Slide 2: Introduction (Tushar Morzaria)

Good afternoon everyone and welcome to our Half One Results, Fixed Income Call

We have been hosting these calls regularly for some time now with the purpose of providing an additional forum, for our fixed income investors and analysts to hear our results and ask questions that are relevant to them so I hope that you will find the material and content valuable

I'm joined today by Dan Hodge, our Group Treasurer and Steven Penketh, our Head of Capital Markets Execution.

Slide 3: Summary Group Financials: H1 adjusted PBT up 11%

I will keep this overview brief, focusing on quarterly performance, as I know most of you will have listened in to the main results call this morning

During the first half of the year, we increased Group adjusted profit by 11% to £3.7 billion, and Core PBT by 10% to £4.2 billion, taking Core RoE to 11.1% despite a £6bn higher equity base

Impairments improved by 10% to £973 million, as we continue to manage risk carefully.
We have made further progress in reducing the structural cost base of the Group, reducing operating expenses by 7% to £8.3 billion, or £7.9 billion excluding Cost to Achieve and we will continue our focus on improving our Group Cost to Income Ratio as John McFarlane has outlined.

Compared to income, which was down 3% overall as a result of the Non-Core run-down, we have delivered positive jaws at both the group, and the Core level.

On a statutory basis, our PBT was up 25% to £3.1 billion, despite the progress made on resolving a number of legacy issues during H1 2015.

Our financial strength also continued to improve, as we have maintained a sharp focus on balance sheet, capital, liquidity and funding, and progressed our plans on structural reform.

Before turning over to Dan to provide more detail on these, I would just note the strong progress we have made on further strengthening our regulatory capital and leverage ratios, reaching our 2016 commitments faster than originally anticipated and this provides ample buffers to current regulatory minimums.

Overall, we are pleased with the progress on executing our strategy to date, and expect to continue the trajectory towards our targets.

With that, Dan, over to you.

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**Slide 4: Introduction (Dan Hodge)**

Thanks Tushar and good afternoon everyone.

I’m going to provide a brief overview of the aspects of our half year results that are of most relevance to our fixed income stakeholders and provide an update on our thinking about capital, leverage, funding and liquidity, including in the context of structural reform.
Slide 5:  Strengthening key financial metrics

First, I’d like to talk about the solid progress we have made on further strengthening our financial metrics during the quarter

Our CET1 ratio has increased to 11.1%, up from 10.6% at end Q1 and taking us to our target of greater than 11% faster than originally anticipated

Our leverage ratio has strengthened further to 4.1% from 3.7% at the end of Q1, also ahead of plan

We continue to maintain a robust liquidity position and well balanced funding profile

At the half year, our liquidity buffer stood at £145bn, comprising high quality unencumbered liquid assets with an LCR of 121%, representing a £26bn surplus to 100%

And our Net Stable Funding Ratio was 106%, demonstrating our sound longer term funding profile

Slide 6:  Continued strengthening of CET1 ratio

Let me now turn to a more detailed look at our improved capital and leverage position on slides 6 and 7

During the quarter, our CET1 ratio grew by 50bps to 11.1%. CET1 capital increased by £200 million, driven by £1.2 billion profit for the quarter less £900m for own credit and dividends and a net £100m reduction for reserves and regulatory adjustments. RWAs reduced by £19 billion, mainly in our Non-Core unit and as John mentioned this morning we are now guiding to around £20bn RWAs for 2017, replacing the £45bn guidance for 2016

Including the 30bps increase in the first quarter, we have strengthened the CET1 ratio by 80 basis points during the first half of this year, demonstrating strong progress
At 11.1%, we have built the ratio faster than originally anticipated, despite working through a number of legacy items

While we expect to continue to build our CET1 ratio over time, we would expect to stay around 11% throughout the rest of 2015, as we may absorb potential headwinds over the second half of the year, primarily due to non-Basel 4 related RWA model and methodology updates.

Slide 7: Leverage ratio strengthened further towards target

Before talking about progression towards our end-state capital structure, including capital buffer management, let me briefly mention the progress we have made on leverage on slide 7

Since Q1, our leverage ratio has improved by 40bps to 4.1%, driven by a combination of earnings retention, and further deleveraging in the non-core unit

This is 40 basis points above the expected 2019 minimum requirement of 3.7% for Barclays, as confirmed in the PRA’s consultation paper on the UK leverage ratio published in July

At the strategy update in May last year, we set out guidance of reducing leverage exposure in our non-core unit to £180bn by end-2016. The level at 30 June was already below this, at £166 billion. We have therefore achieved this well ahead of plan, primarily through an accelerated run-down of our fixed income financing activities, and significant compression in our derivatives book

We expect to continue to strengthen the ratio further above our 4% target and build a higher surplus to the 3.7% end-state minimum requirement

We expect to achieve this through a combination of continued shrinkage of Barclays non-core, CET1 accretion, and measured AT1 issuance over time
Slide 8: Significant management focus on maintaining robust capital buffers above future mandatory distribution restrictions

I now turn to slide 8 to address capital progression beyond 2016 to our end-state in 2019.

At the half year, our buffer above the 7% PRA CET1 expectation and AT1 trigger was significant, at just under £16 billion or 410 basis points.

We are currently targeting a management buffer of around 150 basis points above the fully phased-in regulatory minimum. Assuming a regulatory minimum at 1st January 2019 of 10.6%, this would result in an end-state CET1 ratio of just over 12%.

Remaining comfortably above the Combined Buffer Requirement at all times is absolutely key to us. While the current calibration of the internal management buffer is set at 150 basis points in end-state, this may change as we continue to reassess the adequacy of the buffer on a frequent basis.

In assessing the size of the management buffer, we take into account the business-as-usual volatility of our capital ratio, as well as additional headroom for unexpected events.

The buffer also incorporates our view of the necessary timeframes required for management to take recovery action to restore the buffer in the event of an unexpected deterioration. This is aided by our early warning indicators, which are triggered well above the Combined Buffer Requirement based on the fully loaded CET1 ratio.

All in all, we feel satisfied with the progress we have achieved so far on our CET1 ratio and we remain confident of further progression.

While the long-term trajectory of our CET1 ratio is critical, progression will not necessarily be linear quarter on quarter due to: on-going model and methodology updates, seasonal activity, timing differences between disposals and growth, and “business-as-usual” movements in capital deductions and other regulatory adjustments.
RWA inflation as a result of further changes to regulatory requirements, mainly from 2017 onwards, might also drive fluctuations in the ratio as we progress towards end-state.

Nevertheless, we remain confident in our ability to absorb RWA inflation and meet our targets. This is because we anticipate adequate time to assess the impact and take appropriate management actions in affected businesses.

We have a strong track record in managing RWAs and believe we are well placed to anticipate potential changes and manage this efficiently.

Ultimately, we are cognisant of the correlation between a robust CET1 base-line build, efficient capital market execution, and secondary performance for our fixed income investors. This remains a key consideration in our internal management buffer planning process as we build towards our end state capital structure and beyond.

**Slide 9: Continued progress on the transition towards end-state capital structure**

Having looked at CET1 progression towards end-state, I now turn to the evolution of our total capital ratio on slide 9.

As we await final regulatory requirements for total loss absorbing capacity (or TLAC), we continue to target a total capital ratio of at least 17% in end-state, which incorporates our CET1 management buffer of 150bps.

Over the first half of the year, our total capital ratio increased by 60 basis points to 17.4% on a PRA transitional basis, mainly reflecting strong CET1 progression.

As we seek to build our capital stack in the most efficient manner, we continue to target 2% of RWAs in AT1 form, which is c. £8 billion assuming £400 billion of RWAs. The 2% comprises the 1.5% minimum requirement under CRD IV, plus 50 basis points of our Pillar 2A requirement.
At the half year, we had £4.3 billion of AT1s outstanding, or 1.1% of RWAs. With plenty of time to build towards 2%, you might expect us to be a measured issuer of AT1 securities over time.

To maintain a total capital ratio of at least 17%, we need to hold at least 2.9% of Tier 2 capital, which means that we will continue to refinance maturing Barclays Bank PLC Tier 2 capital out of Barclays PLC, our HoldCo, as we transition towards a HoldCo capital and funding model over time.

The difference between our total capital ratio and future TLAC requirement would then be met through a combination of Tier 2 and TLAC-eligible senior unsecured debt.

Ultimately, the appropriate balance between Tier 2 and senior unsecured debt will be determined on an iterative basis by reference to the most efficient cost of capital and funding for the group. By definition this is driven - and set - by investor demand, so our engagement with our fixed income community, from transparent disclosure, regular dialogue and efficient execution, will be vital in deriving this.

Slide 10: Refinancing out of Holding Company supports achieving future Total Loss Absorbing Capacity (TLAC) requirements

Turning now to TLAC, slide 10 will be familiar to many of you but is worthy of revisiting.

Regulatory authorities are still consulting on final TLAC and MREL rules.

However, for Barclays, it is important to note that we expect to meet future TLAC requirements largely by refinancing - via the HoldCo - our maturing BBPLC OpCo debt, rather than by incremental issuance.

As the table illustrates, refinancing all of our outstanding £22 billion of term vanilla senior unsecured debt via the HoldCo, as it matures, would result in a proxy TLAC ratio of 25%.
We provide a detailed maturity profile of OpCo senior debt in the appendix to enable you to understand expected progression of this transition in more detail.

Our TLAC ratio could be further enhanced by refinancing some of our outstanding structured notes out of the HoldCo, either as structured or in vanilla form, depending on TLAC-eligibility.

We expect TLAC requirements to become the binding constraint for G-SIFI banks with TLAC eligible securities similarly constituting MREL for these banks.

MREL rules are to be implemented by 1 January 2016 and we expect the PRA to publish a consultation paper on the implementation of MREL requirements in the middle of Q3 2015. This would be followed by expected final FSB rules on TLAC in November 2015.

While not our base expectation, the implementation of MREL requirements could require us to raise incremental TLAC or MREL during the transition period, ahead of the expected TLAC conformance date of 1 January 2019. This is because of the Bank of England’s broad powers under the BRRD to require an element of contractual subordination for MREL eligible liabilities.

Overall, we remain comfortable with the transition we are undertaking and of our ability to meet the requirements once they are set, over a multi-year conformance period.

Slide 11: Managing the risk profile of Holding Company term senior unsecured debt today and in end-state.

Turning to slide 11. At the full year 2014 Fixed Income Call, I outlined how we seek to align the credit proposition between capital and senior term funding of the HoldCo and OpCo as we transition towards a HoldCo capital and funding model.

I won’t repeat this in detail, but merely reiterate that our current intention continues to be to use the proceeds raised by our HoldCo to subscribe for capital and senior unsecured.
funding in our OpCo, with corresponding ranking, in order to efficiently deliver a robust position for HoldCo investors in transition to our end-state.

This approach should result in similar treatment between the HoldCo’s capital and/or debt investments - and those of its investors by extension - and externally issued OpCo capital and debt of the same rank in a resolution scenario.

Legacy Tier 1 capital and CRDIV compliant AT1 capital are obviously different credit propositions given the going concern trigger requirement in the latter.

However, with respect to Tier 2 capital, we do believe that our intercompany arrangements (and the UK authorities' public commentary) make Tier2 capital from our HoldCo a commensurate credit proposition with Tier 2 capital from our OpCo that should price accordingly.

For HoldCo senior unsecured debt, we acknowledge that in the future, we will be required to use a portion or all of the HoldCo term senior unsecured debt proceeds to invest in “TLAC-eligible” debt in the OpCos. This will be necessary to meet future TLAC and/or MREL requirements.

Nevertheless, we continue to believe that the current pricing and ratings differentials between HoldCo and OpCo senior unsecured debt exaggerate the risk of structural subordination.

Today, our inter-company arrangements should help mitigate the risk of structural subordination for senior HoldCo investors as senior HoldCo proceeds have been used to invest in senior funding in Barclays Bank PLC.

As we refinance debt out of the HoldCo during the transition period, the quantum of term senior unsecured funding at the HoldCo will increase materially over time, with a corresponding decrease in the quantum of term senior unsecured funding at the OpCo. This transition should also be supportive of HoldCo senior unsecured ratings.
When subordination of some or all of the intercompany leg is required in the future, senior HoldCo investors should benefit from our progressive refinancing out of the HoldCo as there will be less term senior unsecured debt at Barclays Bank PLC to be subordinated to, and a thicker senior debt tranche at the HoldCo to absorb any losses.

It is also worth remembering that bail-in of senior unsecured term debt of the HoldCo is a very remote event given that HoldCo senior debt holders should, on our current structure, expect any losses arising in the OpCo to be absorbed by the Group capital and subordinated debt cushion, resulting in £66 billion of capital that could be expected to absorb losses ahead of senior bondholders.

Although uncertainty remains, our approach is to identify potential risks for investors and, where permitted to do so, seek to mitigate them appropriately; being as transparent as we can on the process with our formal disclosure and ongoing engagement.

Slide 12: Progressing with plans for structural reform

Turning to slide 12 now and structural reform. Structural reform is a key strategic priority for Barclays, and underpins much of our forward thinking on capital, funding and liquidity.

We have made good progress on structural reform since we submitted our preliminary plans for UK ring-fencing requirements to our UK regulators in January, and since our implementation plan submission for compliance with Section 165 of the Dodd-Frank Act to the US Federal Reserve at the end of last year.

We continue to have a constructive dialogue with our regulators on these plans.

The plans will ensure financial robustness of all parts of the group.

While we are not in a position to share further details with you at this stage, what we can say is that the UK ring-fenced entity will be a newly established material UK bank, with assets and liabilities transferred from existing Barclays entities.
The non ring-fenced assets and liabilities will in turn remain in Barclays Bank PLC and its existing subsidiaries, ensuring a robust and diversified international banking group.

Notably, these plans do not constitute a change to our overall business proposition or variation in approach to capital allocation across the group.

The UK ring-fenced bank will have substantial presence in the UK market and will be the Group’s provider of retail and corporate products to over 16 million UK customers.

In the non ring-fenced group, Barclays Bank PLC and its subsidiaries, including our US and African businesses, will continue to have a diversified business model, offering international retail investment banking and corporate products.

We expect to be able to share more details on our plans once we have further progressed our discussions with regulators.

So importantly, what does structural reform mean for bond holders? This is clearly a very relevant question when you consider we are issuing debt beyond the ring-fencing time-line.

In terms of new issuance, most of our capital and term funding will be issued out of Barclays PLC, the HoldCo, going forward.

As the HoldCo remains the ultimate parent of the Group, the diversification benefit of the Group is expected to be retained at that level.

Capital and term funding needs of the operating companies (including the UK ring-fenced entity, Barclays Bank PLC, and our US and African entities), are expected to be met primarily with internal TLAC, ultimately downstreamed from the HoldCo.

While there is likely to be some residual capital and term senior unsecured debt outstanding at Barclays Bank PLC when the UK ring-fenced entity is created, we would expect this to be notably lower than today.

We also expect that the OpCos will continue to issue short-term funding such as CDs and CP to prudently manage their respective operational cash needs.
As previously mentioned, structured notes could be issued from the HoldCo if TLAC rules permit, otherwise Barclays Bank PLC is likely to continue to be the issuer.

For secured funding the issuer would naturally be within the asset originating group as is currently the case.

Slide 13: Maintaining a robust liquidity position and well diversified funding profile

Moving now to our funding and liquidity position as shown on slide 13

**Liquidity**

Our liquidity position remains robust, both in terms of quantum and quality.

Our key ratios are in excess of regulatory standards with a Liquidity Coverage Ratio, LCR, of 121% and Net Stable Funding Ratio, NSFR, of 106% and we have exceeded the regulatory requirements well ahead of the implementation dates.

The surpluses reflect our dynamic approach to liquidity management ensuring that our LCR remained well above 100% at a time when we faced uncertainty regarding the consequences of industry-wide credit rating actions as sovereign support was reassessed.

That uncertainty is now removed and our long- and short term credit ratings for both the HoldCo and OpCo are now stable across S&P, Moody’s and Fitch – we have laid these out in detail in the Appendix, slide 18.

The outflows experienced following the downgrades by S&P and Moody’s were fully pre-funded and have, thus far, been less than expected.

We anticipate reducing the excess to our LCR over the remainder of the year, albeit we will continue to run comfortably above 100%.
Funding

We continue to maintain a well-balanced funding profile. Our loan-to-deposit ratio for PCB, Barclaycard, Africa Banking and retail Barclays Non-Core was broadly stable at 88% and the Group ratio was 98%

During the quarter, we issued 1 billion dollars of term senior unsecured debt out of Barclays PLC, and 500 million dollars through a Dryrock securitisation, taking total capital and term issuance in 2015 to 6 billion sterling equivalent, of which 2 billion was in secured form and 4 billion senior unsecured

You can expect us to issue the balance of our £10-15bn 2015 annual target, during the remainder of the year. This will be subject to market conditions, and in a suitable mix of currencies and liability type, likely including private vanilla MTNs out of the HoldCo

Over the last two years, our absolute level of wholesale funding has reduced as we have managed down the size of our balance sheet. This is also the case in 2015 given maturities of £23bn for the year, £9bn of which fall in H2

As we make further progress on shrinking Barclays Non-Core, our overall wholesale funding needs in the medium term are expected to continue to reduce.

Slide 14: Summary

So let me conclude with slide 14 before handing back to Tushar who will open the call up to Q&A

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

As the regulatory landscape continues to evolve, we remain committed to working with our regulators and investors, to efficiently plan for and adapt to these regulatory changes
As always, we aim to be as transparent as we can throughout this transition

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

Tushar, with that, I’d like to hand back to you

Slide 15: Summary (Tushar Morzaria)

Thank you. I hope you have found this call helpful. We would now like to open the call to questions

As a reminder, I am joined here today by:

- Dan Hodge, Group Treasurer, and

- Steven Penketh, Head of Capital Markets Execution

Please go ahead.
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