Barclays PLC
Fixed Income Investor Call
H1 2016 Results Announcement
29 July 2016
Tushar Morzaria
Barclays Group Finance Director
Transatlantic Consumer, Corporate & Investment Bank

*Our strategy is on track and is showing encouraging progress*

- **Strong Core returns**
  - Double digit Core RoTE
  - 11.0% RoTE\(^1\)

- **Non-Core closure**
  - New cost guidance for 2017
  - Continued momentum, on track to close in 2017
  - £400m-£500m\(^2\)
  - c.£20bn RWAs
  - c.10bps CET1 benefit

- **Sell down Barclays Africa**
  - First sale of 12.2% stake complete

- **Reduce costs**
  - On track to meet £12.8bn 2016 Core cost target, subject to FX\(^3\)
  - Targeting Group cost: income ratio <60%

- **Capital strength**
  - Strong capital ratios, providing additional flexibility
  - 11.6% CET1 ratio

**Group RoTE converging with Core RoTE**
Financial highlights – Q216

**Double digit Core returns:** Underlying Core RoTE of 11.0%, driven by Barclays UK RoTE of 18.4% and Barclays Corporate & International RoTE of 11.9%\(^4\)

**Robust capital ratios:** CET1 ratio of 11.6% – on track to meet end-state capital requirements, providing additional capital flexibility to improve returns

**Continuing Non-Core momentum:** £4bn reduction in RWAs to £47bn – on track to close Non-Core in 2017, with c.£20bn of RWAs

**Continued focus on reducing cost:** On track to meet £12.8bn 2016 underlying Core cost target, subject to FX\(^5\) – Core cost: income ratio of 57%\(^6\)

**Preserving book value:** TNAV per share increased 3p to 289p
Resilience from prudent risk management and diversification

Diversified income by business – H116

- Personal Banking: 21%
- Barclaycard Consumer UK: 18%
- WEBB: 8%
- Markets: 22%
- Banking: 24%
- Consumer, Cards & Payments: 7%

Diversified income by geography – H116

- UK: 31%
- Europe: 10%
- Americas: 54%
- Africa and Middle East: 3%
- Asia: 2%

Well balanced business mix with income diversification across consumer and wholesale banking.

Lower volatility of LLR vs. other major UK banks

Barclays: 0.8%
Bank A: 0.5%
Bank B: 0.3%
Bank C: 0.1%

Consistently conservative risk management with lower LLR volatility through the cycle.

Bank of England stress tests - CET1 ratio drawdown (bps)

- Barclays: 160, 170, 180, 190, 200
- Bank A: 240, 250, 260, 270, 280
- Bank B: 330, 340, 350, 360, 370
- Bank C: 500, 510, 520, 530, 540

Geographic diversification with almost one third of our income from the Americas.

Lowest stress loss in both 2014 and 2015 BoE stress tests post strategic management actions.
Dan Hodge
Barclays Group Treasurer
Strong CET1 and leverage ratio progression

**Fully Loaded CET1 ratio**

- CET1 ratio of 11.6% as at 30 June 2016, an improvement of c.250bps since December 2013 despite absorbing conduct and litigation charges of c.160bps
- The 30bps Q2 increase was driven by a £1.5bn increase in CET1 capital while RWAs increased by £3bn
  - CET1 capital up mainly due to profits, the impact of the sale of 12.2% in BAGL, and reserve movements incl. FX
  - GBP depreciation drove most of the RWA increase, partially offset by underlying reductions in non-core
- Further sell-down of BAGL to a level that achieves regulatory deconsolidation, non-core disposals and CET1 accretion expected to more than offset potential headwinds

**Leverage ratio**

- Leverage ratio of 4.2% as at 30 June 2016, an improvement of c.120bps since December 2013
- The 10bps Q2 reduction was mainly due to a £73bn increase in leverage exposure, offsetting the £1.6bn increase in T1 capital
- The increase in leverage exposure mainly reflects market movements, including FX, impacting a number of line items, and an increase in the cash contribution to the Group liquidity pool
- Expect to grow the leverage ratio further over time, maintaining the ratio comfortably above future minimum requirements
Managing evolving future minimum CET1 levels

Illustrative evolution of minimum CET1 requirements and buffers

- Minimum CRD IV CET1 requirement
- 2016 Pillar 2A CET1 requirement
- G-SIB buffer
- Capital Conservation Buffer (CCB)

CET1 minimum levels and internal management buffer
- As capital buffers and RWAs will evolve over time, we manage our CET1 position to maintain a prudent internal management buffer over future minimum levels to guard against mandatory distribution restrictions.
- The management buffer is prudently calibrated, intended to absorb fluctuations in the CET1 ratio, cover against event risk and stress, and to ensure management actions can be taken in sufficient time to avoid breaching mandatory distribution restrictions in stress event.

Key regulatory variables potentially impacting future minimum CET1 levels

**CRD IV buffers**
- De-risking and management actions with aim to reduce the G-SIB buffer
- Potential future introductions of or variations in country-specific countercyclical buffers (CCyBs)

**Pillar 2A requirements**
- Barclays’ 2016 P2A requirement as per the PRA’s Individual Capital Guidance (ICG) is 3.9%, of which 2.2% is required to be held in CET1 form
- Despite 2016 increase, expect partial shift into Pillar 1 over time

**RWA developments**
- Expect further RWA reduction pre any Basel recalibration. Full deconsolidation of BAGL on a regulatory and accounting basis and further BNC reductions towards 2017 target implies RWAs in “low £300bns”.
- While RWAs might increase due to Basel driven rule changes, this should be at least partially offset by reductions in Pillar 2A requirements
Evolving CRD IV capital structure transitioning to HoldCo over time

Illustrative evolution of CRD IV capital structure

<table>
<thead>
<tr>
<th>Barclays Jun-16 capital structure (PRA transitional)</th>
<th>Barclays end-state capital structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.7% Total capital ratio</td>
<td>≥17% Total capital ratio</td>
</tr>
<tr>
<td>4.1% (£15.0bn) T2</td>
<td>≥3% T2 (incl. P2A)</td>
</tr>
<tr>
<td>1.6% (£5.8bn) Legacy T1</td>
<td>2.2% AT1 (incl. P2A)</td>
</tr>
<tr>
<td>1.4% (£5.3bn) AT1</td>
<td>1.0 - 1.5% Internal buffer</td>
</tr>
<tr>
<td>11.6% (£42.4bn) CET1</td>
<td>2.0% G-SII</td>
</tr>
<tr>
<td>CCyB/Sectoral buffers</td>
<td>2.5% Capital Conservation buffer</td>
</tr>
<tr>
<td></td>
<td>2.2% P2A</td>
</tr>
<tr>
<td></td>
<td>4.5% CET1</td>
</tr>
</tbody>
</table>

Well managed and balanced total capital structure

- Transitional and fully-loaded total capital ratios increased by 50 and 40bps respectively to 18.7% (Mar-16: 18.2%) and 17.6% (Mar-16: 17.2%), mainly driven by CET1 accretion
- Capital efficient CRD IV grandfathering transition supported by recent LMEs
  - Most OpCo capital is expected to remain eligible CRD IV capital during and, to the extent outstanding, after grandfathering period, and is currently expected to qualify as MREL/TLAC until 1 Jan 2022
- We aim to manage our capital structure in an efficient manner:
  - Expect to build an additional c.80bps of AT1 to reach c.2.2% in end-state through measured issuance over time
  - Quantum of Tier 2 capital will be informed by MREL rules which are yet to be finalised, as well as relative pricing of Tier 2 and senior unsecured debt and investor appetite

Pillar 2A requirement

- Barclays’ 2016 Pillar 2A requirement as per the PRA’s Individual Capital Guidance (ICG) is 3.9%. The ICG is subject to at least annual review
  - CET1 of 2.2% (assuming 56% of total P2A requirement)
  - AT1 of 0.7% (assuming 19% of total P2A requirement)
  - T2 of 1.0% (assuming 25% of total P2A requirement)
- Basel Committee consultations and reviews of approaches to Pillar 1 and Pillar 2 risk might further impact the Pillar 2A requirement in the future
Proactive refinancing from HoldCo and liability management exercises executed to date position us well for future requirements.

While our full MREL requirement might apply earlier, we currently expect the 1 January 2022 requirement to be our binding constraint due to the potential disqualification of OpCo legacy T1 and T2 capital from this point onwards.

At a minimum, we expect to need to meet at least the Pillar 1 minimum TLAC requirement of 18%, plus an assumed CBR of c.4.5% by 1 January 2022, on top of which we expect to hold a prudent management buffer.

This would drive manageable illustrative issuance volumes across AT1, T2 and HoldCo senior debt, subject to market conditions and capacity.

Actual issuance may differ from illustration and will depend on future MREL/TLAC requirements, future RWA levels, CET1 accretion, investor appetite and market conditions.

Precise composition of future MREL/TLAC stack remains subject to our final MREL/TLAC requirement, shifts in the various components of our future total capital requirements, and the relative pricing of – and investor appetite for – various HoldCo debt classes.

Key assumptions (all subject to change):

- End requirement based on our current understanding of TLAC Pillar 1 requirement plus buffers.
- Spot RWAs of £366bn.
- CET1 resources held constant.
Maintaining a robust liquidity position and well diversified funding profile

High quality liquidity pool (excluding BAGL) (£bn)

- LCR\(^{23}\) 124% 133% 129% 124%
- Group liquidity pool at £149bn, an increase on Q1 as we increased the cash contribution whilst reducing government bonds in the run-up to the EU referendum, in particular a larger USD cash position
- Quality of the pool remains high:
  - 82% held in cash, deposits with central banks and high quality government bonds
  - 92% of government bonds are securities issued by UK, US, Japanese, French, German, Danish, Swiss and Dutch sovereigns
- All else being equal, no need to access term wholesale funding markets for the remainder of the year to maintain an expected LCR above 100%
- Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £79bn

Total funding (excluding BAGL)

- NSFR\(^{24}\) 102% 106% 106% 106%
- The Group made good progress on its commitment to transition to a holding company capital and wholesale funding model during H116
  - Successfully issued £5.7bn from the HoldCo in H116. Further issuance subject to market conditions and investor capacity
  - £6.1bn of public operating company senior debt and capital instruments, including preference shares, have been bought back and called during H116 as we continued to optimise funding costs
- As at H116, remaining maturities across public and private senior unsecured and secured, and capital instruments of £7bn in 2016
- Aim to build a diversified funding profile at the HoldCo across currencies, maturities and channels
- We expect to be a measured issuer of AT1 and T2 out of HoldCo over the next few years
- Group and retail businesses Loan to Deposit Ratio (LDR) stable at 97% and 85% respectively

Maintained a robust liquidity position

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Well balanced funding profile

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- Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £79bn
Progress on Group legal structure

**Barclays PLC**

- **Barclays UK**
  - UK consumer and business bank differentiated by scale and digital innovation
  - Formation of the UK Ring-fenced Bank prior to 1 January 2019

- **Barclays Corporate & International**
  - Diversified transatlantic wholesale and consumer bank
  - Likely to be transferred under Barclays PLC in the future

**US IHC**

- Successfully launched 1st July 2016
- Holds all existing US subsidiaries
- Compliant with all minimum requirements

**Enterprise-wide Service Company Construct**

- Integrated under current management structures to provide critical service to BUK and BC&I to deliver operational continuity

**Barclays Bank PLC (and subsidiaries)**

**Multiple entities**
Focused on delivery

**Continued to deliver on the strategy:** Strong Core underlying RoTE of 11.0%\(^4\) and continued momentum in reducing Non-Core towards £20bn RWA guidance

**Robust capital ratios:** Further progress on CET1 ratio up 30bps to 11.6% – comfortably on track to meet end-state capital requirements, providing additional capital flexibility

**Strong liquidity and funding profile:** Continued transition to HoldCo funding model whilst maintaining robust liquidity and funding diversification

**Further progress on structural reform:** Launched US IHC and further progressed plans for ring-fenced bank

Whilst Brexit brings increased macro uncertainty, we remain committed to the strategy we have set and confident in our ability to deliver
Q&A
Our strategy remains unchanged and is on track

<table>
<thead>
<tr>
<th>Transatlantic Consumer, Corporate and Investment Bank</th>
<th>Measures to deliver strategy and manage legacy headwinds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barclays UK</strong></td>
<td>Accelerate Non-Core rundown. Flexibility to fund the accelerated rundown provided by plan to pay a dividend of 3.0p for 2016 and 2017 (FY15 dividend of 6.5p)</td>
</tr>
<tr>
<td>UK consumer and business bank differentiated by scale and digital innovation</td>
<td>Intention to deconsolidate Barclays Africa Group Limited (BAGL), leading to further simplification of the Group, further cost reductions, and CET1 ratio uplift in two to three years¹²</td>
</tr>
<tr>
<td>£67bn RWAs</td>
<td>Continued focus on cost reductions with cost guidance of £12.8bn for 2016 for Core (excluding BAGL), subject to FX²⁹</td>
</tr>
<tr>
<td>13.6% RoTE²⁸</td>
<td>Settle remaining conduct and litigation</td>
</tr>
<tr>
<td><strong>Barclays Corporate &amp; International</strong></td>
<td></td>
</tr>
<tr>
<td>Diversified transatlantic wholesale and consumer bank</td>
<td></td>
</tr>
<tr>
<td>£209bn RWAs</td>
<td></td>
</tr>
<tr>
<td>14.3% RoTE²⁸</td>
<td></td>
</tr>
</tbody>
</table>

Well capitalised, supporting solid investment grade credit ratings

<table>
<thead>
<tr>
<th>Diversified income streams (H116)</th>
<th>Financial targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>By business</strong></td>
<td><strong>Group Return on Tangible Equity (RoTE)</strong></td>
</tr>
<tr>
<td>CC&amp;P</td>
<td>Group will converge towards the Core RoTE</td>
</tr>
<tr>
<td>Banking</td>
<td>Capital</td>
</tr>
<tr>
<td>21%</td>
<td>Group CET1 Ratio</td>
</tr>
<tr>
<td>22%</td>
<td>100-150 bps above regulatory minimum level</td>
</tr>
<tr>
<td>Markets</td>
<td>Costs</td>
</tr>
<tr>
<td>24%</td>
<td>Group Cost: Income Ratio</td>
</tr>
<tr>
<td>24%</td>
<td>Below 60%</td>
</tr>
<tr>
<td>Banking</td>
<td>Intend to achieve these targets within a reasonable timeframe</td>
</tr>
</tbody>
</table>

Intend to achieve these targets within a reasonable timeframe
### Ratings a key strategic priority

<table>
<thead>
<tr>
<th>Senior Long Term/Short Term ratings</th>
<th>Standard &amp; Poor’s</th>
<th>Moody’s</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays PLC (B PLC - HoldCo)</td>
<td>BBB A-2</td>
<td>Baa3 P-3</td>
<td>A F1</td>
</tr>
<tr>
<td>Barclays Bank PLC (BB PLC - OpCo)</td>
<td>A- A-2</td>
<td>A2 CRA: A1&lt;sup&gt;30&lt;/sup&gt; P-1</td>
<td>A F1</td>
</tr>
</tbody>
</table>

- Barclays is committed to maintaining strong investment grade ratings
- Pre-referendum, all 3 rating agencies affirmed Barclays ratings during H1 16 with stable outlooks

#### Rating actions post-referendum
- All rating agencies took action on UK sovereign ratings
  - S&P and Moody’s placed several UK banks on negative outlooks including Barclays, whilst affirming the ratings
  - Ratings and outlooks for Barclays have remained unchanged with Fitch after the UK referendum

#### HoldCo and OpCo ratings
- Punitive HoldCo vs. OpCo differentials remain under S&P and Moody’s due to:
  - No HoldCo uplift for junior debt cushion (S&P)
  - Expected increase in thickness of the senior HoldCo layer which will benefit LGF over time not taken into account (Moody’s)

<table>
<thead>
<tr>
<th>Outlook</th>
<th>Pre-referendum</th>
<th>Post-referendum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>STABLE</td>
<td>NEGATIVE</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Managing capital position for regulatory minimum levels and stress testing

Barclays’ expected systemic reference points for 2016 BoE stress test¹⁴,¹⁷

- Minimum CRD IV CET1 requirement
- 2016 Pillar 2A CET1 requirement¹⁵
- G-SIB buffer
- Capital Conservation Buffer (CCB)

Future CET1 ratio¹⁴ = Regulatory minimum level + c.1-1.5% management buffer

<table>
<thead>
<tr>
<th></th>
<th>Jan-16</th>
<th>Jan-17</th>
<th>Jan-18</th>
<th>Jan-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Management buffer</td>
<td>7.2%</td>
<td>7.7%</td>
<td>8.2%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Stress buffer (including management buffer): c.4%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

- For the 2016 BoE stress tests, the stress test systemic reference point will include the minimum CRD IV CET1 requirement, P2A, and a phased-in G-SIB buffer.
- The stressed capital ratio for each year over the stress test horizon will be measured against the respective applicable stress test systemic reference point.
- Barclays’ fully phased-in stress buffer is expected to be c.4% when including the management buffer, providing ample headroom should future stress losses be higher than experienced to date.
TLAC and MREL requirement expectations

Pillar 1 TLAC minimum requirements and illustrative MREL expectations

- Pillar 1 requirements
- 2016 Pillar 2A requirement
- Assumed CRD IV combined buffer requirement
- BoE Recapitalisation amount

TLAC

<table>
<thead>
<tr>
<th>Requirement</th>
<th>FSB TLAC Jan-19</th>
<th>FSB TLAC Jan-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitional total capital ratio:</td>
<td>c.4.5%</td>
<td>c.4.5%</td>
</tr>
<tr>
<td>Pillar 1 requirement</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Assumed CRD IV combined buffer</td>
<td>c.20.5%</td>
<td>c.22.5%</td>
</tr>
</tbody>
</table>

MREL

<table>
<thead>
<tr>
<th>Requirement</th>
<th>MREL 2016 expectation</th>
<th>Illustrative Future MREL</th>
</tr>
</thead>
<tbody>
<tr>
<td>H116 PRA Transitional total capital ratio:</td>
<td>18.7%</td>
<td>c.4.5%</td>
</tr>
<tr>
<td>Recapitalisation</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Loss-absorption</td>
<td>8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>CBR 1.1%</td>
<td>3.9%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

- Compliant with 1 January 2016 MREL, as set at applicable regulatory minimum capital levels, including Pillar 2A, as indicated by the Bank of England
- MREL expected to equal applicable minimum capital requirement until 1 January 2020. Ahead of that, G-SIBs are expected to be required to meet at least FSB’s Pillar 1 minimum TLAC requirement as of 1 January 2019. This provides UK banks ample time and flexibility to manage the transition period
- However, as rules are not yet finalised, uncertainty remains both as to the requirement and its calibration
Continued progress on transition to HoldCo capital and funding model

### PRA transitional regulatory capital

<table>
<thead>
<tr>
<th>(£bn)</th>
<th>Dec-15</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRA transitional Common Equity Tier 1 capital</td>
<td>40.7</td>
<td>42.4</td>
</tr>
<tr>
<td>PRA transitional Additional Tier 1 regulatory capital</td>
<td>11.9</td>
<td>11.1</td>
</tr>
<tr>
<td>– Barclays PLC (HoldCo)</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>– Barclays Bank PLC (OpCo)</td>
<td>6.6</td>
<td>5.8</td>
</tr>
<tr>
<td>PRA transitional Tier 2 regulatory capital</td>
<td>13.8</td>
<td>15.0</td>
</tr>
<tr>
<td>– Barclays PLC (HoldCo)</td>
<td>1.8</td>
<td>2.9</td>
</tr>
<tr>
<td>– Barclays Bank PLC (OpCo)</td>
<td>12.0</td>
<td>12.1</td>
</tr>
<tr>
<td>PRA transitional total regulatory capital</td>
<td>66.5</td>
<td>68.4</td>
</tr>
</tbody>
</table>

### Outstanding term vanilla senior unsecured debt

<table>
<thead>
<tr>
<th>(£bn)</th>
<th>Dec-15</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays PLC (HoldCo) term vanilla senior unsecured debt</td>
<td>6.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Barclays Bank PLC (OpCo) term vanilla senior unsecured debt</td>
<td>22.8</td>
<td>17.6</td>
</tr>
<tr>
<td>Total term vanilla senior unsecured debt</td>
<td>29.0</td>
<td>29.3</td>
</tr>
</tbody>
</table>

### Term vanilla senior unsecured debt maturities as at 30 June 2016

- **BB PLC Term 2 capital as at 30 June 2016 (nominal basis)**
  - By contractual maturity as applicable
  - By next call date as applicable

- **BB PLC Tier 1 capital as at 30 June 2016 (nominal basis)**
  - First call date
Barclays PLC parent company accounts

<table>
<thead>
<tr>
<th>Balance sheet</th>
<th>As at 31 Dec-15</th>
<th>As at 30 Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Investment in subsidiary</td>
<td>35,303</td>
<td>35,417</td>
</tr>
<tr>
<td>Loans and advances to subsidiary</td>
<td>7,990</td>
<td>14,687</td>
</tr>
<tr>
<td>Derivative financial instrument</td>
<td>210</td>
<td>255</td>
</tr>
<tr>
<td>Other assets</td>
<td>133</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>43,636</td>
<td>50,421</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>494</td>
<td>496</td>
</tr>
<tr>
<td>Subordinated liabilities</td>
<td>1,766</td>
<td>2,917</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>6,224</td>
<td>11,770</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>8,484</td>
<td>15,183</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>4,201</td>
<td>4,228</td>
</tr>
<tr>
<td>Share premium account</td>
<td>17,385</td>
<td>17,535</td>
</tr>
<tr>
<td>Other equity instruments</td>
<td>5,321</td>
<td>5,321</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>394</td>
<td>394</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>7,851</td>
<td>7,760</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>35,152</td>
<td>35,328</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>43,636</td>
<td>50,421</td>
</tr>
</tbody>
</table>

Key notes

- Barclays PLC is the holding company of the Barclays Group
- The HoldCo’s primary assets currently are its investments in, and loans and advances made to, its sole direct subsidiary, Barclays Bank PLC, the operating company
- As Barclays continues to be committed to issuing most capital and term vanilla senior unsecured debt out of the HoldCo going forward, the HoldCo balance sheet is expected to increase
- As at 31 December 2015, the distributable reserves of Barclays PLC were £7.1bn

Notes to the parent company balance sheet as at 30 June 2016

Investment in subsidiary
The investment in subsidiary of £35,417m (2015: £35,303m) represents investments made into Barclays Bank PLC, including £5,321m (2015: £5,321m) of Additional Tier 1 (AT1) securities. The increase of £114m during the period was due to a cash contribution made to Barclays Bank PLC.

Loans and advances to subsidiary, subordinated liabilities and debt securities in issue
During H1 2016, Barclays PLC issued $1.25bn of Fixed Rate Subordinated Notes included within the subordinated liabilities balance of £2,917m (2015: £1,766m), $4.3bn of Fixed Rate Senior Notes, Yen 20bn of Fixed Rate Senior Notes, €1.7bn Fixed and Floating Rate Senior Notes, and AUD 0.1bn of Fixed Rate Senior Notes included within the debt securities in issue balance of £11,770m (2015: £6,224m). The proceeds raised through these transactions were used to invest in Barclays Bank PLC in each case with a ranking corresponding to the notes issued by Barclays PLC and included within the loans and advances to subsidiary balance of £14,687m (2015: £7,990m).
Asset quality trends remain favourable

- Impairment charges have consistently declined since 2010
- Credit Risk Loans as a percentage of Gross Loans and Advances have also consistently declined

...while CRL coverage ratio improved

- Coverage ratios have increased steadily as a result of consistent improvement in asset quality, although impairment allowances have fallen significantly since 2010

90-day delinquency trends improving or stable

- Both UK Cards and UK Mortgages delinquency rates remain well controlled, reflecting the quality of the books
UK Mortgages – High quality, conservative portfolio

Key Messages

- High quality, conservative £127bn mortgage portfolio
  - Average LTV\(^3\) of 47%
  - >90 day arrears of 0.2%
  - UK mortgage LLR remains negligible
- Consistently strong underwriting criteria – limited high LTV\(^3\) and buy-to-let (2% and 9% of the portfolio, respectively)
  - Average LTV\(^3\) of 52% for buy-to-let
  - Average LTV\(^3\) for London of 36% and South East of 45%

Low proportion of BTL and SVR mortgages
UK and US Cards – Seasoned, diversified and resilient portfolios

Key Messages

- History of strong and improving delinquency trends across both portfolios
- Portfolios have been built to be resilient; credit criteria is regularly updated as the macroeconomic environment changes and credit trends improve or deteriorate
- Strong CRL Coverage Ratios provide significant protection and have increased in recent years
  - UK cards CRL Coverage Ratio increased from 90% to 125% between 2012 and H1 2016
- Barclaycard remained profitable throughout the stress period for both the Bank of England stress tests in 2014 and 2015

Breakdown by Delinquency Bucket – UK

Breakdown by Delinquency Bucket – US

CRL Coverage Ratio
UK Commercial Real Estate – Stable and limited exposure

Key messages

- Stable and limited exposure to UK Commercial Real Estate with strict adherence to conservative underwriting criteria over time
  - Total UK CRE exposure of £12.3bn representing just 2.6% of total Loans & Advances
  - Total collateral balances of £26bn
- Impairment release for H116 of £1m
- Past due balances stood at £174m, representing 1.4% of the portfolio, of which 50% is covered by impairment allowances
- Over 70% of exposure has a contractual maturity of less than five years
- Commercial development lending is less than 2% of the CRE book

BoE Stress Tests UK CRE Cumulative Impairment Charge Rates

UK Commercial Real Estate LTV Distribution
Anticipated funding sources of future UK ring-fenced bank and Barclays Bank PLC (and subsidiaries)

Barclays PLC

Barclays UK
UK consumer and business bank differentiated by scale and digital innovation

Barclays Corporate & International
Diversified transatlantic wholesale and consumer bank

Formation of the UK Ring-fenced Bank prior to 1 January 2019

Funding sources: H116 LDR: 91%
- Deposit funding:
  - Retail deposits
  - Business banking deposits
- Term funding:
  - Equity, debt capital and term senior unsecured debt downstreamed from B PLC (Internal MREL/TLAC)
  - Secured funding (e.g. covered bonds and ABS)
- Other operating funding:
  - Short-term funding (e.g. CD/CP)

Funding sources: H116 LDR: 90%
- Deposit funding:
  - Mid and large corporate deposits
  - Delaware deposits
  - International wealth customer deposits
- Term funding:
  - Equity, debt capital and term senior unsecured debt downstreamed from B PLC (Internal MREL/TLAC)
  - Residual outstanding BB PLC externally issued debt capital and senior unsecured debt (including structured notes)
  - Secured funding (e.g. ABS)
- Other operating funding (externally issued):
  - Short-term funding (e.g. CD/CP)
Footnotes

1 Q216 RoTE excluding notable items | 2 Excluding notable items. Based on current exchange rates | 3 Target set at an average USD exchange rate for 2016 of 1.42 | 4 RoTE excluding notable items. Core RoTE includes Head Office | 5 Target set at an average USD exchange rate for 2016 of 1.42 | 6 Excluding notable items | 7 Excludes Non-Core income of £(586)m and Head Office income of £301m | 8 Source: Autonomous | 9 Excludes income from Africa Banking treated as a discontinued operation | 10 Post strategic management actions | 11 Based on Barclays interpretation of the final CRD IV text and latest EBA technical standard | 12 Implementation of Barclays’ intentions is subject to, amongst other things, shareholder and regulatory approval. Implementation of these plans is also subject to significant execution risks and there can be no assurance the expected benefits will be realised on the proposed timescale or at all | 13 The leverage ratio has been calculated in accordance with the requirements of CRR which was amended effective from Jan 2015. The leverage calculation uses the end-point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure. This is broadly consistent with the BCBS 270 definition, which was the basis of Dec-14 comparatives. Dec-13 not comparable to the estimates as of Dec-14 onwards due to different basis of preparation | 14 This illustration is based on Barclays’ interpretation of current regulation and regulatory proposals, which are subject to change, and is not a forecast of Barclays’ results of operations or capital position or otherwise. This illustration is also based on certain assumptions, which cannot be assured and are subject to change, including: holding constant the P2A at 2016 level despite it being subject to at least annual review; and assumed CRD IV buffers, which are subject to change | 15 Point in time assessment made at least annually by the PRA to reflect idiosyncratic risks not fully captured under Pillar 1. The 2016 total Pillar 2A requirement of 3.9% is split as follows: 2.2% in CET1 form (56% of total requirement), 0.7% in AT1 form (19% of total requirement), and 1.0% in T2 form (25% of total requirement) | 16 CRD IV rules on mandatory distribution restrictions apply from 1 January 2016 onwards based on transitional CET1 requirements. As per CRD Art. 141, restrictions on discretionary distributions would apply in case of a breach of the Combined Buffer Requirement as defined in CRD Art 128(6) | 17 Based on Barclays’ understanding of “The Bank of England’s approach to stress testing the UK banking system” published in October 2015, which is subject to change, and “Stress testing the UK banking system: key elements of the 2016 stress test”, published March 2016. Stress test hurdle rates for 2016 tests comprise the minimum CRD IV CET1 requirement and the CET1 component of Pillar 2A. For G-SIBs, the ‘systemic reference point’ also includes the applicable phased in G-SIB buffer. Thereafter, the hurdle rates are subject to changes in Pillar 2A which is a point in time assessment updated annually | 18 Indication based on capital buffers that can be used in stress tests. This should not be interpreted as an indication of Barclays’ 2016 Pillar 2B and/or future PRA buffer which remains confidential between the BoE and the respective banks it regulates | 19 Market derived stress-losses based on applicable year-end CET1 ratios against low-point stress outcomes | 20 Based on Barclays’ understanding of current regulatory requirements which are subject to change | 21 Based on Barclays’ understanding of current regulatory proposals which are subject to change including (i) “FSB’s Total Loss-absorbing Capacity (TLAC) Term Sheet”, published on 9 November 2015, (ii) “The Bank of England’s approach to setting a minimum requirement for own funds and eligible liabilities – consultation on a proposed Statement of Policy” published on 11 December 2015, and (iii) “The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions” consultation published by the Bank of England on 11 December 2015. Actual future MREL/TLAC requirements will depend on the Bank of England’s implementation of the final rules | 22 The illustrative issuance volume represents the difference between 24%, and our Jun-16 FL CET1 capital and HoldCo issued capital and senior debt, reduced for HoldCo senior maturities over 2016-22, and HoldCo securities with a remaining contractual maturity of <12 months as at 1 January 2022 (£5.2bn in total). Actual issuance plans are subject to, amongst other things, market conditions and regulatory expectations, which are subject to change and may differ from the illustration | 23 LCR estimated based on the CRD IV rules as implemented by the European Commission delegated act | 24 Estimated based on the final BCBS rules published in October 2014 | 25 Excludes AT1 capital and preference shares | 26 Illustration of Barclays business divisions in preparation for regulatory ring-fencing. Plans are subject to internal and regulatory approvals and may change | 27 Including corporates with less than or equal to £6.5m equivalent turnover, subject to some specific exceptions | 28 For H116, annualised RoTE on a statutory basis | 29 Core costs: including SRP implementation costs and restructuring costs, excluding Barclays Africa, and conduct and litigation and other notable items; target set at an average USD exchange rate for 2016 of 1.42 | 30 A1 rating refers to the counterparty risk assessment | 31 Comprises all outstanding Barclays Bank PLC issued public and private term vanilla senior unsecured debt, regardless of residual maturity. This excludes £29bn of notes issued under the structured notes programmes | 32 Nominal basis will not reconcile with the regulatory basis due to regulatory adjustments. Includes BAFL | 33 The two categories of “by contractual maturity as applicable” and “by next call date as applicable” are not mutually exclusive. The former includes all dated tier 2 instruments whilst the latter includes all non-bullet tier 2 instruments, thereby any dated instrument with an issuer call option will be included in both categories | 34 A loan becomes a credit risk loan when evidence of deterioration has been observed, for example a missed payment or other breach of covenant. A loan may be reported in one of three categories: impaired loans, accruing past due 90 days or more, impaired or restructured loans. These may include loans which, while impaired, are still performing but have associated individual impairment allowances raised against them | 35 P&L charge for the half year | 36 Source: Bank of England 2014 and 2015 stress test results [http://www.bankofengland.co.uk/financialstability/Pages/fpc/stresstest.aspx] Cumulative impairment charge rates refers to total impairment charge (over three years for the 2014 stress test and over five years for the 2015 stress test) / average gross on balance sheet exposure over the period | 37 Peer data is based on the average of three comparative banks results | 38 Balance weighted LTV is derived by calculating individual LTVs at account level and weighting the by the balances to arrive at the average position | 39 High LTV is >85% | 40 Based on Barclays assessment | 41 LTV distribution of CRE portfolio does not include unsecured or unassessed balances |
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