a financial centre – as well as the important U.K. banks, and a few of them are global. We are global in the investment banking market, and there are a couple of others who are global more in commercial and retail and wealth management across Asia.

So, I think you will continue to see a fairly close level of coordination and harmonisation. As best as you can get it, it will never be perfectly harmonised. And then, there will be different rules in each jurisdiction, but they are also aligning about the ring fencing of activity, about double leverage, about solus regimes, do you double-count capital or not. Those will be always tailored to the local jurisdictions.

Would you add anything, Anna?

**Anna Cross**

I think the only thing I would add is that it's great to have all three sets of Basel rules now, now that we've got the European and U.K. and U.S. rules. We, of course, as Barclays, because we operate in the way we do, we will be subject to all three. But we and the other banks have got a good track record of being able to manage our way through regulatory change. And actually, this time should be no different.

**Unidentified Audience Member**

You've mentioned about CIB market share gains. Can you quantify that for us in what areas are you gaining market share?

**C. S. Venkatakrisnan**

So, in aggregate, over a longer period, we've gained market share across the board in the CIB. So, in Markets, it's been in Fixed Income and in Equities, and especially in Financing and in Prime. And in Banking, we've always been very strong in DCM, and the gains have been in Equity Capital Markets and a little bit in M&A.

So, quarter to quarter, those things will jump up and down. Quarter to quarter, they will jump up and down in part because in the investment banking side, merger activity is large and episodic. If you're in, you're in. If you're out, you're out.

And in trading, it plays a little to your style. So, for instance, we don't have a commodities business. Sometimes that'll affect us.

We don't have a strong emerging markets business locally. We do emerging markets, but we do it in hard currency primarily, out of London and New York. I mean, we have operations in India and Singapore, but it's a largely London and New York business. So, if local emerging markets do well in one quarter, you will see us fall back a bit. And sometimes you will see Asian equities – where, again, we are not as prominent – if they have a bad quarter, we'll do well; if they have a good quarter, we won't.

So, things go up and down. But the thing I would ask you to look at is overall ranking, which is stable to increasing; share with the top 100 clients, that where are we in the top five, which is increasing. Those things that we point out – and the growth within our Prime business, which we talk about – look at those things, and they are increasing.

#### **Unidentified Audience Member**

So, just a quick question on sort of macroeconomic events. If you end up with an event that causes oil and natural gas prices to spike again and you have that coupled with a cold winter, given the U.K.'s dependency on [natural gas liquid] spot prices, what do you think – how are you guys modelling the impact on the U.K. economy for that kind of perfect storm? And what do you think the likelihood would be that the government, as messy as it is right now, could come together and provide some sort of safety net so that it doesn't cause the wheels to sort of start coming off in the winter and spring?

#### **Anna Cross**

Do you want to start, and I'll add?

#### **C. S. Venkatakrisnan**

Let me start, and Anna will add.

So, we obviously stress test our portfolios, and we set up our portfolio exposures based on assumptions of how it could perform if certain things go bad and happen in an extreme way. Now, we may not imagine every scenario. We may not imagine that scenario. The primary impact of that scenario is a stress on our consumer business and an ability of people to pay their consumer debt. We've been very cautious, as we've said to you, on unsecured consumer debt. Our balances in our U.S., U.K. cards portfolio are down about 40% since pre-COVID levels. Now, it's down a little more than I'd like, and I'd like to grow that business because I'm generally bullish on U.K. credit right now, consumer credit right now. We'd like to grow that business, but having said that, our exposures are limited.

And then when we stress our portfolio, we are not making any assumptions of government support. If that happens, so be it and great. And we took a cautious view on consumer lending post Brexit and at the start of COVID, not assuming government support. And I do think that's the right thing to do. Because you can never say how government support will come to individuals and corporates. It came, and it came in good measure, and you could argue that we took too conservative a stance, but I'm always happy to take that conservative stance. Because go back to what we said at the very beginning. We want you to know the factors that drive this bank's income and show to you that when the outside world changes, our own portfolio and our own income changes in the way you would expect, in the amount that we'll expect. So, we don't make huge assumptions about those things.

So, we try to run a robust portfolio which will perform through changes in the environment.

Anna?

#### **Anna Cross**

I think the other thing I'd say is the factor that really generates sharp changes in our asset quality is actually unemployment. Unemployment in the U.K. remains low. It's pretty stable, despite perhaps a tick-up today. And in the modelling that we do, we do forecast an increase in that unemployment. But

absent that, our customers are behaving in quite an interesting way, actually. They are cautious, but very confident. So, they're cautious in that they continue to deleverage their own position. So, actually, more than a quarter of our customers right now are overpaying on their mortgages, which, given the interest rate environment, is quite an incredible thing. But it tells you how they're feeling about their environment. So, they are being super cautious.

We are clearly seeing the impact of that on our net interest margin, but we're seeing the benefit in impairment. And I think it really would be benefit us in the kind of environment that you've just described, simply because the customer is clearly a bit cautious about what might happen over the next few months.

So, we're happy with the way they're behaving. As Venkat said, we stress their performance through a number of different macro scenarios. But when we look at their micro behaviour, their micro behaviour shows us that they're being very defensive, which, given the uncertainty that we have, is good news.

#### **Unidentified Audience Member**

I appreciate your comments on prioritising capital returns. But with your stock trading at about 0.5x book and you generating an ROE in the low double digits, it would imply that buying back your stock would produce a return on that investment in the mid-20s, let's say. So, why wouldn't you make a firm commitment to the market that essentially you're not going to invest incremental capital into capital-intensive businesses and, instead, put all of that into buying back your own stock until it reflects something closer to what you deem is your value?

#### **C. S. Venkatakrishnan**

So, let me start. I think in many of the conversations I've had with investors and Anna has had in the last couple of days, we've been very clear that some of our financial targets and our guidance needs a bit of a revision. We've said above 10% on RoTE. We've said that we prioritise capital returns, but we've not given hard and fast numbers. So, it is something we're working on, and it's something we agree with you is a desirable thing to do.

#### **Jason Goldberg**

Maybe I could follow up. You talked a little bit about the U.S. card franchise and mentioned the new Xbox card. But just maybe more broadly, just because it's a question I get asked about covering kind of the larger U.S. issuers, the big banks or the Monolines, how does Barclays compete against maybe some of those bigger U.S. players? And kind of what differentiates you in the marketplace? And kind of what are you looking to achieve there?

#### **Anna Cross**

So, it's a business we've been in for a long time. We're really good at it. And we're very focused on partnerships. And so, for us, the way we think about this business is it's got 20 million retail customers, but there's really only 20 clients. And those clients are very large institutions with whom we have broader banking relationships. And what we're really doing in this business is we're providing another product for them, which is actually a way for their customers to finance their lifestyle. So, that's how we think about it. It's an extension of the business that we have.

Actually, what's really unique about us versus our U.S. peers is we don't have a competing card. So, we don't compete in the wallet. The partners that we work with really value that. So, they value the customer service and the operational excellence that we have, but also the fact that we've chosen to partner with them and we're not competing with them. So, we think that marks us out, actually.

We grew the business extremely well across the sort of travel and entertainment portfolio. Last year, we took our first steps really into retail, with Gap, and that's really sort of doubled the addressable waterfront of that business for us.

But we're really disciplined, because it is a competitive business in the U.S. And in the past, where we've found that we haven't got the right returns from our partner, we've walked away from the relationship.

Anything you'd add?

**C. S. Venkatakrisnan**

I mean, we've acquired a new demographic: travel and leisure, retail, gamer.

**Jason Goldberg**

Any other questions from the audience?

**Unidentified Audience Member**

(inaudible)(...) As an example, potentially, of the conservatism with which you're running the consumer business. And I'm not as familiar with Barclays, but I obviously am more interested after this lunch. I think it's been great. I'd be curious what your reserves are against credit card, as a for instance, or consumer loans, to the extent you disclose it.

**Anna Cross**

Yes, we do disclose it. And we can help you. I'm going to send one of my Investor Relations colleagues to your side of the room very quickly with a nice pack of information.

But we do disclose our coverage levels across U.S. cards, and you'll see that they show up really well actually against our peer sets. They're around 8%, overall. And the way we do impairment in the U.K. is a little bit different versus CECL, but we can talk you through that. But essentially, for our cards, overall, it's around 8%, and I think very typical for our U.S. peers. Within that, it'll vary by partner, actually. We're really focused on risk-adjusted returns. So, I might expect the retail portfolio to be a little bit higher than that. But of course, we're getting a higher margin on that business, too. But we'll come and find you and share it with you.

**Unidentified Audience Member**

Perfect. Thank you.

**C. S. Venkatakrisnan**

And if anybody else is part of that 38% who don't own our stock but is in this room, we'll send you that package.

**Jason Goldberg**

Any final questions for Venkat and Anna?

If not, please join me in thanking them for their time today. Thank you.

## Important Notice

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## Important information

In preparing the ESG information in this document:

(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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### **Non-IFRS Performance Measures**

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.