Lee Street, Citigroup
Hello, good afternoon and thank you very much for taking my questions. Three quick ones from me. Firstly, you mention the potential for the GSIB buffer to be reduced. If that were to happen, I was just wondering how you'd see that impacting the management buffer, as in, would you see the management buffer increasing or would you just take your target capital ratios lower?

Secondly, I think you just mentioned some private placements. I was just wondering if you could give us any indication of what volume you might expect to be able to do in private placement each year relative to your indicated £6bn issuances.

And finally on the ring-fencing – you mention that court approvals and PRA approvals will be required to do the split - I was just wondering what plan B would be if, for whatever reason, they didn't approve it and you couldn't move bondholders?

Dan Hodge
In terms of the G-SIB buffer, I think we're fairly consistent in our guidance that our overall capital ratio will be a function of the sum of all the various regulatory requirements and regulatory buffers plus our prudential management buffer, which we're still stating to be between 100 and 150 basis points.

So in a situation whereby we had a fall in the G-SIB - if it did fall from 2% to 1.5% then we'd still look to retain that management buffer between 1% and 1.5% so you would in that situation see the overall end-state capital ratio come down. We are pretty confident that our deleveraging actions should drive the reduction. We will find out later this year, probably around November. The November data will be based on the calibration of our size versus peer banks' as at the end of last year and so we'll wait and see what happens there.
In terms of the private placements, I'm afraid it's not a number that we'll put out there in terms of how much we think we'll get done. It still would be clearly in a minority of the total senior issuance that we would get done out of our holding company.

I do just want to reiterate one point as well and I know I've said it in my speech but I'll say it again. The £6 billion number that we show in total, that is purely illustrative so don't read too much into that particular number.

Steven Penketh
With respect to your question about plan B, put simply, there isn't one because this is a legal regulatory requirement which we are going to hit. On the journey we also intend to make sure that it's one that actually enhances delivery of our strategy too. At the moment in the core businesses we have two very strong, stable, BUK and BC&I brands which will become two very strong, stable BUK and BC&I entities, the latter being in BB PLC.

Lee Street
Okay, so should I take it from that that it's an immensely remote possibility that you wouldn't get those approvals, is that a fair take-away from that?

Steven Penketh
A fair take-away, yes.

Robert Smalley, UBS
Just a couple of questions; going back to the slide looking at evolving CRD IV capital structure transitioning to wholesale over time – phasing out the Legacy Tier 1s, there's a certain number of them that will count as Tier 2s so when we look at the 3% tier two number, how much of that is going to be essentially new issue and how much is going to be Legacy Tier 1?

And the second one, in terms of the group legal structure and the Tier 2s, how much of the Tier 2 that you're planning on, that 3%, is going to be used in the Barclays UK or some other entities away from Barclays PLC?
Dan Hodge

In terms of the first question there, you're absolutely right, there are going to be some of the Tier 1s which are currently in BBPLC that will no longer qualify as AT1 capital and some of them will feed through to become Tier 2s. However when we give our guidance around end state capital structure, think about all of our Tier 2s eventually as being issued from the holding company and so certainly for a short period of time there will continue to be some Tier 2 existing within BB PLC and obviously will account for that time as Tier 2 for our consolidated capital ratio. If you look at some of the other slides here, we give some helpful maturity and call date profiles. You see there shouldn't actually be much left anyway by the time you get to the end-state.

In terms of the other question around how much of the Tier 2 goes down to Barclays UK. So really to answer this we need to look at the overall capital structure of both the ring-fenced bank and BB PLC, thenon-ring-fenced bank, and view them in a fairly similar way to the overall group structure, in that the characteristics that we attribute to each tier at the group level you'll also expect to see in the ring-fenced and the non-ring-fenced bank. And therefore we would need to be downstreaming from our holding company equivalent levels, at least 3% of Tier 2 down into Barclays UK.

Paul Fenner-Leitao, Societe Generale

How much do you think you need to issue at senior HoldCo level before the rating agencies, particularly Moody's, will consider upgrading the holding company? You've issued quite a lot and I'm thinking that that tranche is starting to look big enough for a reconsideration on the part of the rating agency.

Question number two is directed at Tushar. Tushar, you mentioned on the equity conference call that most of the CIB was not sensitive to passporting. I think that's probably lost on most people. It's certainly lost on me. I wonder if you can give us a little bit of colour about where the sensitivity around passporting is and where it isn't sensitive.

And then the third one was, in terms of Tier 1 and Tier 2 issuance, is AT1 out of the question now or if you get a massive rally next week because there's some solution in Italy will you do something? It seems to me that you've always got some appetite to do another Tier 1 and another Tier 2.
Tushar Morzaria

On passporting, the point of my comments there was that the majority of our business isn't impacted by passporting within the investment bank. A lot of our business is US-centric, probably more than half of our business is US-centric and then a lot of the business that isn't US-centric isn't necessarily passported activity in itself. Don't forget, the UK on-shore business and non-European business is still meaningful as well.

The other thing is, of course, passporting is one of the things where you've got to look at all the various types of activities that we have to see what actually is fully passported rather than just counting revenues or profits in one particular currency and the currency splits can sometimes be a little bit misleading. So I wouldn't underplay in the sense it's negligible; it is there, it's important but I didn't want people to think it's an overwhelming component of what we have at Barclays, where most of our business is non-passporting and the majority of our business being non-passported activity.

Dan Hodge

On your other questions – you'll be aware that Moody have a fairly quantitative loss given failure (LGF) methodology and that does mean that increased debt capital issuance would put upward pressure on our HoldCo and OpCo ratings. We're currently subject to one notch down in HoldCo for LGF, versus BCA. We're actually very close to moving to the next level and that will obviously put upward pressure on the rating and that would hopefully get our negative outlook first to stable.

The other point I'd make around that is actually under their methodology, subordinated debt gets you there a little bit more quickly than senior debt because under the methodology subordination's more important than volume. What I would say is that the LGF is only one component of the broader ratings method. Obviously all other things being equal then you'd expect some upward pressure but they take another series of factors into account as well. Clearly ratings are a key strategic priority for us and the execution of our strategy more broadly is also critical for helping our standalone rating.

In terms of the AT1, it's still in favour with us. We know that it's been fairly volatile in terms of its price performance in the secondary market during the course of this year. There's definitely still a place for it in our capital stack. It is, despite the fact that spreads are obviously still wider than they have been in the past, cheaper than equity; you still get tax relief for it.
So definitely expect issuance from us in the future. I think we used the term “measured” in the script. That's absolutely still the case. We can be patient though. We've already got over £5 billion in issue at our holding company. We actually have less than £8 billion to do in total to reach 2.2%.

**Greg Case, Morgan Stanley**

I just wanted to ask if you could give us any colour around AT1 calls and I appreciate you're very limited in what you can say here. I’m looking at your 2018/ 2019 call schedule around the AT1s that you've already got issued. Suggest you probably need to do about a billion a year to pre-fund that so I assume you're already thinking about whether those things may or may not get called.

I just wonder if you could give us a walk-through of if there's a grey area around what you think you might be able to print a new deal on in terms of what's classed as economic and whether or not things like underwriting fees and things all go into that decision. How are you thinking about that? Because I'm assuming you're starting to work that through now.

**Dan Hodge**

We always think about these things and obviously you see we've been very active so far this year with calls and liability management exercises; these are things that can be useful but in terms of the AT1s, I think you're referencing the ones there that we've already issued at the HoldCo; we just can't comment on any plans around those. At the moment we don't comment on any individual securities so I'm afraid I'll just give you some general sense of the factors we consider in making calls or LMEs more broadly.

Firstly it's obviously eligibility for MREL and TLAC and total capital eligibility. We need to look at the up-front and ongoing PBT and CET1 impact. We look at prevailing market conditions, we look at regulatory developments. Also clearly for debt capital we need regulatory approval. For AT1s clearly we'll be looking at what our replacement security was, the price if you were to refinance, so it's really the balance of all of these factors we'd have to take into consideration and it's obviously too early to say anything more specific than that.
Greg Case
Okay. I appreciate this is a conversation between you and the regulator ahead of a call but I'm assuming your issuance plan assumes that you'll be bringing those back in on the first call date unless something changes, i.e. you'll be pre-funded and then it'll be whether or not at that point in time the decision is whether or not to call and also whether or not the regulator wants to.

Dan Hodge
Our funding plan is not specific to individual securities by securities. We just have a certain level of AT1 that we know we need on a go-forward basis and that's really what we've been solving for on our plan. We don't have anything specific about exactly how that gets met.

Carlo Mareels, Mitsubishi UFJ
My question is related to RWAs. I understand the plan for RWA reduction but there is still a component probably of RWA inflation going forward and I'd like to have a little bit of a view on that over the coming few years, to what extent that is predictable at this stage.

And secondly if there is also still scope or is it to be ruled out that there is an exchange actually out of OpCo bonds into HoldCo bonds proposed at some point or if we have to just forget about that.

Dan Hodge
Firstly I'll provide the context for any RWA inflation and sorry for just repeating what I said on the call earlier but I think it's worth doing; that spot RWAs are running at around £366bn. If you take off for Africa post-reg deconsolidation, take the non-core down to £20bn of RWAs, you're already into “low £300bns” and you stay in the low 300s with core growth.

So it does actually give us a bit of prudential room, if you like, for a bit of net RWA inflation. That said it's too early to quantify how much there's going to be. We're still working through it. The papers themselves are still not final. We know that the Basel committee is working through various situations to try and get those done in Q1 next year.

You'll be aware that the numbers coming out of the quantitative impact studies are clearly very high. I think it's very, very unlikely that you'd see them coming through without some filter or reduction as it runs through the “CRDV” process. Certainly from the UK banking system's perspective, the Bank of
England has made it very, very clear that it has no desire to increase the overall net level of capital and I think we can take a certain amount of comfort from that.

One of the ways in which that can be assured is to obviously reduce the pillar 2A add-on to provide some offset. The only last thing I suppose I’d say is that reg change is nothing new for us. We’ve had waves of Basel 2.5 and Basel 3 over the last few years and we are very good at responding to it and mitigating it.

I would say that it will take at least two or three years before we see the current swathe of proposals around standard risk floors, changes to standard risk weights, fundamental review of trading books, securitisations – all these kind of things I think you’re referring to – I think that's going to take quite a long time to go through the European legislative process and then be adopted inside the UK. But as I say, we don’t have our head in the sand over these things. We know there may be some net impact and we've provided for that in our prudential forecast and plan.

On exchanges, I’ll repeat what I said earlier – we're always on the lookout for opportunities to do liability management exercises. They can be a very helpful tool for providing liquidity for the bonds. We're hopefully providing an access to the holding company for our investors, which we think is a great way of you seeking diversification, of getting the benefit of the Barclays group.

We have retired over £6bn of BBPLC senior and sub debt in H1, including through liability management exercises so they're a very, very important tool for us as we move towards our end state capital and MREL targets and the factors I listed earlier in response to the AT1 question around MREL/TLAC comparability, up-front PBT and CET1 impacts, prevailing market conditions; all these factors I applied earlier to AT1s apply equally to our balance for considerations for LMEs for senior and sub-debt.

Lee Street, Citigroup

Thank you for taking another one from me. Just on slide 19 where you show the illustrative future MREL, just on the loss absorption stack you've got the whole Pillar 2 3.9% there and I appreciate on the capitalisation you say greater than 8% but logically wouldn't you need to be taking some if not all of the Pillar 2 into the recapitalisation? The reason I ask is that could push up your ultimate MREL so just any thoughts around that would be most welcome.
Dan Hodge

Yes, thanks, Lee. Well, that's absolutely right; clearly as part of the consultation paper it was contemplated that Pillar 2A would be added on to that so effectively you could have a situation where the loss absorption shown here on page 19 of eight plus the 3.9% Pillar 2A could be multiplied by two and then on top of that you'd have the combined buffer so yes, that absolutely could get you to the high 20s or even 30% as opposed to the 24% or so we've illustrated

But that's exactly what I was getting at earlier actually. We do know that there is a risk of that. In terms of what that might translate to in terms of issuance, the £6bn per annum that we quoted earlier is based on spot RWAs and not accreting any more absolute CET1 capital.

In reality, as we've said a couple of times, we would expect RWA to be materially lower; in fact we're very confident that RWAs would be materially lower and also confident that we can continue to accrete absolute CET1 capital levels and therefore the lower RWAs and the higher capitals would clearly mitigate the risk of the end-state MREL ratio being more akin to the right-hand side of page 19 than the left-hand side.

Tushar Morzaria

Thanks, Lee, and I think that was the final question so thank you, everybody, for listening and we welcome your feedback on this call; hope it's helpful and we'll look to do this again at year-end.
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