**2024 JP Morgan UK Leaders Conference**

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**Transcript of fireside chat with Anna Cross, Group Finance Director for Barclays**

**(amended in places to improve accuracy and readability)**

**Kian Abouhossein, JP Morgan**

Thank you very much for joining us on the last day of UK leaders, and the first Financial European conference. It's the first day and the start of [the conference]. It's my pleasure to have Anna Cross with us today [the] Barclays CFO. Good morning, Anna.

**Anna Cross, Group Finance Director**

Good morning and thank you for inviting us, what an incredible building.

**Kian Abouhossein**

Thank you for your great performance [this year], we have you on an Overweight [recommendation], you're up almost 70%, so let's start there. You're still quite cheap, on our numbers 0.6x tangible book, RoTE target [of above 12%] by 2026. So maybe you can give us an update on where you are now. It's [been] 9 months since you announced the Investor Update, can you tell us a bit about your progress, and how you get to [above] 12% RoTE by 2026?

**Anna Cross**

Yes, thank you, it does feel like a long time ago, but it was only on the 20th of February and we're three quarters into a 12 quarter plan and really what we're trying to do is create a simpler, more balanced, better Barclays that generates a higher return on a more consistent basis. That's what the plan is, and in doing so, as you say, we're trying to get to more than 12% by 2026, deliver more than £10bn to our shareholders, and as part of that rebalance the risk weighted assets of the group so that the Investment Bank is around 50% of the whole.

We want to do that by really leaning into UK growth, which I'm sure we'll come back to. So as at Q3 we feel like we're on track we're on track for 2024 and 2026. So our RoTE year to date has been 11.5%, and 12.3% in the quarter, and really the things that I've been looking for, and they are the building blocks from here to [above 12% RoTE], are really a stabilisation and then a growth in income.

Particularly within that income line, what we're looking for is what we call stable income, so income that's coming from our retail business, our corporate business, Private Bank and Wealth, US cards, and our Financing business, for that to be more than 70% of the whole of the Group by in 2026, and in Q3 it was 74%. So that's providing real ballast to the business as we grow, and our income was up 5% in the quarter and that gave us the confidence to upgrade our guidance around BUK and around the Group on NII. So, the first plank is obviously income growth and really going for that stable income growth.

The second plank is our progress on cost, and we set ourselves a target of delivering £2bn of [gross] efficiency savings between 2024 and 2026. We've actually front-end loaded that and expect to deliver £1bn of that in 2024, and by the end of the third quarter we delivered £700m of the £1bn. So we've got really good line of sight of the £1bn and then we're going to go again. So 2025 and 2026 you're going to see more, and see us really focused on driving the cost to income ratio of Barclays into the high 50s from where it is now.

The third plank is really credit. And that's important to us because one of the things we want to do is grow, and actually put down £30bn of RWAs in the UK, and the credit environment, particularly in the UK, is incredibly benign. The loan loss rate in our UK business was 3bps in Q324, and we're seeing really robust performance both across consumers and clients. Similarly in the US, although delinquencies in our US cards business are higher than they were last year, that's what we expected. We got ahead of it and they're very stable now. So we think the credit environment is good and a good basis for us to grow.

Finally, our capital position. We're really pleased to see it in the top half [of the 13-14% target range], that really helps us deliver that commitment around distributions. We're delivering very strong organic capital generation, 125 bps year to date, and that's really facilitating the distribution pathway.

So all-in-all we feel like we're really well placed both for 2024 and 2026.

**Kian Abouhossein**

Great. Maybe with this overview, we can maybe take a step back, and talk a little bit about the macro environment which clearly is a big factor in banking. We have a UK budget, but you're also very exposed to the US, we have to keep that in mind. 30% of your revenues come from the US and in US dollar terms it's even bigger as 40%. So maybe you can talk a little bit about the dynamics? A lot of excitement about banking in the US, post [the US] election. So maybe you could put those two together, UK and US, in particular.

**Anna Cross**

So you're right. The US is really important to us, and important for investors to remember, not only because [of] our exposure to the biggest capital market in the world but also the impact the FX has on our business. Clearly, a stronger dollar is a tailwind to our revenue and is a tailwind to RoTE. But as a high level, I would say both the UK and the US economies have proved to be much more resilient than we planned for.

We see that both in terms of inflation and unemployment, they're both lower than our macroeconomic assumptions that we had in February. And actually what appears to be panning out is that although the rate cycle has turned, rates are likely to be higher for longer than we originally planned. For example, back in February, we anticipated five rate cuts in the UK, we're still anticipating three, of which we've had two. So certainly higher there.

As we reflect on the UK, we have no change in our view around the UK. We decided more than a year ago that this [is] a market we wanted to lean into for quite a few reasons. One, I've already touched on, that resilience in credit. Secondly, the maturity of the regulatory regime feels like we're getting towards the end of the journey in the UK. And thirdly, political stability and political clarity, and what we have now is a government which is clearly orientated to growth, and particularly orientated to growth in markets that we feel that we can really operate within.

So our areas for growth within the UK are, obviously our Barclays UK business. We see opportunities in the Mortgage business, in particular. The Mortgage market in the UK is larger and more stable than it than it has been more recently, and we're approaching that market with a much broader range of products, we're now really putting our Kensington acquisition to work and taking on a higher proportion of higher loan-to-value than we were previously.

We obviously also see opportunities in cards, we're now 20 days into the Tesco acquisition. We completed that on the 1st of November and we're really excited about that as an opportunity. There are obviously also opportunities in Corporate Lending as well, where we have a low loan-to-deposit ratio.

As I pivot to the US it's interesting because, we're also ready for a change of power there, and although we haven't seen any detail in terms of policy, it also appears like that's orientated to growth. We're seeing a market reaction to that. A lot of our income is coming through in dollars, but equally, our Investment Banking business actually as a footprint, geographically looks very much like yours or indeed any other US bank's. 68% of our Investment Banking income derives from that US market. So, any change in deal activity across the US Capital Market, we're really well positioned to benefit from.

Then, of course, there's our US Cards business which is growing nicely. It's probably one of the leading partner cards business in the US. So that also gives us some exposure to the US economy. So both of them feel, for different reasons, like there's some opportunity there.

**Kian Abouhossein**

So maybe we can dive a little bit more into the divisions and we can maybe start with the UK Retail operation. You mentioned three rate cuts in the UK you are expecting. Clearly, that puts pressure on net interest income but you're actually forecasting net interest income to grow around mid-single digit, including Tesco per annum or CAGR.

Maybe you can talk about the dynamic, about headwinds and tailwinds to achieve that?

**Anna Cross**

Yes. sure. Let me start with asset growth. A very large part of that £30bn of RWA we would expect to be deployed within Barclays UK. So expect even beyond the Tesco acquisition, which we anticipate will add around £400m of annualised NII every year, you should be expecting growth in mortgages, organic growth in cards, and actually some growth in SME as well. So asset growth is a big part of that, but then there's the liability position as well.

So, we've seen a stabilisation of deposits in the UK. We worked very hard last year in rebalancing our range and making sure that we were very consistently in the market on pricing that's worked, we're seeing a good deposit performance. And even in a rate-cutting environment, we've obviously got this momentum from the structural hedge. And what that's designed to do is really stabilise the NII of the business over time. So in a rising rate environment, the action of the hedge has actually delayed some of that rate pathway coming through. In a falling rate environment, it will do exactly the opposite.

So we're going to see a hedge tailwind for some time here, and actually in Q3 what we called out is that across 2024 to 2026 we've now locked in £12.4bn of income. The maturing rate on that hedge is around 1.5%, so as you can imagine with swaps where they are, with every passing month, clearly the yield on that hedge continues to rise.

So we're not going to mark-to-market that every quarter, but as you can imagine, that's a really important part of the stepping stone to our 2026 targets. So we feel good about the UK Bank.

**Kian Abouhossein**

In terms of trends on the deposit sides, going from current accounts, and the term deposits, is that continuing, in terms of the UK market, or do you see that stabilising? How do you see that [in] a falling interest rate environment?

**Anna Cross**

It's certainly stabilised. I would say we very rarely talk about it in the context of Corporate and Private Banking. The same is true there, and if anything in Corporate and Private Banking, those trends were well ahead of Retail. So there's, certainly, some stability. I think we'll still see some migration but it's definitely slowed down.

**Kian Abouhossein**

And in terms of lending growth, you mentioned this £30bn in risk weighted asset growth, if you add Tesco and see the growth you have achieved maybe, 40% of that is done - that's our estimate. But you think the £30bn is inside, considering it's quite a high growth rate that it would have to come out of the UK Retail network.

**Anna Cross**

Yes it's ambitious, but we feel that we've got the opportunities to really deliver that scale of growth because in many instances these are [areas which either we have] not [participated] or we already have [the clients]. For example, within mortgages we have never been a higher loan to value lender, we very much played in lower loan to value markets, and then we bought Kensington. And the reason we bought [Kensington] was to give us the capability to expand our range in mortgages, and that's now what we are able to do. So that's given us access to a part of the market we have never been able to access before.

Again in unsecured lending, Tesco is a big part of that, but there are other plans there as well. What you should note is not only us stepping back into the acquisitions market [audio inaudible] and you can see that from the indications we gave around our lending trends in Q324, but really expanding the way we think about cards in the UK. A little bit like how we think about them in the US, we've now got a partnership with Avios, we've got a partnership with Amazon, and now a partnership with Tesco. So we see this as a spend and a lend business in the UK.

When I get to corporate or indeed SME, our loan to deposit ratios are 30% broadly in both of those businesses. The businesses that we know really well, we've got their cash business, we've run their current accounts for many years in many instances, and for many of them, we also have an acquiring relationship. So we know them really, really well, I would say there's more work for us to do there in both. There's some product capability, when Matt Hammerstein, who runs our

[UK] Corporate Bank did his deep dive, earlier in the year, he was talking about bringing those products digitally into the Corporate.

That's showing some good signs as well. But at this point in time what I'm really monitoring is, how are the RWAs going. What facilities are we extending to clients? And then there's some delay typically before they draw down on that. I would expect more movement in Retail, and then perhaps a bit more lagged in SME and Corporate.

**Kian Abouhossein**

So a lot of confidence, both on RWA growth and also on the UK Retail part in terms of NII growth, it's good to hear. So maybe we shift to the IB. The IB clearly should make the [above] 12% RoTE target as well. You're now making around, in the nine months of 2024, 10%. Can you talk to us about the dynamic to get to this [above] 12% that you envision?

**Anna Cross**

Yes. Well, on the one hand it's very simple. It's about more effective and efficient use of resources in the IB. I would say that of two things, the first is RWAs and the second is cost. This is a business that we've deployed significant RWAs into in recent years, significant costs in recent years, both in terms of technology spend and in terms of talent. Really, now is the time for us to monetise those investments. One of the biggest KPIs that I'm looking at, is revenue over RWAs. In the year to date, that's up by 30bps. So that's the one I've really got my eye on. How are we using capital more efficiently and effectively within that part of the bank.

A big plank of that, again, is Investment Banking. So when I look out over the last few years, as we've deployed RWAs into the business, [Global Markets] revenue over RWA has been pretty steady. So we're deploying more, they're using those efficiently, and we're not seeing any deterioration. That's not true of [Investment] Banking - so in [Investment] Banking what we're trying to do is have real capital discipline about the way we deploy capital to clients, number one. Number two, really focus on Treasury coverage, and what I mean by that is, ensuring that for example, if we have debt then we're also offering those clients and delivering to those clients other products. We're seeing some green shoots there. Certainly, an increase in deposits and particularly an increase in dollar deposits, which is really what we're looking for. That broadening of the relationship and expansion of the returns on a client basis.

The third piece is really around M&A and ECM. Barclays has traditionally been very much either a Fixed Income business on the [Global Markets] side or indeed Debt Capital Markets on the Banking side and really expanding out our capability and our progress in M&A. What's been good to see is, in 2024 it's been an expanding banking market, and they've either maintained or increased share. So it's good signs but they need to do more.

On the cost side, what I'm looking for is positive jaws. We won't see that every quarter, that's, clearly, not going to be the case in this kind of business, but really more often than not they need to be driving gross efficiency. A large part of that £1bn this year, a large part of the £2bn over the three-year period, it really [is] dominated by two places. One is the UK, the other one is the IB.

**Kian Abouhossein**

My understanding is that, in terms of hiring process and staffing you're basically done. You have done those investments. So revenue growth should come through to the bottom line. We should see, over time, operating leverage improving.

**Anna Cross**

Yes, that's largely true. I would say pockets but we're pretty much there. And in 2023, we did quite a rebasing of the talent pool within our Banking business, both in terms of the leadership which changed, and now, if you look at our leaders, Taylor Wright, and Cathal Deasy, their heritage is ECM and M&A. So it's quite different from where we've been. They've taken the opportunity to deploy new talent, both in terms of those two specialisms but also sector focus, in areas where we think there will be disproportionate growth over the next few years.

**Kian Abouhossein**

And talking about those subsectors where you want to grow, clearly in [Global] Markets I think you also mentioned 60% of the revenues, you gave some numbers in the Investor Update, came from the Americas if you take an average over time. So you're well geared to the US. But you also want to gain market share in European rates, Equity Derivatives, Securitised

Products, and Financing. Can you talk a little bit about how you achieve that? We hear that a lot from investment banks, they want to expand in these areas. But can you talk, in particular, to what Barclays is doing to gain market share?

**Anna Cross**

Yes. They were carefully chosen as areas. If I take what we call the three focus areas first, which is Equity Derivatives, Securitised Products, and European Rates, they were chosen either because they're areas in the past where we've had good market share, and that's deteriorated or where there's a clear adjacency to a very strong business. So they were carefully chosen as areas where we really feel we've got the opportunity to succeed. The way we've gone about this is, even by the year-end at 2023 we deployed the capital into those businesses. So that's the first thing we've done. We've given them enough oxygen to grow. And the second thing was really re-platforming either on a technology basis, or indeed, re-platforming in terms of talent to rebuild those businesses where we felt like we'd lost some ground.

As I look at their performance year to date, it feels like Equity Derivatives has done well, Equities as a whole has done pretty well. For us it benefits from its proximity to the Prime business. Through August in particular, obviously, what we saw was a degree of volatility and the business really performed. On Securitised Products, this was a business where we had some capability but weren't really on the trading side of it. So we've really built that out, this year has been a good year for Securitised Products. We're still small but we've been able to monetise it in a way that we've never been able to before. And that gives us some confidence to go from here.

I think the one that's been more difficult and has probably been more difficult across the street, has been European Rates. Macro has a harder year within [Global] Markets, and therefore, the progress that we've made there still needs some focus. So that's the one I'd call out.

On Financing, we already have a very good business. On Fixed Income Financing, as a legacy matter, this is a business that Barclays is very strong in, has been all the way back through to Lehman and before. So that's typically a business that we are number one or two in across the industry. In Equity and Prime, we're now number five. So this is a business that is very strong already. However, I recognise what you say about the degree of competition within here. It's a highly competitive market. We feel like we're very well placed because of the way we run it. We run it as a single business across [Fixed Income Financing] and Prime, we think that speaks very clearly to the way that our clients run their Global Multi-Strat Funds.

We like it because we see risk all the way across their business. So we think we've got a slightly different approach to it. But if you look at the last few years, our CAGR in that business has been about 13%. What we're assuming over the period from here is 5%. So we're giving some recognition to the fact that it's a great business with great momentum but, obviously, a lot of competition.

**Kian Abouhossein**

I believe 60% of corporates only buy one to two products based on the disclosure that you give. So a lot of upside.

**Anna Cross**

Yes, absolutely.

**Kian Abouhossein**

So on track to get to [above] 12% in the IB, even without a huge market environment help, it looks like this is your Organic Strategy.

**Anna Cross**

Yes, bsolutely. We've been quite careful in the Strategy overall to control what we can control. So that's why we had a really big emphasis on cost. That's why we had a really big emphasis on the structural hedge and the stability that that gives us. We were very careful to ensure that all of the assumptions that we're making, either about the market or macro we're pretty conservative. So you're right, in [Investment Banking], in particular, our assumption for the year that we're currently in, the £70bn, for next year it's £80bn, and the decade average is £84bn. So any upside to that market will be upside to the plan.

**Kian Abouhossein**

So moving to US cards. We get a lot of questions on US cards. Maybe you can just outline first of all how that fits into the business. And then, secondly, your RoTE was 8% in the nine months of 2024. And again, it's [above] 12% that you want to achieve by 2026. So maybe you can run us through the dynamics there as well.

**Anna Cross**

So it's a really important business for a few reasons. In part, because it, clearly, gives us a geographical diversification and gives us access to 20m retail customers in the US, it's very closely aligned to our Investment Banking business. The way we think about this is we've got 20m customers but there are really 20 clients and those 20 clients are essentially in large part our Investment Banking clients to whom we are providing consumer finance, essentially, is how we think about it.

So there's a synergy there between those two businesses. We're very focused on getting this business to a position where it can deliver a RoTE of [above] 12%, and then beyond that, because historically this business is run mid-teens. And so, we're very focused on getting it back to that position.

It then has a broader structural benefit to us as a business because one of the things that's important to us, not only commercially in terms of revenue but also in the way we manage our capital is, diversification within geography. What I mean by that is as we build our US business, it's really important to us that we have a retail presence and a wholesale presence because as we go through the stress testing process in the US, the CCAR process which is very exacting, that really benefits us. We have a very good CCAR result as a result of that diversification. Because of that, the amount of capital that we have to hold within our USIHC is lower than it would otherwise be.

So the structural advantage of when you put the US business together as a whole is an important thing in our mind. But clearly, we've got some steps to make between here and that [mid-teens] RoTE that I talked about, and the moving parts really are around impairment normalisation, so we built a lot of impairment last year. That was really a reflection of us coming out of COVID. You've seen that year to date, the impairment charges have been lower this year than last year. We expect them to be lower in the second half than the first half. The loan loss rate is coming down, we expect that to be a long-term average of around 400 basis points. That's roughly what we've run at historically.

Certainly, delinquencies and the way that we manage the book last year, we got ahead of what we expected to be, [there was] an increasing unemployment level in the US, so we cut credit lines last year. And that's, definitely, helped us in the current environment.

The second thing is NIM. And there's a few things there. So we have a 12% share in [Airline] and Travel [sector] but a 2% share in [the] Retail sector. And those two businesses in terms of partner brands are broadly the same scale of market in the US. So we are underweight Retail, and that gives us a real opportunity to grow. It typically has a higher risk-adjusted return, and a higher NIM. And you can see us starting to execute on that strategy already with the [General Motors] portfolio. So that's a big part of it.

We've also gone through a repricing exercise in the US, that's actually complete, but it relies on customers making purchases on those new terms and conditions. So you're going to see it flow through over time.

Finally funding within NIM is important to us. So our bank in Delaware is completely ringfenced, so it raises its own funding. A large part of that is Retail but we want more of it to be Retail. We want [more than] 75% to be Retail. It's around 67% right now so more to do there. And so, we're building out the Retail Savings Platform, launching tiered products, bringing more sophisticated products to market really to drive that.

The third thing is cost. And really driving efficiency in this business. It being quite a high-touch operational business for us. That's fine when you're doing airline files with thousands of dollars in each individual file. Not so much in Retail. So really digitizing that and taking the learnings that we have from the UK and running a really digital Retail operation to the US. That's going pretty well, and you'll hear more about that in time.

Finally, capital efficiency. So credit cards is a capital-dense product, and we're really mindful of the changes that we have coming with advanced modeling, particularly in this business. So it’s really important that we can take the opportunity to share that risk where appropriate. We did our first transaction in the first quarter of this year with Blackstone, and that's something that you might expect us to do ongoing. So when you put all of those things together, there are lots and lots of pieces. So this is going to be a gradual moving piece, don't expect that it's going to be a big bang in this business. There is lots for us to execute but we're on track.

**Kian Abouhossein**

So improving capital, improving revenues, and clearly also the absorption of £16bn of regulatory risk-weighted asset inflation should be all part of still reaching that [above] 12% by 2026.

**Anna Cross**

The one change that we articulated at Q3 was that we expect the movement to IRB to be later. Because with the announcement of the final Basel III rules in the UK, what we're doing now is delaying the implementation of that model so that it will be a Basel-compliant model, so expect it to follow on. But even on the same basis, I would still expect [above] 12% and then beyond.

**Kian Abouhossein**

So putting the divisional numbers into the Group numbers your target is to make £30bn of revenues by 2026. Latest consensus that I have seen at least is around £29.2bn, something in that range, below £30bn. [What are the] moving parts, putting it more from a group level perspective as well as between NII and non-NII.

**Anna Cross**

Well clearly, a large part of it is NII. And particularly around BUK, we talked about mid-single digit CAGR, and that really speaks to all of the things I've talked about, which is loan growth. But you're going to see that in Private Banking and Wealth, and you're also going to see that in Corporate in the UK. So NII growth is a big part of that and really forms part of that stable basis of income. And then, underpinning that is the structural hedge. So asset growth and the structural hedge.

You've got asset income growing, and liability income growing simultaneously. That's really what the hedge is doing for us. We gave some simple maths at the time that really would have got you to around £2bn of tailwind from that structural hedge.

Outside of NII, there are a few things. We've talked about [Global] Markets. Really within [Global] Markets, we're looking for around £1.1bn of growth, and that's coming both from the focused businesses that I talked about and also Financing. I think of that as broadly evenly split between those two big planks. Then on our banking side about £700m of growth, and that's really coming from what I talked about before, which is this broadening out into M&A and ECM but also the ICB income, and that's really important.

The International Corporate Bank is a significant part of the IB complex. And as I said before, our wallet assumptions are relatively modest. So we're trying to keep as much of this as we can within our own control. There are a few building blocks there. A few building blocks for us to keep our eyes on, but so far so good. And really one of the benefits that we have is that as a diversified bank, of course there will be some areas which overperform and some that underperform. We'll see that in any particular passing year. But really our focus on those five different divisions, we think will get us there.

**Kian Abouhossein**

The analysts always like to look at the downside risk and of course.

**Anna Cross**

Well, you and me both.

**Kian Abouhossein**

Me even more so. So if you look at the cost, you mentioned the cost: income [ratio] guidance, high 50s, is your ambition. That calculates to roughly £17bn of cost. But clearly, the question is, what's the flexibility, you have a cost program as you mentioned. And if revenue should not come through can you talk about cost flexibility in that context, and how should we think about the high 50s?

**Anna Cross**

Yes. Sure. So the north star of the business is RoTE. And therefore, the north star of cost is cost: income ratio. That's really how we think about it. So if that £30bn is higher or lower, then the £17bn will be higher or lower. And they should move in line with one another.

Our motivation around cost across this entire plan was to drive the gross efficiency program to give us the opportunity to invest in the businesses, to invest for growth. This is not a shrink to higher RoTE strategy, this is a business where we are continuing to invest, but trying to do that within a relatively contained cost footprint by driving these cost efficiencies.

So of that £17bn that we set out on the day, about £1.7bn of it relates to that business growth. So that's the number that I think of as flex. What we're trying to do here is, on a very granular level, look at each individual business and drive the efficiency of that business. So every single one of them has got a cost: income ratio target, because they are very different businesses. You'd expect the cost income ratio to be higher in Private Bank and Wealth [Management] than you would in the US cards business for example. So we feel like we're making progress on all of those individual areas but more to do. And that's really what the further £1bn across 2025 and 2026 is about. How I think about it, is in 2024, we've spent a lot of time on people, property, and infrastructure. As I look forward into 2025 and 2026, it's much more about the efficiency of the client and customer journeys that we affect through all of our businesses.

**Kian Abouhossein**

So maybe at this point we take questions by the audience.

**Gigi Sparling, JP Morgan**

Thank you very much. Can I ask on any M&A ambitions in the UK, outside of Tesco, please. Given the ambitious growth targets?

**Anna Cross**

Yes. Thank you, Gigi. Fundamentally, this is an organic plan. That's the way we're thinking about it. Having said that, we have taken the opportunity both with Kensington and with Tesco, to acquire either capability or scale. In doing that though, what we don't want to do is distract from the execution of the plan that we've already set out. And that's really, really important to us.

So execution is number one. We won't do anything that either distracts us operationally or distracts us from the distribution pathway that we've given of greater than £10bn. We will continue to look and observe the market, and if we are to do anything you should expect it to be in our three high-returning businesses, and for it to be relatively small bolt-on.

Fundamentally it's an organic plan. We really want to focus on delivering the plans that we've got. But what was really good about Tesco is, it's, clearly, £8bn of lending but without some of the complexities that you might get with a broader retail bank. So no branches, no current accounts, a very clean integration, and that's really what was so attractive, plus the opportunity to run a partnership. So we'll be really thoughtful about the things that we do.

**Kian Abouhossein**

There’s a question over there. There are mics on the table, so please raise your hand.

**Unidentified Speaker**

Thanks for your time today. In terms of capital optimisation, it's obviously an integral part of the way you run the balance sheet. How do you decide how much to do? Is it mainly led by investor demand or do you have kind of internal parameters of “in a given year we don't want to do more than X” or “we don't want to have more than a certain amount of CET1 benefit from those transactions”?

**Anna Cross**

Thanks Pascal. Well, I divide what we do into two broad camps. On the one hand, we have an SRT program called Colonnade. That is very focused on our corporate business, and actually, it runs from our UK corporates all the way into the International Corporate Bank. That's a very mature program, it's been up and running since 2016. It's a little over £50bn, in terms of its scale, and we see that as mature. So that's a program that we would expect to run at its current level. We do it very programmatically. Now it's at scale. And what you should see is that we managed it such that it does operate within very tight risk parameters. And that's how we think about it.

Because fundamentally, for us, our primary motivation with these things is not capital, it's credit. And capital is really an output of the process. We are mindful of the reinvestment risk of that. So we manage it so that on the Colonnade Program, no more than £2bn of it needs to be refinanced in any particular quarter. So if there were a position where the market was shut because of some kind of market-wide stress it would never put us more broad stress on the business.

So that's really important to us. But I would say that particular program started off as singular transactions with investors. And now given it's profile in the market, is now very, very popular. And it is a bit more like a bookbuild but think of it as very programmatic.

If I then go to the other things that we do, which are really I would say more opportunistic, true sale-type risk transfers. So think of what we did in US cards. Think of what we've just done in UK mortgages. They have typically been single-investor transactions. And there they are one-off commercial decisions where we're taking a decision that says there is an opportunity for someone else to hold this risk more effectively than we can. So less programmatic, more individual commercial decisions. Now in those [examples] they are true sales, so the assets leave our balance sheet, and for all of them, we're doing a very robust RoTE calculation. Really the difference in capital between us and our investor set allows that to happen but think of them very differently.

**Unidentified Speaker**

Can you talk about the competitive landscape in Investment Banking currently, relative to previous cycles? Has capacity come out, can it come back quickly?

**Anna Cross**

Yes. Sure. It's quite interesting because over the last few years clearly what we've seen is a real focusing, particularly, from our European peers. Much more focused businesses there, where we've kept a bit more breadth. In terms of the market, it's competitive. It always is, and it is as much in a down market as it is in any period of growth. So no particular change in dynamic. And actually, we're really mindful about that as we put our plans to work here, and we've really openly said that what we're trying to do in banking, is the hardest part of the plan because really what we're trying to do here is establish a greater market share in M&A, in ECM, away from both the larger US banks but also in terms of some of the boutiques who've taken some share over the last few years.

But we feel like we're doing the right things but it's competitive, it always has been. One of the things that we're, obviously, mindful of is the changing regulatory environment [audio unclear]. We've got more clarity in terms of regulation in Europe and in the UK, it’s yet to come in the US but we're well used to traversing regulatory differences between different geographies. So we'll wait and see.

**Unidentified Speaker**

[inaudible]

**Anna Cross**

For those of you who didn't hear the question, [audio unclear]. He's asking really about the drag from Head Office.

So I [would] just remind you Alex, that at this point in time, some of our inorganic activity has been transferred into Head Office before it then leaves the group. So what you're seeing going on in there, particularly in the current year, is the exit of our Italian mortgage business, which has generated a headline loss but broadly capital-neutral.

You've also, at the moment, got our German cards business within there. And then finally, you've got our Merchant Acquiring business which is one that we still continue to review partnerships. So that is a really meaningful part of the drag that you're seeing in the current year.

**Kian Abouhossein**

Thank you very much, Anna, for coming. Thank you and hopefully next year again.

**Anna Cross**

Yes. Thank you so much, Kian. Really appreciate it. Thank you.

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