Barclays UK Corporate Bank Deep Dive

Analyst and Investor Presentation

C.S. Venkatakrishnan, Barclays Group Chief Executive

Matt Hammerstein, Barclays UK Corporate Bank Chief Executive

C. S. Venkatakrishnan, Chief Executive

Thanks for coming and welcome to our UK Corporate Bank Deep Dive.

When we had our investor day in February, we promised you that we would do a series of updates covering businesses which we had not covered in depth on the day, and this is the first of them on the UK Corporate Bank.

As you know, the UK Corporate Bank is one of the very high returning businesses which we have in the UK, in our UK home market, and we are very excited about a) what we’ve accomplished, what we’ve achieved with the momentum of the business and it’s prospects.

So, it’s my pleasure to introduce Matt Hammerstein to cover this business in detail.

Some of you will remember him from his previous role as head of Barclays UK.

I asked Matt to head the UK Corporate Bank earlier this year.

He brings to it a broad range of skills in the UK and has great experience in Barclays and the industry.

You will see how well positioned he is to lead the business and for the business to continue to provide the best corporate banking for our clients in the UK.

So without further ado, Mr. Hammerstein.

Matt Hammerstein, Barclays UK Corporate Bank Chief Executive

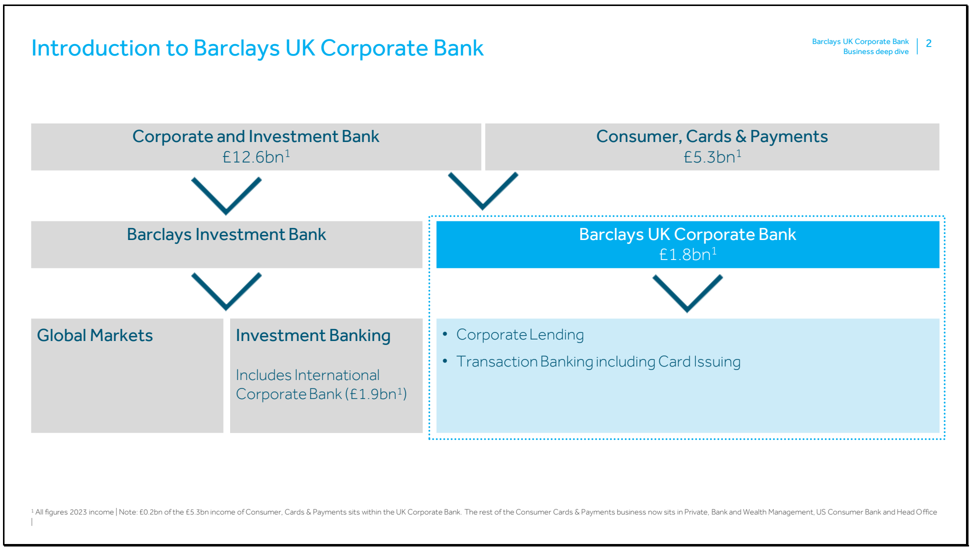
Thank you Venkat and good afternoon everyone. For those of you who don't know me I am Matt Hammerstein, Chief Executive of our UK Corporate Bank.

As Venkat mentioned I may have met some of you in my prior role as Chief Executive of Barclays UK, a role I held for 5 years.

This and the experience I have gained in my over 20 years of experience here in the UK, across the retail and corporate bank landscape, sets me up well to lead this business through its next phase.

I will do that with a talented team. I want to take a minute to introduce you to three of them in the room today: David Farrow, who leads our client coverage teams, Karen Braithwaite, who leads our global transaction banking capabilities, and Florence Akande, our recently appointed CFO.

We are excited about the opportunity ahead of us, let me now turn to why we believe you should be excited too.



As many of you will be aware the UK Corporate Bank previously sat within the Corporate and Investment Bank.

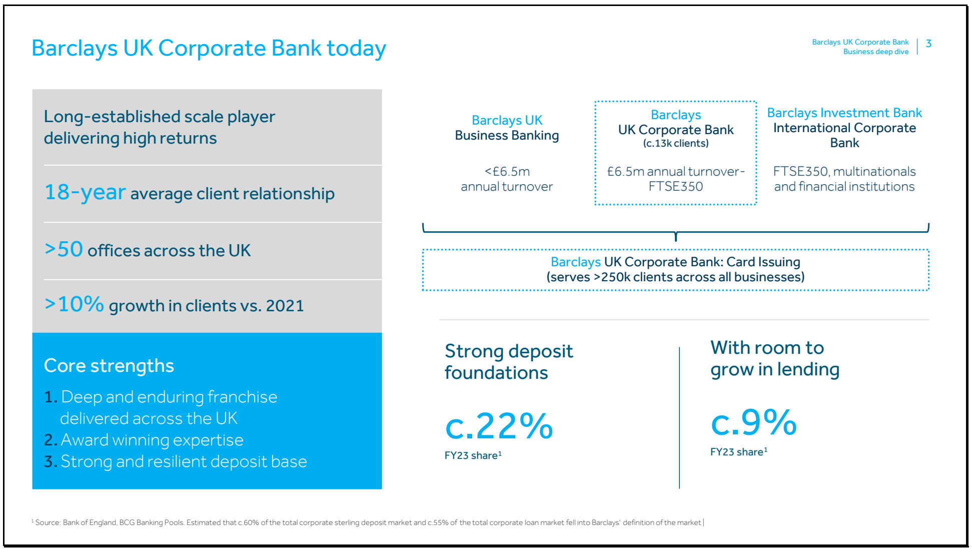
As we continue to differentiate our coverage model for UK Corporate Bank clients focused on their lending and transaction banking needs, we decided to split out the UK Corporate Bank.

We have also integrated our payments and card issuing activities, which previously sat in Consumer, Cards and Payments, into this division.

Although the UK Corporate Bank and International Corporate Bank are now reported through different divisions, our Global Transaction Banking capabilities span those divisions, which we view as a core strength, enabling us to enhance our client proposition and create operational efficiencies for the two divisions.

Overall, the newly combined UK Corporate Bank generated around £1.8bn of income in 2023 and a Return on Tangible Equity of 20%, making it one of the Group's highest returning businesses.

That's a strong foundation from which to grow balances and income, particularly with a positive outlook for the UK economy.



In February, Venkat described the UK Corporate Bank as the 'beating heart' of Barclays given its role in our 330 year history.

You see that in the depth and breadth of client relationships across the UK mid and large corporate market, with an average relationship length of 18 years.

We maintain these relationships through teams based locally, in over 50 offices across the UK.

We also support the full range of corporate client needs across three areas:

- First, Business Banking, within Barclays UK, supports micro and small business clients whose product and service needs are closely aligned to the UK retail customer base;
- Second, the UK Corporate Bank, our focus today, serves mid to large sized corporates. These are clients with over £6.5m of annual turnover through to FTSE 350 companies, representing around thirteen thousand clients;
- And third, the International Corporate Bank has relationships with FTSE 350 clients, multinationals and financial institutions.

I should note that our card issuing activities, while part of the UK Corporate Bank, serve the needs of more than 250,000 clients across this client continuum.

Using Bank of England data, we estimate that our UK Corporate Bank has 22% of the like-for-like UK share of deposits.

At the same time we estimate that we hold around 9% of the lending share.

That difference reflects our previous focus and strategy.

We see a real opportunity to begin to redress this imbalance, and this is the foundation for our lending growth aspirations. I'll come back to that a little later.

Today's financials

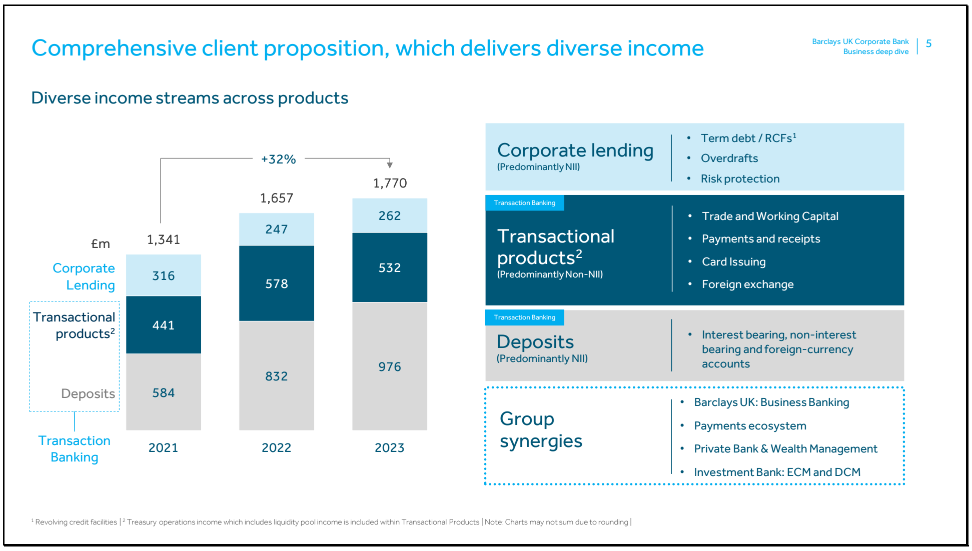
Financials	2021	2022	2023	Q124
RoTE	14%	19%	20%	15%[1]
Income (£bn)	1.3	1.7	1.8	0.4
Cost: income ratio	59%	49%	52%	58%[1]
Credit impairment (charges) /releases (£m)	137	0	27	23bps LLR (15)
Loans (£bn)	27	27	26	26
Deposits (£bn)	85	84	85	82

[1] Includes £30m Q124 BoE levy charge. RoTE and cost: income ratio excluding BoE levy were c.18% and c.51% respectively |

As you've already seen, the business has had an improving financial profile over the last three years.

Although the rising rate environment helped, we have also had balanced growth across diversified income streams, alongside prudently managed credit risk.

We believe we have strong foundations on which to build further over the life of our 3 year plan.



As I mentioned earlier, the UK Corporate Bank has a comprehensive suite of products to address typical client needs.

It also delivers broad sources of income. Income grew by 1/3 over the last three years to £1.8bn.

Within that, deposit income grew by 2/3 to just under £1bn across a full suite of deposit products: interest-bearing, non-interest bearing, and foreign currency accounts.

Encouragingly, over the same period, income from transactional products, which have a large non-interest income component, grew by 21%, with growth across each of the product areas: trade finance, payments and receipts, card issuing, and foreign exchange.

Client-driven transaction products are intrinsic to the day-to-day operations of our clients, so provide a recurring income stream.

This income increased year-over-year, and we expect to grow these capital-light income streams out to 2026 through even deeper client relationships, which I will cover shortly.

Corporate lending represents an important income growth driver. We believe it is the right time to lean into corporate lending growth in the UK, contributing to the Group's objective to increase risk weighted assets by £30bn across our higher returning UK businesses.

Venkat also noted in February that the UK economy has remained resilient and the legal and regulatory environment is strong and trusted.

While they don't appear on this slide as products. I'd like to take a moment to emphasise the complementary relationship between the UK Corporate Bank and the other businesses in the Group.

Payments is an important service to the UK economy and the opportunity spans businesses and consumers.

For instance, Business Banking within Barclays UK benefits from payment trends data from mid-sized UK businesses, served within the UK Corporate Bank.

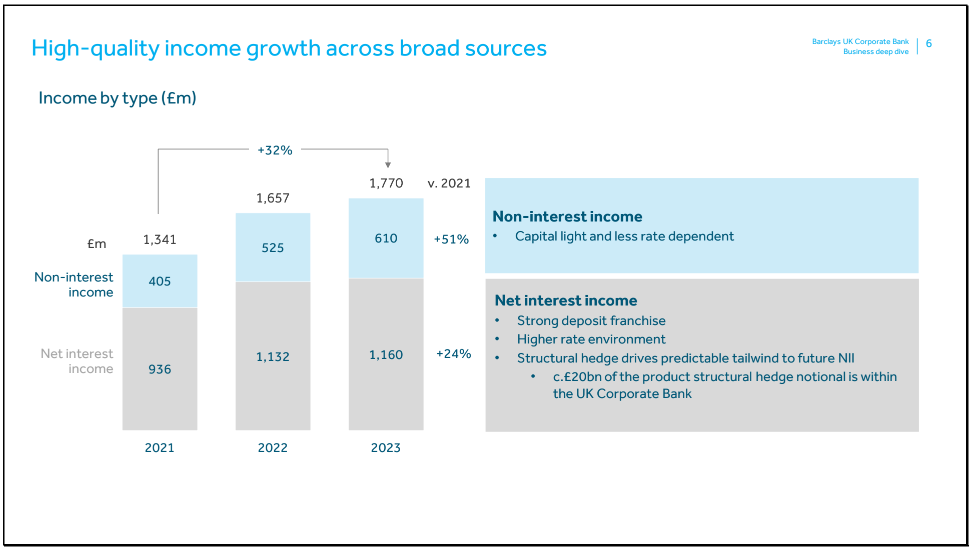
In turn, our service of UK corporate clients benefits from consumer spend data from Barclays UK.

Client referrals from the UK Corporate Bank also benefit other divisions, including the Private Bank and Wealth Management for their personal investment needs, and the Investment Bank when they need access to the capital markets.

UK Corporate Bank clients also benefit from wider Group capabilities. For example, our Climate Tech Escalator which supports the next wave of climate tech solutions from idea to IPO.

This allows start-up and climate-tech ventures to collaborate, innovate and scale all within the Barclays ecosystem.

Through these synergies and the broader combination of businesses that we have, we believe our corporate bank offering is advantaged compared to our peers.



We grew income over the last 3 years driven by both net interest income and non-interest income growth.

While the strong deposit base has enabled the business to capture the tailwind from higher rates to date, the structural hedge provides predictable support for future net interest income growth as rates decline.

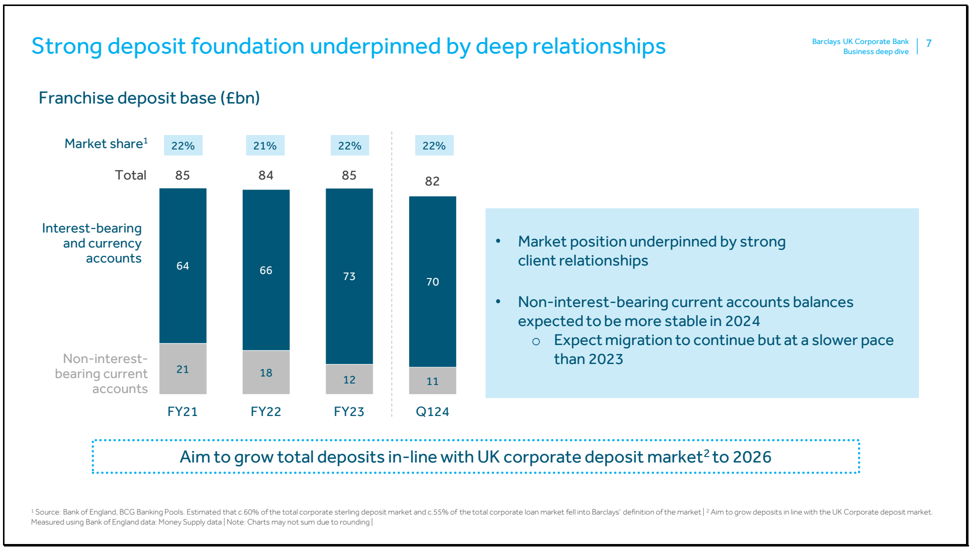
Of the Group product structural hedge notional of £194bn as of the end of the first quarter of 2024, c.£20bn resides within the UK Corporate Bank today.

We expect the notional to reduce at a similar rate to the Group, given the expected level of roll of maturing hedges.

Over time, we expect this to be more than offset by improved margins as we roll the hedge onto higher rates.

Non-interest income has grown over fifty percent since 2021 driven by higher client activity. We expect to grow this further in the coming years.

This is attractive, recurring income. The related transactional products are not big consumers of capital and the business is less dependent on rates.

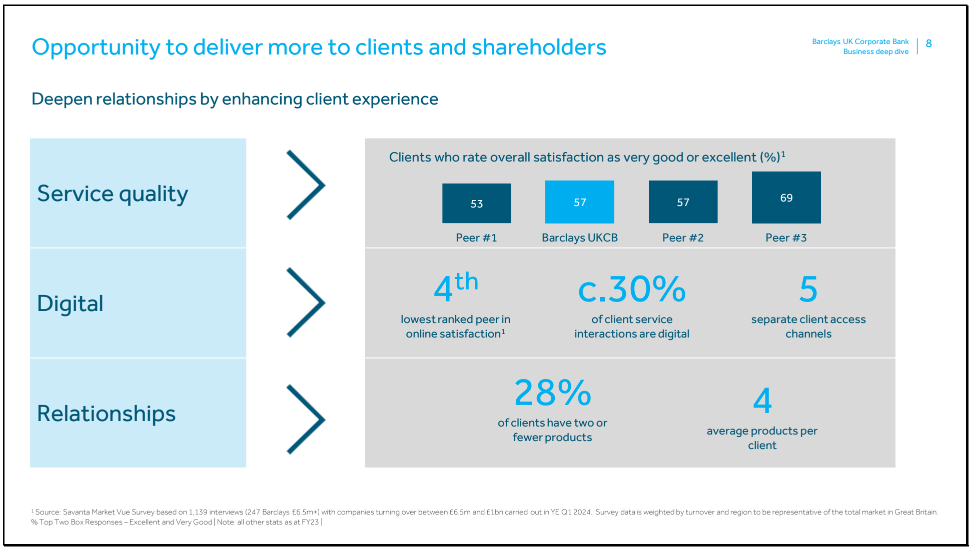


So how are we going to drive this income growth? The foundation for this is the depth of our client relationships, evidenced by our strong, stable deposit franchise.

As you can see here on slide 7, while we have seen migration of deposits from non-interest bearing to interest bearing accounts in recent years, our experience was consistent with the industry and predicated on rational client behaviour. Our overall total balances have stayed broadly stable over this period.

As outlined in February, our ambition going forward is to grow deposits in-line with the UK corporate deposit market.

In addition to the structural hedge tailwind, we have two additional levers to grow income which I will cover on the next two slides.



The first additional lever of income growth is the opportunity to help clients with a broader range of their needs, leading to an even higher take up of products and services.

However, we acknowledge that first we must improve the quality of their experience with us.

57% of clients rate our overall service as very good to excellent.

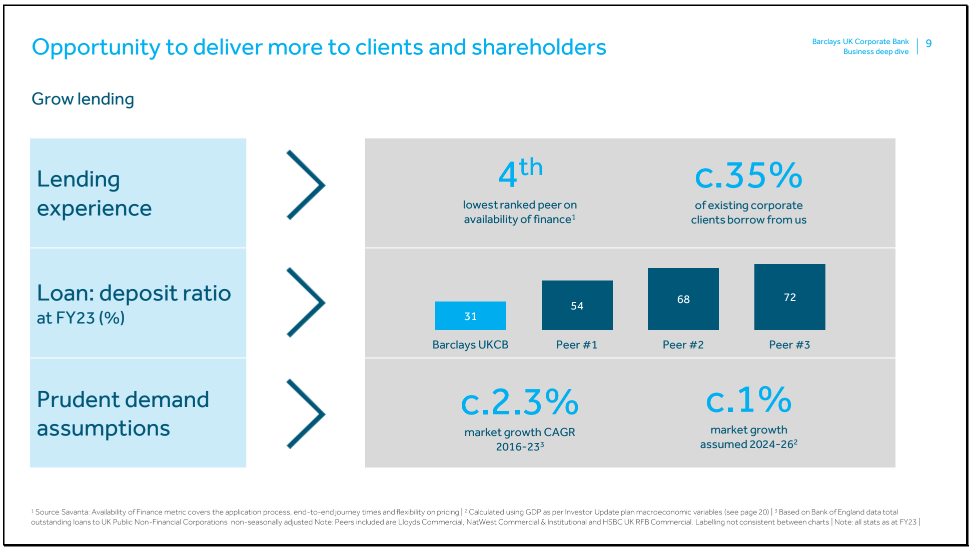
We plan to improve that and move towards the top of the peer set which would imply a level of at least 69% as of today.

As you can see on the slide here, our digital proposition ranks the lowest versus our peer group when it comes to online satisfaction.

We also see this clearly in our data, as only 30% of our client servicing interactions are undertaken digitally and we make it too complicated for clients to access our products and services because of multiple digital touchpoints.

This has contributed to just over a quarter of our clients holding 2 or fewer products with us currently.

As we make it simpler to access our services, we believe clients will use more of our products, improving our products per client metrics.



The second additional lever of income growth is to grow our lending balances.

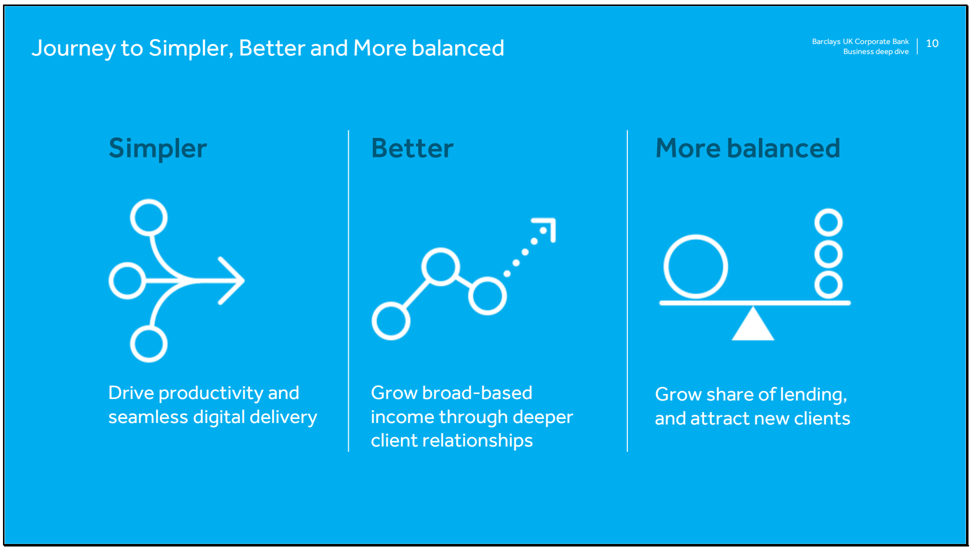
As you can see on this slide, we are ranked lowest among peers on availability of finance.

Only around 35% of our existing clients borrow from us, which we believe is below peers.

As a result, our loan-to-deposit ratio is meaningfully lower at 31%. This excess of deposits within the business has significant funding benefits for the broader Group.

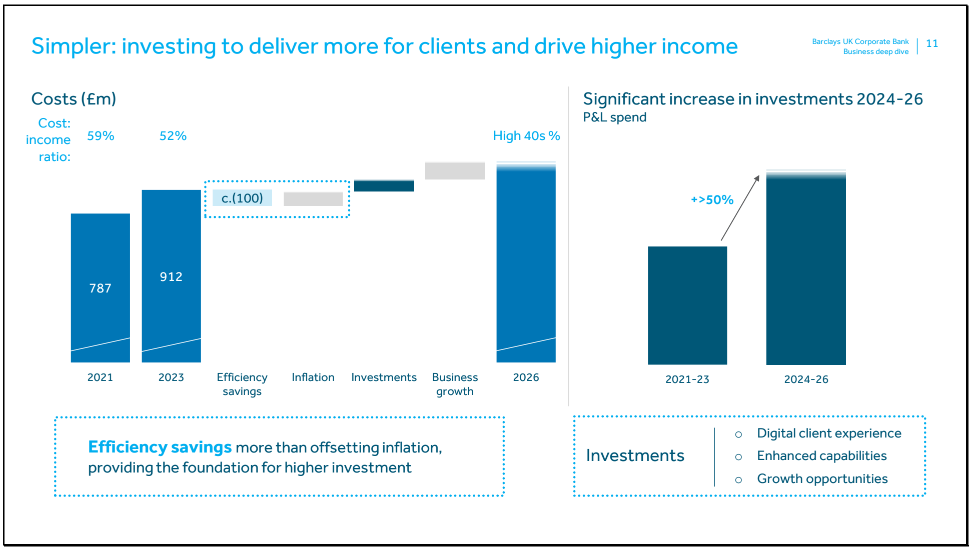
While we want to grow lending balances from both existing and new clients, we are not targeting a specific loan-to-deposit ratio given that we also aim to grow deposit balances over the plan.

Our plan also assumes conservative growth in the lending market over the next three years.



So, that's the backdrop. But how do we make our UK Corporate Bank a Simpler, Better, and More Balanced franchise and facilitate the growth we are targeting?

Let me take each of these in turn starting with Simpler.



Consistent with the broader Group, we are focused on disciplined cost management.

Anna made clear in February that our Group-wide objective is to deliver £2bn of gross efficiency savings over the next 3 years.

Within the UK Corporate Bank we intend to contribute around £100m, which will more than pay for inflation in the cost base and provide capacity for investment to drive future returns.

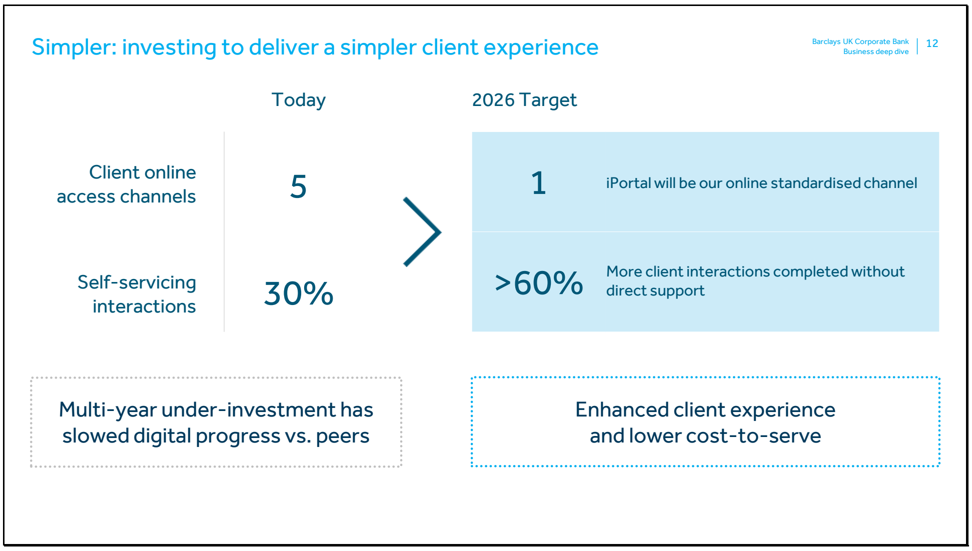
We expect the combination of these factors and the income growth that I covered earlier to drive our divisional cost-to-income ratio down to the high-40s by 2026.

Within this we have factored in the need to increase investment in the business. So that we can simplify the client offering and set the business up for growth.

We believe an increase in investment spend over the next 3 years of more than 50% will enable that.

A big part of that increase will be focused on improving the client experience, including through our Global Transaction Banking capability.

That will produce benefits both in the UK Corporate Bank and our International Corporate Bank for the reasons that I covered earlier.



Underinvestment in our digital proposition has meant we have fallen behind peers.

That has negatively impacted client experience.

We intend to rectify this as a key priority over the next 3 years while also improving our operating efficiency.

This slide highlights 2 examples.

First, we will consolidate our 5 online access channels to 1, making what we call "iPortal" the only digital channel through which clients access our products and services by 2026.

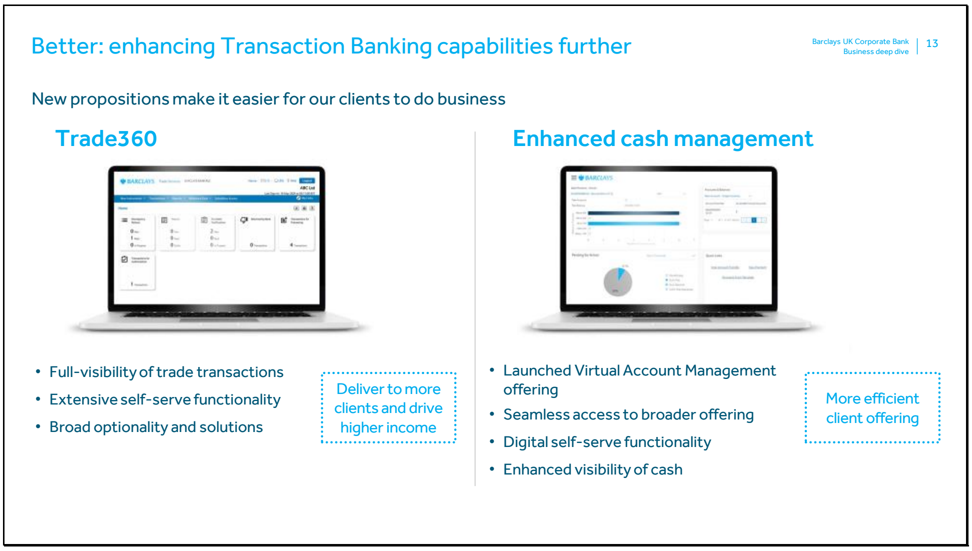
Second, a number of our clients want to self-serve seamlessly, however, our digital capability has not advanced quickly enough to enable this.

Within our primary digital channel, iPortal, we have so far enabled clients to self-serve around 30% of their common servicing needs.

Adoption for these capabilities has been high at more than 90%.

We intend to double the number of self-serve enabled capabilities over the next 3 years.

This will increase efficiency and reduce the cost of our operational support teams.



Having set out our intentions, I want to share some examples of success to-date where we feel we have already invested effectively in enhancing our Global Transaction Banking capabilities.

We expect this investment to facilitate greater client engagement and drive higher income.

We went live with our “Trade360” capability, which is market-leading, earlier this year.

This proposition enables risk mitigation and facilities the provision of working capital funding, enabling businesses to trade domestically and cross border in all parts of their supply chain.

That differentiates our capabilities amongst our UK focused peers, evidenced by our award as Best Trade Finance Bank in the UK in 2024.

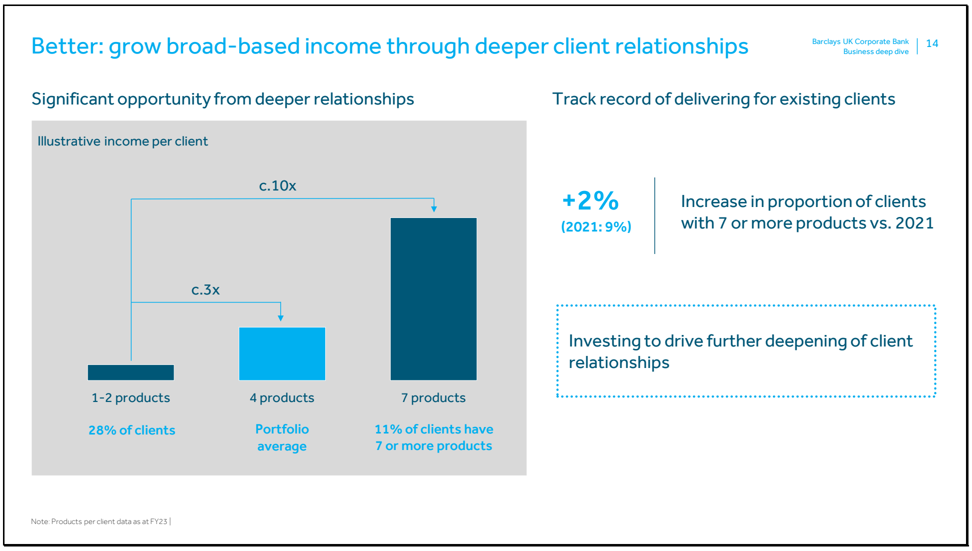
The platform has already helped us win business as both existing and new clients value the improved functionality and self-serve capabilities.

While we are in the early stages of roll out, our enhanced cash management capabilities will help streamline payments and collection for clients with more complex needs.

Our Virtual Account Management offering enables clients to create efficiencies through better visibility and speed of execution when managing their cash, further strengthening our deposit franchise.

Improvements across this space make it easier for clients to do more business with us.

These are 2 important examples of how we are investing to help create even deeper client relationships.



There is a clear opportunity to grow our income by encouraging clients to use more of our products.

The investments that we are making in the client experience and the focus we have on building deeper relationships will, we believe, improve this metric. The chart on the left here illustrates that opportunity.

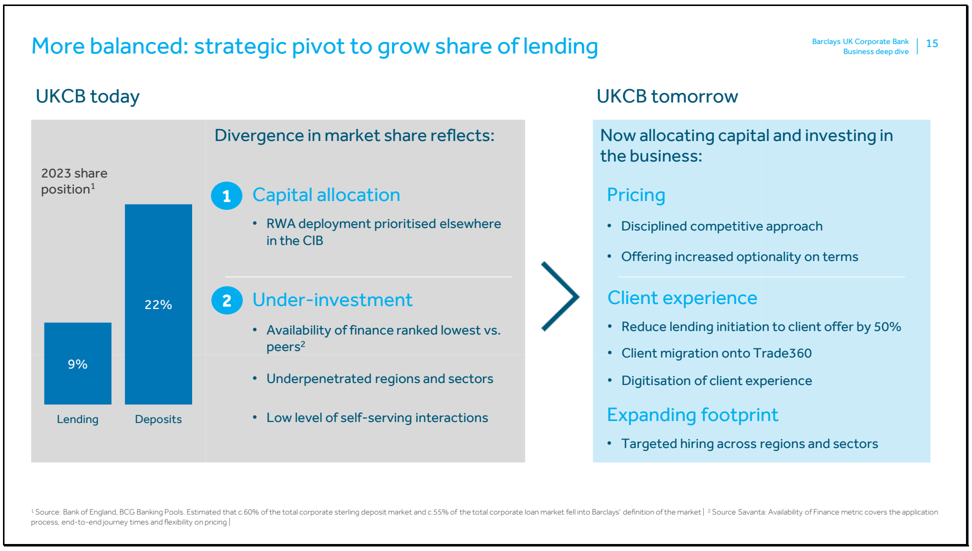
On average our clients use 4 of our products and services today, with 28% of clients using only 1 or 2.

If these clients were to use 2 or 3 more products on average, we would generate 3 times more income per client. This increases exponentially to at least 10 times more income if they were to use on average 7 products and services.

Let me be clear, I am not suggesting that we are aiming to increase product take up of all of our client base, as their needs vary considerable. I wanted simply to illustrate for you how compelling the opportunity is for us to achieve that across some of our client base as we invest.

To evidence the traction that we have had to-date, it is worth noting that the number of clients using 7 or more products is up 2 percentage points over the last two years.

As you might expect those now represent some of our most profitable clients.



Turning now to the lending opportunity and our role in helping the Group be more balanced.

As I have noted, our share of lending today is meaningfully below our share of deposits. There are a number of historical reasons for this.

Over recent years we have intentionally focused capital allocation elsewhere within the Corporate and Investment Bank.

We have also purposefully restrained lending in this segment due to our historical view of the UK economy.

We therefore invested less in our lending proposition in recent years, resulting in a weaker client experience, with some UK sectors and regions deprioritized.

We are now working hard to rectify this with a particular focus on improving and simplifying the client experience.

As part of this, we intend to reduce the average time for clients to access a lending facility by around 50%, increase the number of corporate bankers, especially in sectors and geographies where we have been underinvested, adjust pricing to be more competitive, and provide more tailored lending solutions to clients.

To be clear, this investment is fully factored into the greater than 50% increase in investment that I mentioned earlier and importantly our cost-to-income ratio target of high 40s in 2026.

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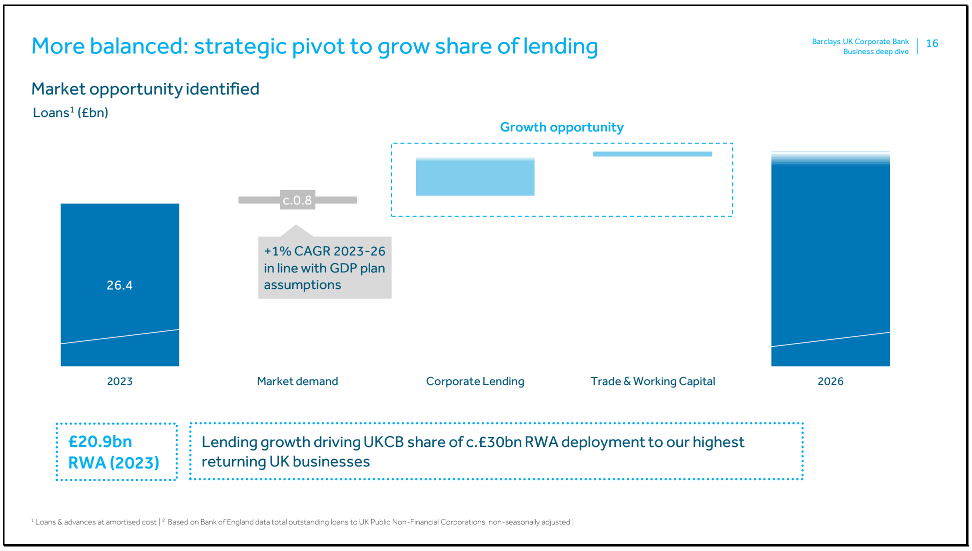


We are assuming relatively modest market growth in corporate lending in the UK over the next three years.

We expect our balance growth to be driven more by share gains across core lending and trade finance solutions.

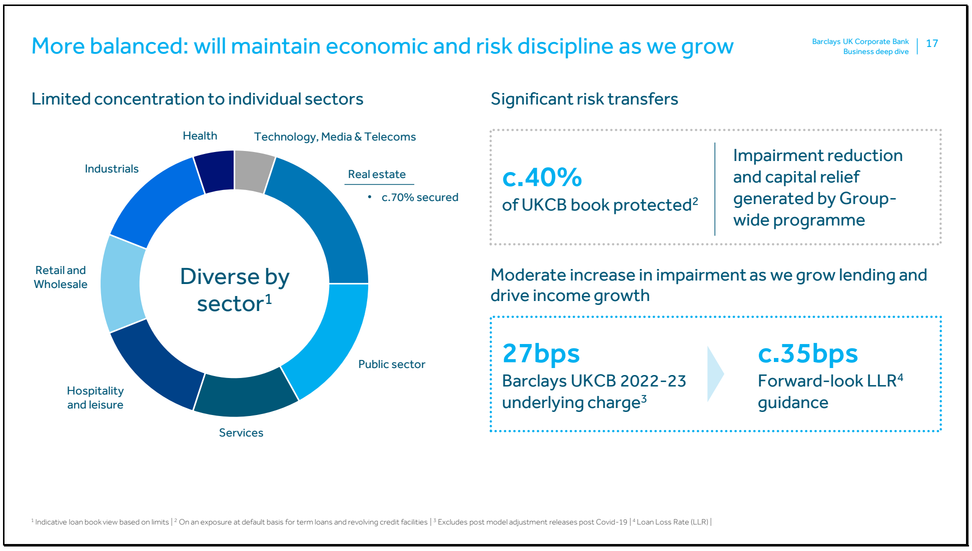
This lending growth will of course contribute to our Group-wide objective to increase risk-weighted assets by £30bn in our higher returning UK businesses, as we prioritise growth in our UK home market.

We are seeking diversified and broad-based growth across regions and sectors.

We expect support for clients on their transition to net-zero to be a contributing factor to our lending growth given the urgency and scale of investment required.

Here again, across the Barclays Group, we have access to world-class capabilities that we can leverage to benefit our UK corporate clients.

This is already delivering great client outcomes. I'll come back to one specific example in just a minute.



Before I do that though, let me emphasise, for the avoidance of doubt, that as we grow and scale our lending proposition we will maintain a disciplined approach to risk management. This will not change.

Today, our loan book has very limited sector concentration.

Even in a sector like real estate, which may experience greater stress at different points in the cycle, the asset quality is supported by the fact that around 70% of the book is secured.

We also target where we lend within the real estate sector carefully. We have very little exposure to office space and a good spread of diversification across residential and commercial property.

We also use significant risk transfer, or SRT, trades.

This helps to minimise credit risk and impairment on the book leading to a more efficient use of capital.

As of today, c.40% of the book is protected through the purchase of first loss protection on our exposures.

There is an income implication of doing this, offset by the avoidance of impairment charges on single-name exposures in recent years and reduced risk weighted assets.

You should expect us to continue this activity at a broadly similar level going forward, and the risk-weighted asset growth that I discussed earlier will be 'net' of the impact of this protection.

Considering all of the above, we expect our loan loss rate to be around 35 bps over the next 3 years, a moderate increase on the underlying charge in recent years once you strip out post-pandemic charges and subsequent releases.

Before I close I want to bring all of what I've shared with you to life through the voice of one of our clients.

Our client couldn't be here with us today so here is a quick video to represent their input.

Today's financials and 2026 targets

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Financials	2021	2022	2023	Q124	2026 Targets
RoTE	14%	19%	20%	15%[1]	High teens %
Income (£bn)	1.3	1.7	1.8	0.4	Deliver high-quality growth across broad sources
Cost: income ratio	59%	49%	52%	58%[1]	High 40s %
Credit impairment (charges) /releases (£m)	137	0	27	23bps LLR (15)	c.35bps loan loss rate
Loans (£bn)	27	27	26	26	Grow lending market share[2]
Deposits (£bn)	85	84	85	82	Grow deposits in-line with UK corporate deposit market[3]

[1] Includes £30m Q124 BoE levy charge. RoTE and cost: income ratio excluding BoE levy were c.18% and c.51% respectively | [2] Aim to grow lending at a faster rate than the market. Measured using Bank of England data: amounts outstanding of monetary financial institutions' sterling and all foreign currency loans to all non-financial businesses (in sterling millions) not seasonally adjusted | [3] Aim to grow deposits in line with the UK Corporate deposit market. Measured using Bank of England data: Money Supply data |

That's just one example, and I hope you agree a compelling one, of how we're making a difference to corporate clients across the UK.

We know we have the opportunity to do far better through the investment that I've outlined today.

But the big question is, what does it mean for our shareholders?

We are targeting growth in lending, deposits and transactional products, delivering high quality and recurring income growth.

We are focused on operational efficiency driving the cost-to-income ratio down to the high 40s.

At the same time, we will remain disciplined on asset quality and we will look to grow our share of lending whilst maintaining our share of deposits.

The business is already delivering strong returns and, despite impairment normalisation, we continue to target a high-teens return on tangible equity in 2026.

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Information relating to:

- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, CRD IV (as amended by CRD V applicable as at the reporting date) and CRR (as amended by CRR II applicable as at the reporting date) texts and any applicable delegated acts, implementing acts or technical standards and as such rules and regulations form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended. All such regulatory requirements are subject to change and disclosures made by the Group will be subject to any resulting changes as at the applicable reporting date;
- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into `flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change.

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this presentation 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 presentation are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the appendix of the Barclays PLC Results Announcement for financial year ended 31 December 2023, which is available at Barclays.com, for further information and calculations of non-IFRS performance measures included throughout this presentation, and the most directly comparable IFRS measures.

Forward-looking statements

This document 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. 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. Forward-looking statements can be made in writing but also may be made verbally by directors, officers and employees of the Group (including during management presentations) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Group's future financial position, business strategy, income levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including policy on dividends and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance (ESG) commitments and targets), plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulations, governmental and regulatory policies, expectations and actions, voluntary codes of practices and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the impact of competition in the banking and financial services industry; capital, liquidity, leverage and other regulatory rules and requirements applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; reforms to benchmark interest rates and indices; higher or lower asset valuations; changes in credit ratings of any entity within the Group or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the conflicts in Ukraine and the Middle East on European and global macroeconomic conditions, political stability and financial markets; political elections; developments in the UK's relationship with the European Union (EU); the risk of cyberattacks, information or security breaches or technology failures or other operational disruptions and any subsequent impacts on the Group's reputation, business or operations; the Group's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Group's control. As a result, the Group's actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Group's forward-looking statements. In setting its targets and outlook for the period 2024-2026, Barclays has made certain assumptions about the macro-economic environment, including, without limitation, inflation, interest and unemployment rates, the different markets and competitive conditions in which Barclays operates, and its ability to grow certain businesses and achieve costs savings and other structural actions. Additional risks and factors which may impact Barclays Bank Group's future financial condition and performance are identified in Barclays PLC's filings with the US Securities and Exchange Commission ("SEC") (including, without limitation, Barclays PLC's Annual Report on Form 20-F for the financial year ended 31 December 2023), which are available on the SEC's website at www.sec.gov.

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