Barclays PLC Q2 2024 Results

Analyst and Investor Conference Call Speech

C.S. Venkatakrishnan, Barclays Group Chief Executive

Anna Cross, Barclays Group Financial Director

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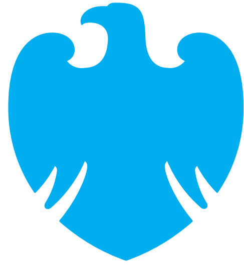

C.S. Venkatakrishnan
Group CEO

Good morning everyone and thank you for joining Barclays second quarter 2024 results call.

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We set out financial targets and are on the path to delivery

Targets	Q224	H124	2024	2026
Statutory RoTE	9.9% *11.8% excl. inorganic activity*[1]	11.1% *12.0% excl. inorganic activity*[1]	>10% *c.10.5% excl. inorganic activity*[1]	>12%
Total payout	£1.2bn[2]		Broadly in line with 2023	At least £10bn[3] 2024-2026
Investment Bank RWAs (% of Group)	58%			c.50%
CET1 ratio	13.6%		13-14%	13-14%
Supporting targets and guidance				
Income	£6.3bn	£13.3bn		c.£30bn
Group NII excl. Investment Bank and Head Office[4]	£2.7bn	£5.4bn	c.£11.0bn *c.£10.7bn previously*	
Barclays UK NII[4]	£1.6bn	£3.1bn	c.£6.3bn *c.£6.1bn previously*	
Cost: income	63%	62%	c.63%	High 50s%
Loan Loss Rate (LLR)	38bps	45bps	50-60bps Through the cycle	50-60bps Through the cycle

[1] Inorganic activity refers to certain inorganic transactions announced as part of the FY23 Investor Update designed to improve Group RoTE beyond 2024. In Q224 and H124 these include the £220m loss on sale of the performing Italian retail mortgage portfolio and the £20m loss on disposal from the German consumer finance business | [2] Includes dividend for H124 of 2.9p per share and share buyback announced in relation to H124 of up to £750m | [3] This multi-year plan is subject to supervisory and Board approval, anticipated financial performance and our published CET1 ratio target range of 13-14% | [4] NII guidance excludes planned acquisition of Tesco Bank's retail banking business expected at the beginning of November 2024 |

At our Investor Update in February, we set out a three-year plan to deliver a better run, more strongly performing and higher returning Barclays.

We are continuing to execute in a disciplined way against this plan and this is our second progress report.

Our second quarter and first half performance keeps pace with our 2024 and 2026 financial targets, which are:

- First, grow returns, with a target Return on Tangible Equity of above 12% in 2026.
- Second, distribute more capital to shareholders, with a target of returning at least £10bn between 2024 and 2026.
- And third, rebalance the bank, with a target to reduce RWAs in the Investment Bank from 58% of Group RWAs at the end of 2023 to around 50% by 2026.

Return on Tangible Equity was 9.9% in the second quarter, and 11.1% in the first half of the year, on track for our target of above 10% in 2024.

Total income for the second quarter was £6.3bn and it was £13.3bn for the first half and as you will hear from Anna, we continue to be focused on the quality and stability of our income mix. We are also increasing our Net Interest Income guidance for 2024 from £10.7bn to approximately £11bn.

We continue to control our costs well and are seeing the benefit of the cost actions which we took in the fourth quarter of last year. Our cost to income ratio was 63% in the second quarter and 62% in the first half.

We continue to manage our credit carefully. Impairment charges have improved in the US Consumer Bank, in line with our expectations, and our overall credit performance is strong, particularly in the UK.

We remain well-capitalised. Our CET1 ratio was 13.6%, comfortably within our 13% to 14% target range. This enabled us to announce the first installment in our plan to return at least £10bn to

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shareholders by 2026, with a total payout of £1.2bn for the first half of 2024, including a 2.9 pence dividend per share and £750 m buyback.

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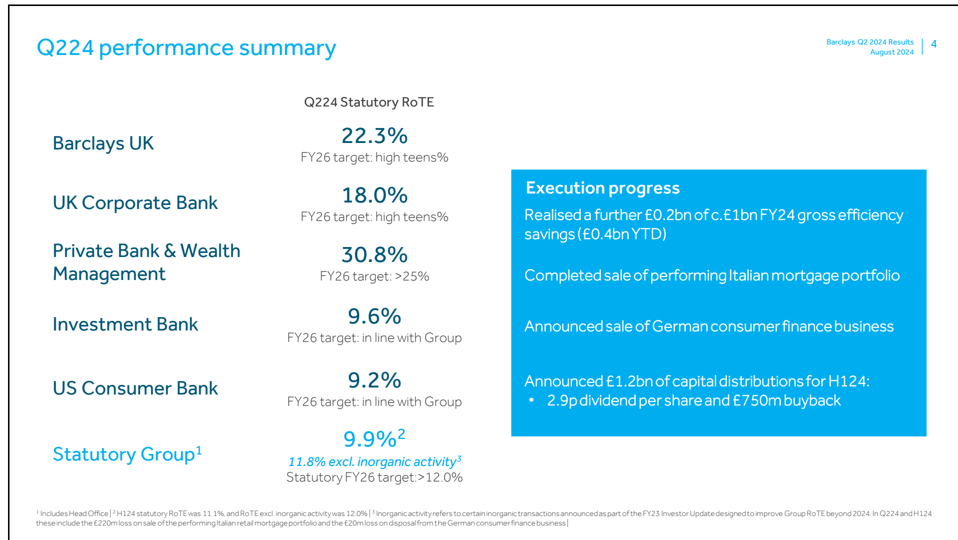

Across the bank, and within each of our five divisions, we are striving for an improved operational and financial performance. You see on this slide, slide 4, the returns on tangible equity for each of our divisions and for the Group, alongside our 2026 targets. Anna will take you through our financial performance in more detail shortly, after I have covered a few divisional highlights.

Starting with our three UK-focused divisions, Barclays UK, the UK Corporate Bank, and Private Bank and Wealth Management. We said in February, we plan to deploy an additional £30bn of RWAs into these higher returning UK businesses by 2026.

Barclays UK's Return on Tangible Equity was 22.3% for the quarter. We are seeing stability in the balance sheet, with interest rates now expected to stay higher for longer. Deposits are stabilising faster than we anticipated, with savings broadly flat quarter-on-quarter, given the pricing actions which we took earlier this year. And we saw positive gross lending across products, as we managed the mortgage book well in a competitive environment.

The announced acquisition of Tesco's retail banking business is progressing well and we are on track for completion in November this year. This will represent around £8bn of RWAs out of the £30bn, which we announced earlier.

In the UK Corporate Bank, Matt Hammerstein presented our ambitions for this business in June, the first of our deep dives following the Investor Update. We have an opportunity to grow our share of lending in the UK corporate market, through deepening our client relationships and investing more in the client experience in order to make it easier for them to access more of our products and services. We delivered 18% RoTE in the UK Corporate Bank in the second quarter and target continued high teens returns in this business in 2026.

Private Banking and Wealth Management delivered a RoTE of 30.8% in the second quarter, as client assets and liabilities grew by 14% year-on-year. With simpler pricing and service improvements, we have seen a meaningful increase in new customers signing on to our Smart Investor digital platform over the first half of the year.

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In the Investment Bank, RoTE for the quarter was 9.6%. We remain committed to delivering improved RWA and operational productivity to drive higher returns for this business, and you can see evidence of progress. In Markets, FICC performance was relatively stable, with European Rates improving year-on-year, while we continue to focus on expanding our overall market share. Securitised Products continued to perform well. Investment Banking fee income was up 45% year-on-year, as the industry wallet grew and we increased our share overall. ECM had a strong quarter, driven by our lead role in helping a long-standing corporate broking client, National Grid, raise £7bn in a landmark rights issue. The co-heads of Investment Banking, Cathal Deasy and Taylor Wright, will present a deep dive on their business on 1st October.

Finally, the US Consumer Bank delivered an improved RoTE of 9.2% for the quarter, as we continue to grow and drive operational improvements, and while impairment charges normalise. We took proactive actions to reduce credit lines last year and to build reserves early, and as a result our impairment performance in the first half has played out as we expected. Overall, we remain execution focused. One area in particular is cost discipline.

We achieved a further £200 m of gross cost savings this quarter, taking the total for the first half of the year to £400 m, on track for our targeted £1bn for full year 2024.

We also made progress with the non-strategic business disposals that we talked about at our Investor Update. In the quarter we completed the sale of our performing Italian mortgage portfolio and have announced the sale of our German consumer finance business.

Finally, as I said, the £1.2bn shareholder distribution is the first installment of our 'greater than £10bn' capital return plan.

I will now hand over to Anna to take you through the second quarter financials in greater detail.

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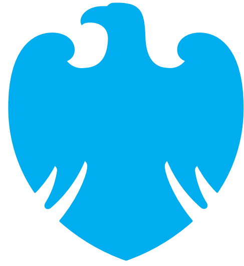

Anna Cross
Group Finance Director

Thank you, Venkat, and good morning, everyone.

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Barclays Group Q224 and H124

Q224		H124	
9.9% Statutory RoTE *11.8% excl. inorganic activity*[1] Q223: 11.4%	£6.3bn Income Q223: £6.3bn	11.1% Statutory RoTE *12.0% excl. inorganic activity*[1] H123: 13.2%	£13.3bn Income H123: £13.5bn
£4.0bn Costs Q223: £4.0bn	63% Cost: income ratio Q223: 63%	£8.2bn Costs H123: £8.1bn	62% Cost: income ratio H123: 60%
£0.4bn Impairment Q223: £0.4bn	38bps Loan loss rate Q223: 37bps	£0.9bn Impairment H123: £0.9bn	45bps Loan loss rate H123: 44bps
£1.9bn Profit before tax Q223: £2.0bn	8.3p EPS Q223: 8.6p	£4.2bn Profit before tax H123: £4.6bn	18.6p EPS H123: 19.9p
13.6% CET1 ratio Mar-24: 13.5%	340p TNAV per share Mar-24: 335p	13.6% CET1 ratio Dec-23: 13.8%	340p TNAV per share Dec-23: 331p

[1] Inorganic activity refers to certain inorganic transactions announced as part of the FY23 Investor Update designed to improve Group RoTE beyond 2024. In Q224 and H124 these include the £220m loss on sale of the performing Italian retail mortgage portfolio and the £20m loss on disposal from the German consumer finance business |

On slide 6 we have laid out Barclays financial highlights for Q2, and you'll see the same throughout the presentation for each business.

As before, I won't talk to these slides, but have included them for ease of reference. Turning to slide 7.

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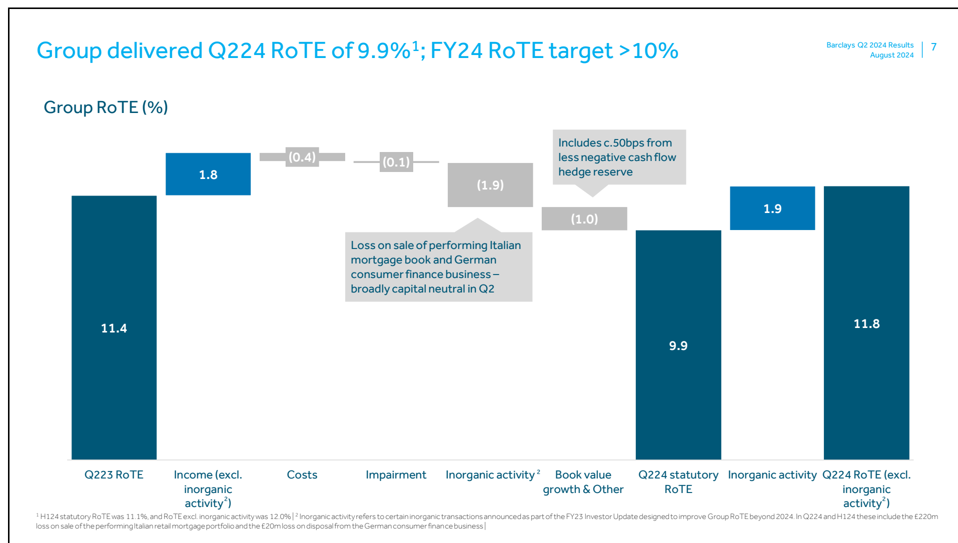

The headline message is that Q2 remained in line with the plan we laid out in February.

We delivered a statutory RoTE of 9.9%, despite a circa 50 basis point headwind year-on-year from the cash flow hedge reserve.

Excluding the loss on sale from the business disposals that Venkat mentioned, Q2 RoTE was higher than last year at 11.8%.

First half statutory RoTE was 11.1%, and we continue to target above 10% in 2024, or around 10.5% on an underlying basis, ex-disposals.

Just like Q1, I was looking for four things in these results:

- Income stability;
- Cost discipline and progress on efficiency savings;
- Credit performance; and
- A robust capital position.

Overall, we are where we expected to be and I will cover these in more detail on subsequent slides.

Starting with income on slide 8.

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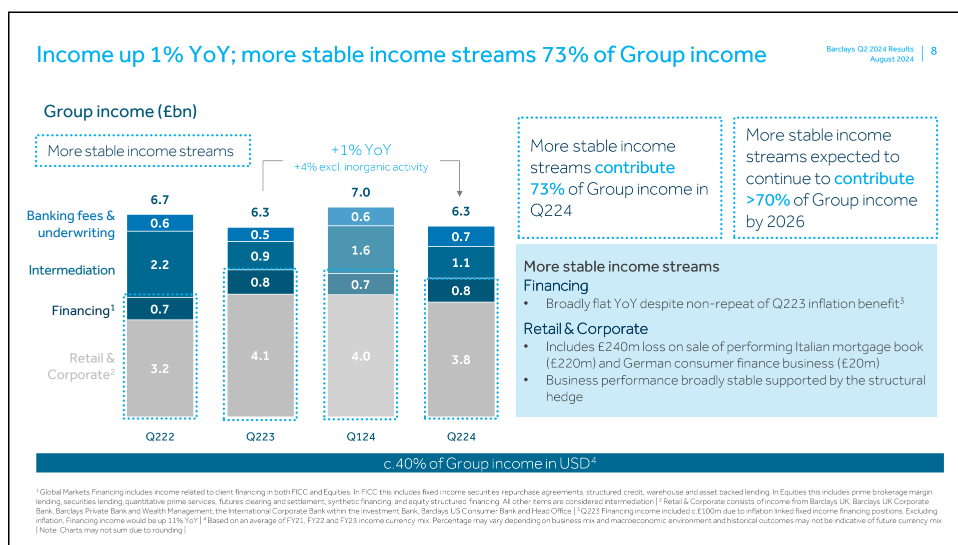

Total income was up 1% year-on-year at £6.3bn, and was impacted by the £240 m loss from the disposals, excluding this, income was up 4%.

At our Investor Update in February we emphasised the quality and stability of our income and how the more stable revenues that we generate from Retail and Corporate, as well as Financing in the Investment Bank, provide ballast to our income profile. Together these businesses contributed 73% of Group income in Q2.

Retail and Corporate income included the loss on sale from disposals, and the underlying business income was broadly flat. Financing income was also stable year-on-year at £0.8bn, despite the 2023 inflation-linked tailwinds that we have called out previously, and we saw year-on-year growth in both investment banking fees and intermediation.

Turning to Net Interest Income, on slide 9.

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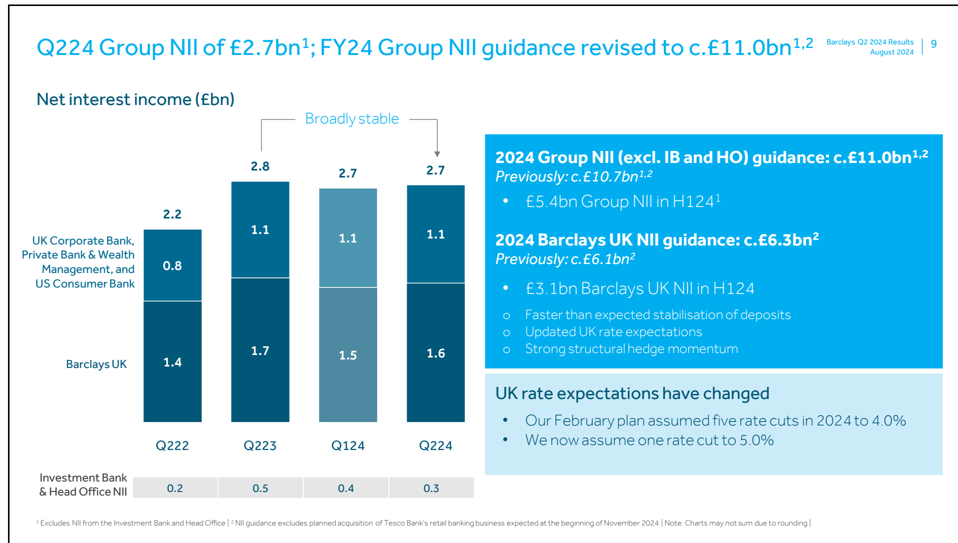

As in Q1, NII excl. Investment Bank and Head Office was broadly stable in Q2, at c.£2.7bn.

Structural hedge tailwinds continued to offset the pressure on NII from deposit migration.

We observed more stable deposits in the second quarter than anticipated, and we expect this to continue into the second half. We have also updated our UK rate expectations for 2024 and now assume one base rate cut to 5% by the end of the year.

Together these trends mean that we have increased our 2024 guidance for Group NII, excl. Investment Bank and Head Office, to c.£11bn for the full year, up from £10.7 bn.

Within this, NII guidance for Barclays UK increased from £6.1 bn to circa £6.3 bn, excluding the Tesco Bank acquisition.

A further UK rate cut to 4.75% towards the end of the year, which is currently assumed in the latest consensus, would not materially change NII this year.

Moving onto the structural hedge on slide 10.

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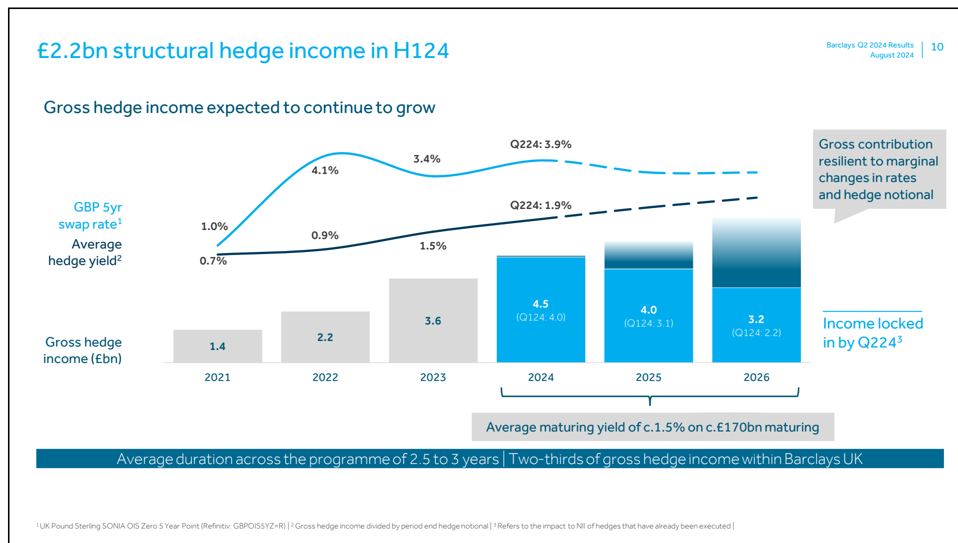

As a reminder, the structural hedge is designed to reduce volatility in NII and manage interest rate risk. As rates have risen, the hedge has dampened the growth in our NII, and in a falling rate environment we will see the benefit from the protection that it gives us.

The expected NII tailwind from the hedge is significant and predictable. £11.7bn of aggregate gross income is now locked in over the 3 years to the end of 2026, up from £9.3bn at Q1.

We have around £170bn of hedges maturing between '24 and '26 at an average yield of 1.5%.

As we said in February, reinvesting around three quarters of this at around 3.5% would compound over the next 3 years, to increase structural hedge income in 2026 by circa £2bn versus 2023.

In response to greater stability in customer and client deposit behavior, we have slightly increased the average duration. Given the high proportion of balances hedged and the programmatic approach we take, we are relatively insensitive to the short-term impact of potential rate cuts.

We have provided a sensitivity table to illustrate this in the appendix on slide 35.

Moving onto my second focus area, cost discipline.

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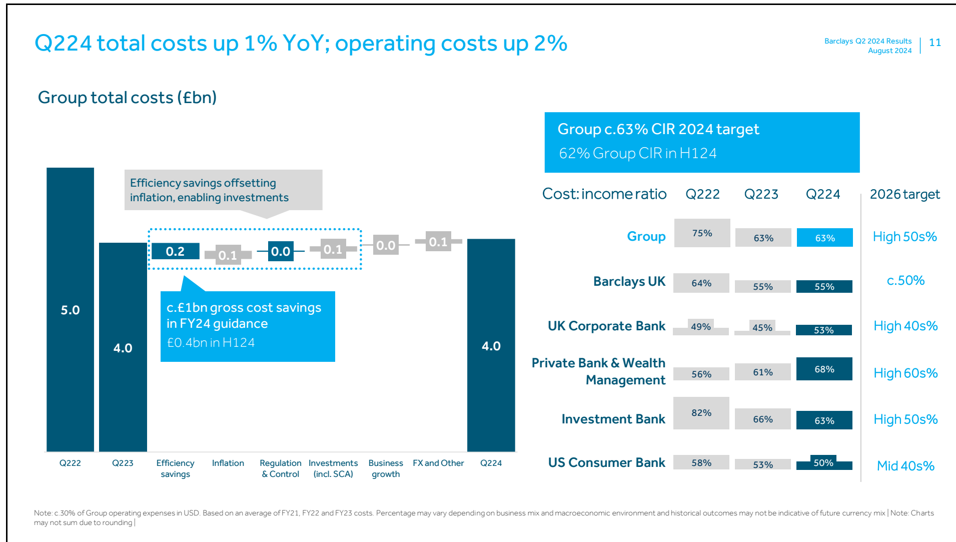

Total costs in Q2 were up 1% at £4bn, whilst operating costs were up 2% year-on-year.

We delivered a further £0.2bn of gross efficiency savings, bringing the total for H1 to £0.4bn, and we remain on track to deliver c.£1bn for the full year. These efficiencies have helped us to offset inflation and created capacity for investments.

Our cost to income ratio was 63% in Q2, 62% for H1 and we still expect it to be around 63% for 2024.

Turning now to my third focus area, impairment, which continues to trend positively.

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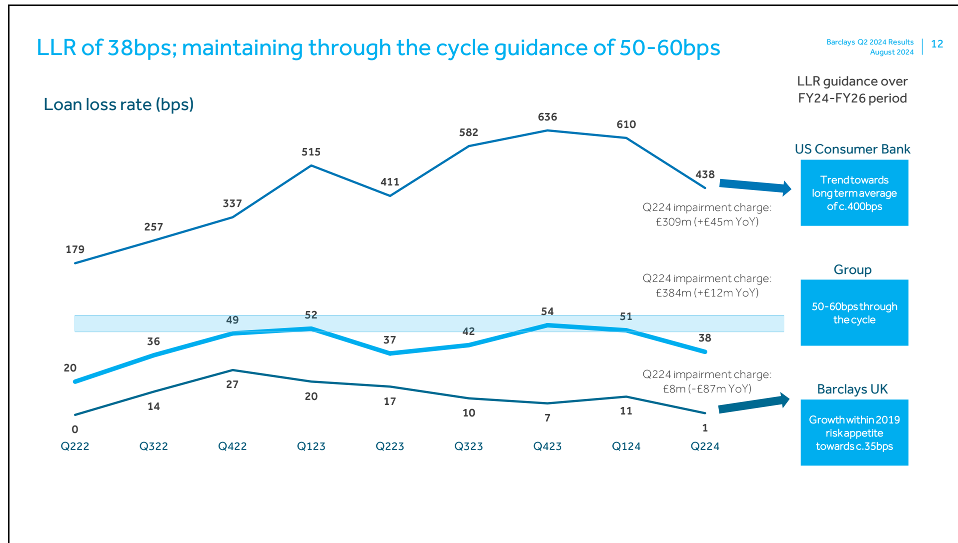

The impairment charge of £384 m equated to a Loan Loss Rate of 38 basis points for the quarter, below our through the cycle guidance of 50 to 60.

The Barclays UK charge was just £8 m, a Loan Loss Rate of 1 basis point, which reflected continued benign credit conditions and an £18 m release of economic uncertainty PMAs. Our UK customers continue to act prudently, with little current signs of stress, evidenced by continued low and stable delinquencies. Starting from this low base, we expect the Barclays UK Loan Loss Rate to track towards circa 35 basis points over time, as we complete the Tesco Bank acquisition and grow the balance sheet, as outlined in our Investor Update.

In the US Consumer Bank, the charge increased year-on-year to £309m and the Loan Loss Rate to 438 basis points.

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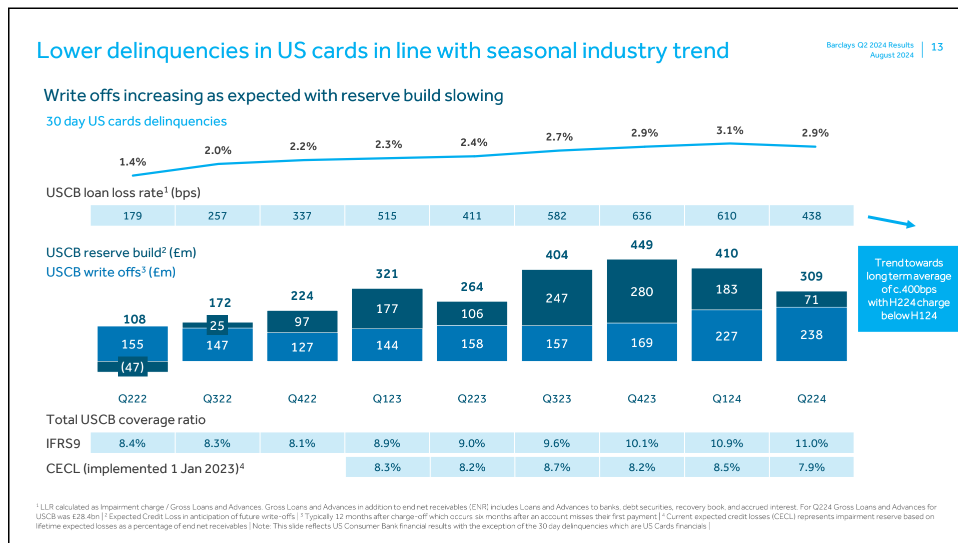

On slide 13, you can see the mix of reserve build to write-offs within the impairment charge for the US Consumer Bank continued to evolve as we guided. We expected write-offs to increase during 2024 and as such, took proactive actions to reduce credit lines and build reserves early.

In line with industry trends, there was a fall in delinquencies in Q2 versus Q1, which in part was due to seasonality and higher customer repayments. From here, we would expect future quarters to follow normal seasonality, with delinquencies rising towards the end of the year.

We still expect the US Consumer Bank impairment charge to improve in the second half compared to the first, resulting in a lower full year charge in 2024 versus 2023, and we continue to guide to a Loan Loss Rate trending towards the long-term average of 400 basis points.

I will cover my fourth focus area which is our capital position after I have walked you through our business performance.

As I mentioned, you can see Barclays UK financial highlights and targets on slide 14, but I will talk to slide 15.

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Barclays UK Q224

Targets	2026		
RoTE	High teens %	22.3% **RoTE** Q223: 20.9%	£0.8bn **Profit before tax** Q223: £0.8bn
Income	Mid-single digits CAGR FY24 NII c.£6.1bn[1]	£1.9bn **Income** Q223: £2.0bn	£1.6bn **Net Interest Income** Q223: £1.7bn
Cost: income ratio	c.50%	55% **Cost: income ratio** Q223: 55%	£8m **Impairment** Q223: £95m
Loan Loss Rate	Normalisation towards 2019 level c.35bps	1bps **Loan loss rate** Q223: 17bps	£198.7bn **Loans[2]** Mar-24: £200.8bn
Risk weighted assets	Grow contribution to Group RWAs	£76.5bn **RWAs** Mar-24: £76.5bn	£236.8bn **Deposits** Mar-24: £237.2bn

[1] NII guidance excludes planned acquisition of Tesco Bank's retail banking business expected at the beginning of November 2024 | [2] Loans and advances to customers at amortised cost |

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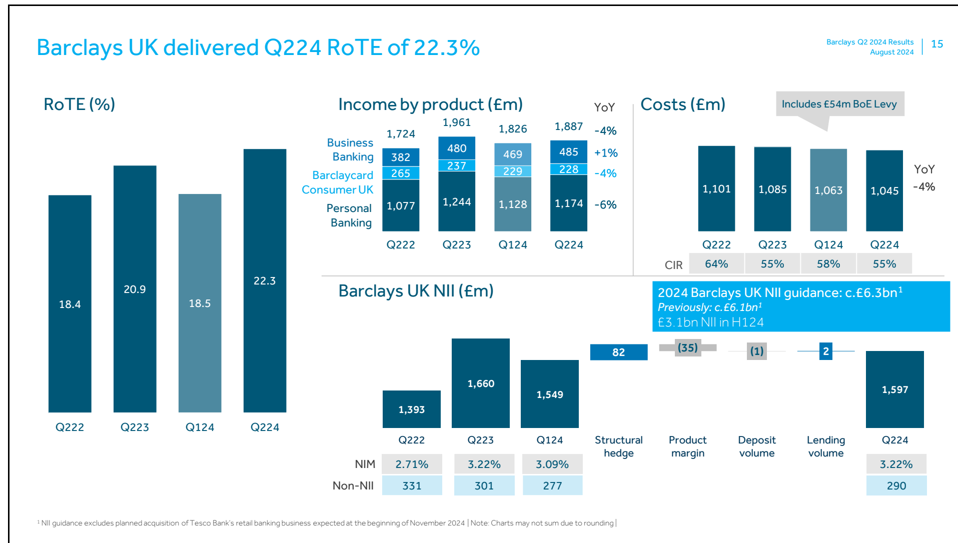

RoTE was a strong 22.3% and total income was £1.9bn.

Income was down £74m year-on-year, driven by deposit and mortgage product dynamics, and the transfer of UK wealth in Q2 2023. NII of £1.6bn was up £48m on Q1. NIM increased by 13 basis points to 3.22%, reflecting increased NII but also lower asset levels, which we do expect to grow over time.

As you can see on the chart, continued structural hedge momentum more than offset product margin pressures.

Looking to the second half of the year, we expect depositor behaviour to continue to stabilise and churn impacts in mortgages to be neutral to marginally positive.

As I mentioned earlier, we are now targeting c.£6.3bn of NII for Barclays UK in 2024, excluding Tesco Bank, which is now expected to complete at the beginning of November. At Q3 results, we will provide more details on the expected financial impacts. Non-NII was £290m in Q2 and we continue to expect a run-rate above £250 m per quarter going forward.

Total costs were £1.0bn, down 4% year-on-year due to efficiency savings and the transfer of UK Wealth in Q2 last year. The cost to income ratio was 55%.

Moving onto the Barclays UK customer balance sheet on slide 16.

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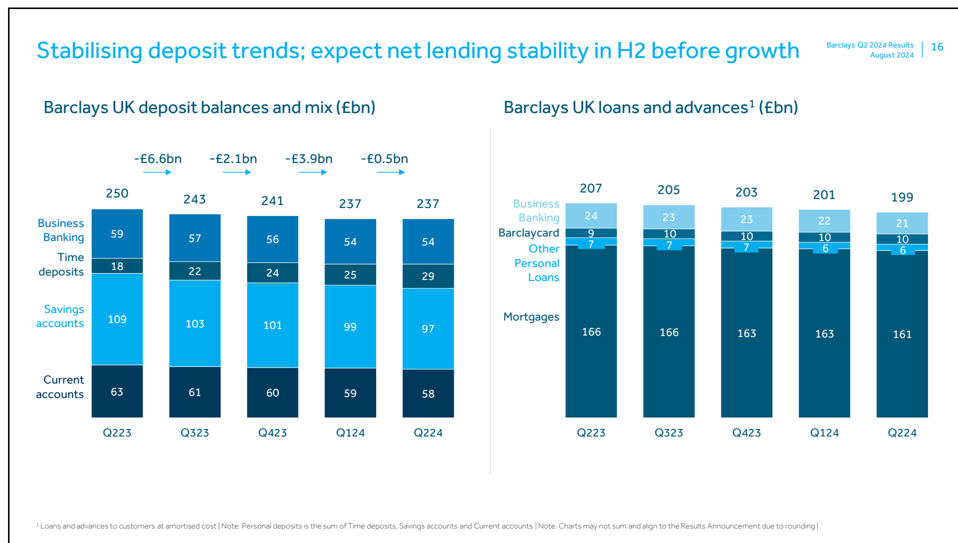

At Q1, we said we expected underlying deposit trends and loans to stabilise in the second half.

Deposits have stabilised faster than we anticipated, with balances reducing by only £0.5bn in the quarter.

Whilst net lending remains negative, gross activity has increased across portfolios, reflecting our focus on growth.

Gross mortgage lending was just under 20% higher than Q1, however, this was more than offset by a high level of maturities. Application volumes were strong, with a more balanced High Loan-To-Value share, as per our stated ambition.

UK Cards balances were stable at c.£10bn. Acquisition volumes were strong, and we added half a million new Barclaycard accounts in H1, in line with our UK growth plans. As we said previously, this will take time to flow into net balance sheet growth and interest earning lending.

Business banking gross lending also increased meaningfully, offset by paydown of government-backed loans. This shape is as we expected, with a stabilisation in net lending in the second half and then growth from there over the plan period.

Moving onto the UK Corporate Bank on slide 18.

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UK Corporate Bank Q224

Targets	2026
RoTE	High teens %
Income	Deliver high-quality growth across broad sources
Cost: income ratio	High 40s %
Loan Loss Rate	c.35bps
Loans	Grow lending market share[1]
Deposits	Grow deposits in-line with UK corporate deposit market[2]

18.0% **RoTE** Q223: 32.9%	£0.2bn **Profit before tax** Q223: £0.3bn
£0.4bn **Income** Q223: £0.5bn	£0.2bn **Costs** Q223: £0.2bn
53% **Cost: income ratio** Q223: 45%	£8m **Impairment** Q223: £84m release
12bps **Loan loss rate** Q223: (123)bps	£21.9bn **RWAs** Mar-24: £21.4bn
£25.7bn **Loans[3]** Mar-24: £25.7bn	
£84.9bn **Deposits** Mar-24: £81.7bn	

[1] Aim to grow lending at a faster rate than the market. Measured using Bank of England data: amounts outstanding of monetary financial institutions' sterling and all foreign currency loans to all non-financial businesses (in sterling millions) not seasonally adjusted | [2] Aim to grow deposits in line with the UK Corporate deposit market. Measured using Bank of England data: Money Supply data | [3] Loans and advances to customers at amortised cost |

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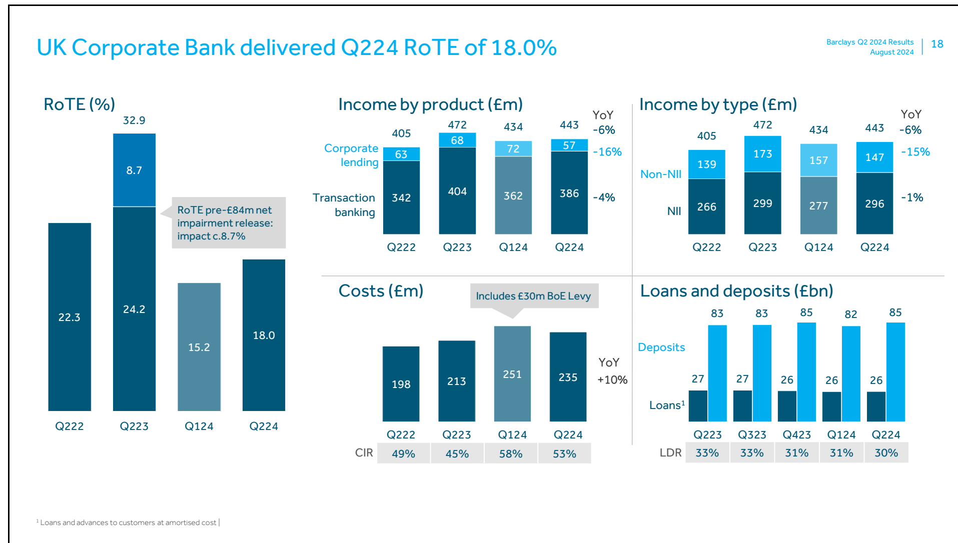

UK Corporate Bank delivered Q2 RoTE of 18%.

Income was down 6% year-on-year at £443m, as increased deposit income from higher interest rates was more than offset by lower liquidity pool income.

Loans were flat quarter-on-quarter, as demand from corporate clients remained muted, whilst there was a seasonal pick-up in deposit balances post Q1.

As we said at the Corporate Bank Deep Dive in June, we expect to generate lending growth within this business. You can see early signs of this, if not yet in balances, in c.£1bn of RWA growth year-to-date, which reflects an increase in client facilities.

Total costs increased by 10% year-on-year to £235m, reflecting investment spend, which we expect to continue in support of our growth initiatives.

Turning now to Private Banking and Wealth Management.

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Private Bank & Wealth Management Q224

Targets	2026		
RoTE	>25%	30.8% RoTE Q223: 35.9%	£0.1bn Profit before tax Q223: £0.1bn
Income	Deliver high-quality growth across broad sources	£0.3bn Income Q223: £0.3bn	£0.2bn Costs Q223: £0.2bn
Cost: income ratio	High 60s %	68% Cost: income ratio Q223: 61%	£7.0bn RWAs Mar-24: £7.2bn
Client assets and liabilities	Double digit CAGR driving income growth	£198.5bn Client Assets & Liabilities[1] Mar-24: £189.1bn	£119.8bn Invested Assets[2] Mar-24: £113.2bn

[1] Client Assets and Liabilities refers to customer deposits, lending and invested assets | [2] Invested assets represent assets under management (AUM) and supervision (AUS) | Note: Figures reflect the transfer of UK Wealth to the Private Bank on 1 May 2023 |

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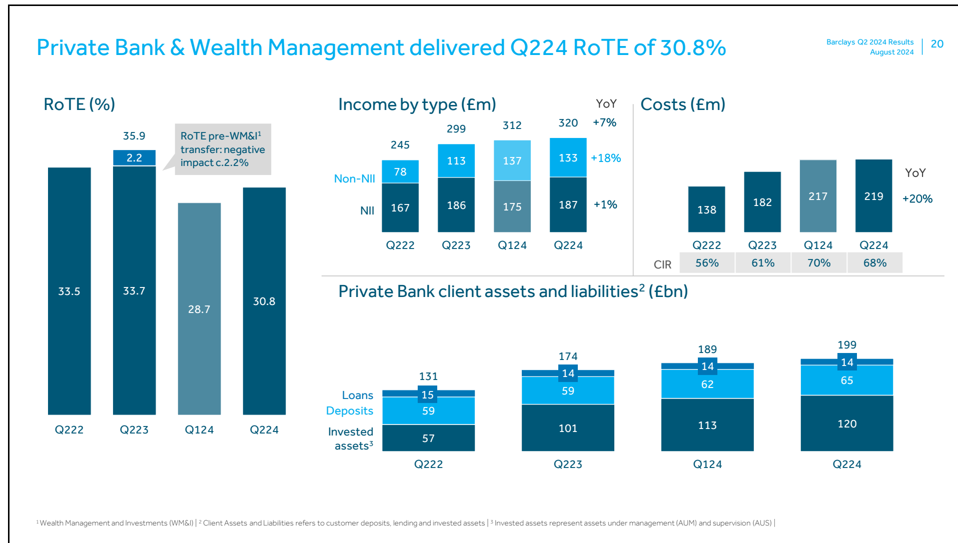

RoTE was 30.8%, supported by strong growth in client assets and liabilities, up around £10bn on Q1 and around £25bn versus the prior year.

The year-on-year increase in income was mostly attributable to the transfer of the UK Wealth business, which occurred in May last year.

Underlying growth from higher balances and higher interest rates was offset by continued, although slowing, deposit migration.

Costs increased £37m year-on-year, mostly as a result of the transfer, but also due to ongoing investments in growing the business.

We expect costs to be slightly higher in the second half versus the first, from our investments to grow our platform, hiring and efficiency-related measures.

Turning now to the Investment Bank on slide 22.

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Investment Bank Q224

Targets	2026
RoTE	In line with Group
Income	High single digit CAGR
Cost: income ratio	High 50s %
Risk weighted assets	Broadly stable c.50% of Group RWAs
Income / Average RWAs	Increase vs. 2023

9.6% **RoTE** Q223: 7.7%	£1.1bn **Profit before tax** Q223: £0.9bn
£3.0bn **Income** Q223: £2.7bn	£1.9bn **Costs** Q223: £1.8bn
63% **Cost: income ratio** Q223: 66%	£44m **Impairment** Q223: £77m
£203.3bn **RWAs** Mar-24: £200.4bn	58% **RWAs as % of Group** Mar-24: 57%
5.9% **Income/Average RWAs** Q223: 5.5%	15bps **Loan loss rate** Q223: 30bps

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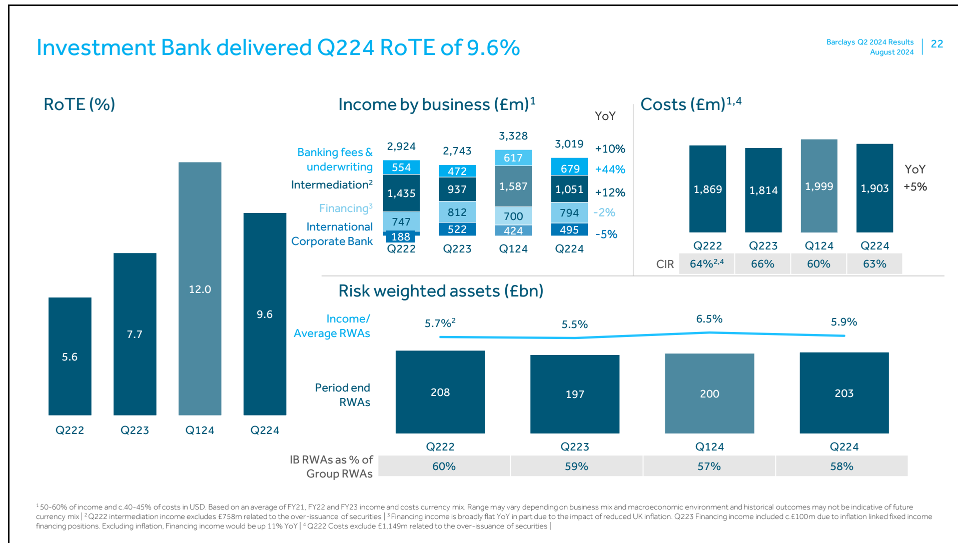

Q2 RoTE was 9.6%. Total income of £3bn was up 10% year-on-year, driven by growth in Investment Banking and Markets.

Total costs were up 5%, delivering 5% positive cost to income jaws, despite higher structural costs actions linked to headcount actions in the second quarter.

This resulted in a cost to income ratio of 63% for Q2, down three percentage points year-on-year.

RWA productivity, measured by income over average RWAs, was 5.9%, 40 basis points better year-on-year, albeit down seasonally on the Q1 level. As we set out in the Investor Update, we are focused on improving this key metric from the 2023 level, to drive higher Investment Bank returns. RWAs were £3bn, or 1.4% higher, versus Q1 at £203bn. This is within the bounds of normal client trading activity, driven largely by temporary factors. As you know, we are committed to keeping Investment Bank RWAs broadly stable at year-end 2023 levels, reducing the proportion to circa 50% of the Group by 2026

Now looking at the specific income lines in more detail on slide 23.

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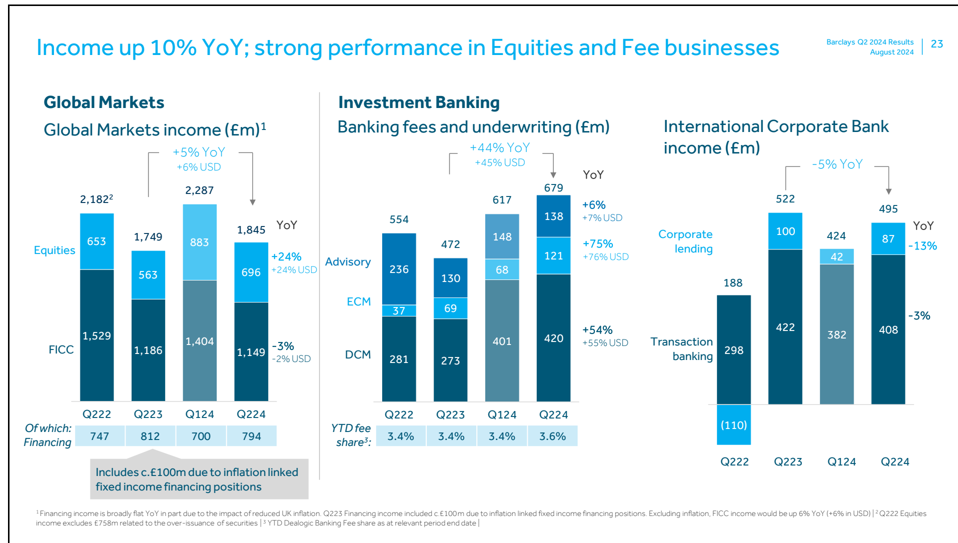

Using the US dollar figures as usual to help comparison to our US peers, Markets income was up 6% year-on-year.

Equities income was up 24%, again reflecting good performance across equity derivatives, prime and cash.

FICC income was down 2% against a prior year quarter that we said included a c.£100m benefit from inflation-linked positions. Excluding this, FICC was up 6% and this is the last quarter in which you will see a material impact.

We continued to make progress in our three focus businesses in Markets. Equity Derivatives saw strong client activity, and the market for Securitised Products remained favourable in Q2, allowing us to continue to monetise the investments we have made here.

European Rates improved, but we have more to do as we continue our focus on expanding share in this business. Financing income remained around £800m, despite the positive inflation effect in the prior year, providing the more stable income stream to Markets that we have emphasised. This reflected strong growth in client balances, offsetting spread compression, as we continue to scale the business and deliver on our £0.6bn financing income growth target by 2026.

Investment Banking fee income was up 45% year-on-year, with gains across all products.

Our year-to-date banking fee share was 3.6%. We have increased share across most products in a rising industry wallet, but we still have work to sustainably improve this.

DCM income was up 55%, again delivering improved performance across both investment grade and leverage finance.

ECM was up 76%, benefitting from the large transaction that Venkat mentioned, and the market is showing encouraging signs of recovery.

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Advisory income increased 7% year-on-year and our pipeline of announced deals looks healthy for the rest of the year.

Finally, in the International Corporate Bank, our US and European deposit balances increased in the quarter, which we see as a lead indicator of future client product take-up and fee income growth. These were offset by the impact of the changing rate and inflationary environment on deposits and liquidity pool returns year-on-year, taking income down by 5%.

Turning now to the US Consumer Bank on slide 25.

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US Consumer Bank Q224

Targets	2026
RoTE	In line with Group
End Net Receivables	c.$40bn (c.£31bn)
Net interest margin	>12%
Cost: income ratio	Mid-40s %
Loan Loss Rate[1]	c.400bps
Risk weighted assets	c.£45bn Incl. c. £16bn IRB impact in Q125

Metric	Value	Comparative
RoTE	9.2%	Q223: 9.3%
End net receivables	$31.2bn	Mar-24: $30.5bn
Net Interest Margin	10.43%	Q223: 10.66%
Cost: income ratio	50%	Q223: 53%
Loan loss rate[1]	438bps	Q223: 411bps
RWAs	£24.4bn	Mar-24: £23.9bn
Profit before tax	£0.1bn	Q223: £0.1bn
Income	£0.8bn	Q223: £0.8bn
Costs	£0.4bn	Q223: £0.4bn
Impairment	£0.3bn	Q223: £0.3bn

[1] LLR calculated as Impairment charge / Gross Loans and Advances. Gross Loans and Advances in addition to ENR includes Loans and Advances to banks, Debt securities, recovery book, and accrued interest. For Q224 Gross Loans and Advances for USCB was £28.4bn |

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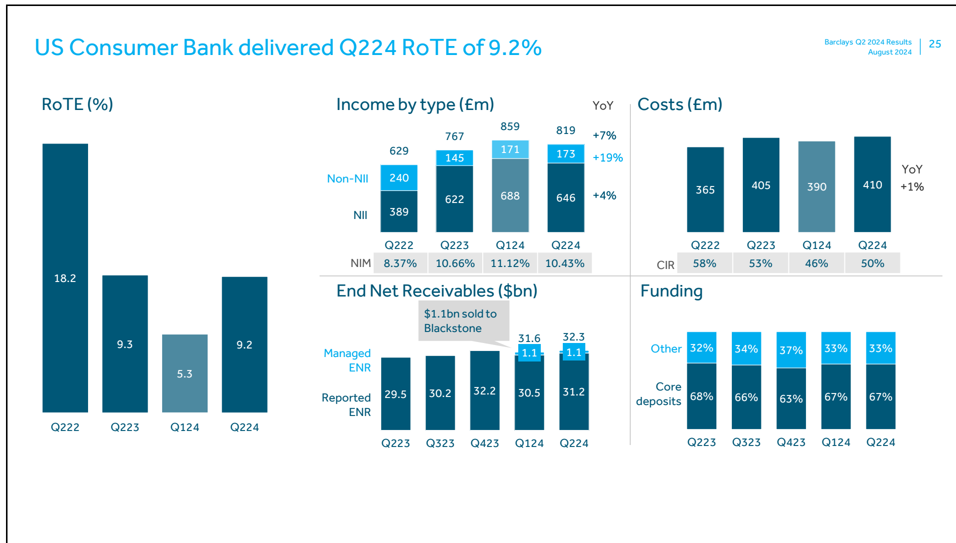

USCB generated RoTE of 9.2%, as income growth was offset by higher impairment versus the prior year, as we expected.

Income grew 7%, as cards balances were up by $1.7bn year-on-year to $31.2bn.

From now on we will report end net receivables on both a managed and a reported basis.

Managed balances were $32.3bn and include the receivables sold to Blackstone in Q1.

As a reminder, in return, we are paid a fee and also continue to incur the cost of managing these balances.

NIM reduced to 10.4% from 11.1% at Q1, driven largely by increased amortisation of rewards paid to customers, which can be lumpy. We continue to target a NIM for this business of greater than 12% by 2026.

The proportion of core deposits in our funding mix was 67%, as we target 'above 75%' by 2026.

Efficiency savings as a result of last year's structural cost actions offset inflation, resulting in broadly flat costs and a cost to income ratio of 50%. Costs increased versus Q1 due to higher partner spend and are expected to trend up modestly in half two as we continue to grow our book.

We now expect the migration to Internal Ratings Based or IRB models to be in Q1 2025, reflecting a refined approval and implementation timetable. This is a timing impact only and does not affect our 2026 targets.

Turning now to Head Office on slide 26.

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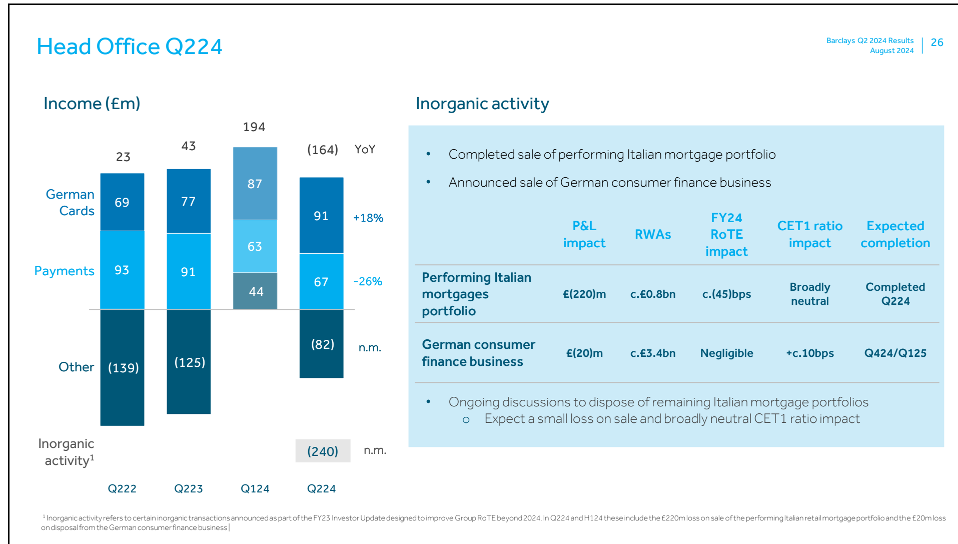

Head Office income was down £207m year-on-year, mainly due to the loss on sale of our performing Italian mortgage book. This sale is expected to reduce Group statutory RoTE for 2024 by circa 45 basis points, but have a broadly neutral capital impact.

The announced sale of our German consumer business is not expected to complete until later this year or early next, but has a negligible RoTE impact. On completion, we expect the transaction to reduce Head Office RWAs by c.£3.4bn, generating around 10 basis points of CET1 capital.

Turning now to the balance sheet, and starting with my fourth focus area, our robust capital position on slide 27.

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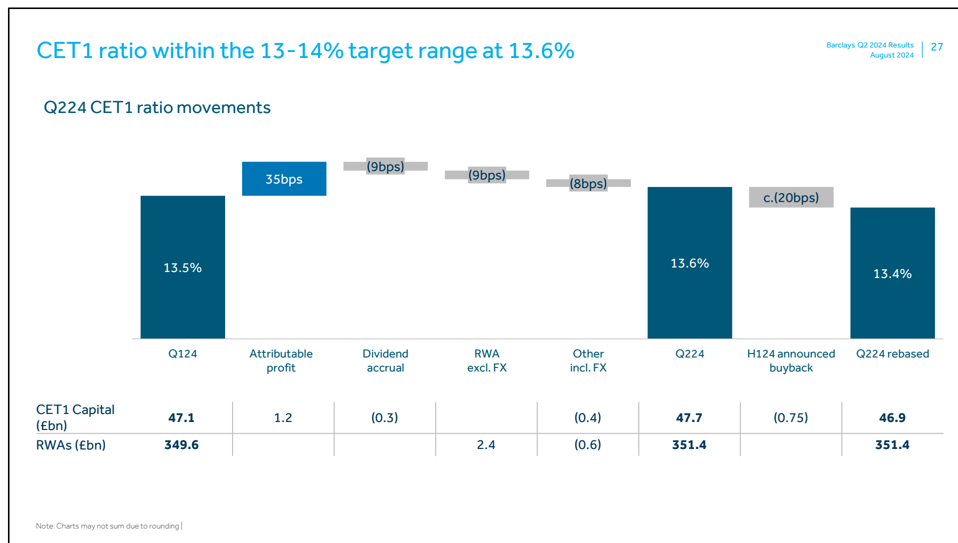

The CET1 ratio was 13.6% at the end of Q2, comfortably within our target range and we generated 35 basis points of capital from profits in the quarter.

This supports our announced half year distribution of £1.2bn, comprising a 2.9 pence dividend and a £750 m buyback.

We expect to begin the buyback soon, having completed the previous £1bn buyback earlier this week.

The half one dividend in absolute terms is consistent with prior year, but is 7.4% higher per share, driven by the share count reduction from buybacks.

This year's total capital return is still expected to be broadly in line with the 2023 level of £3bn, consistent with the capital distribution plan we laid out in February.

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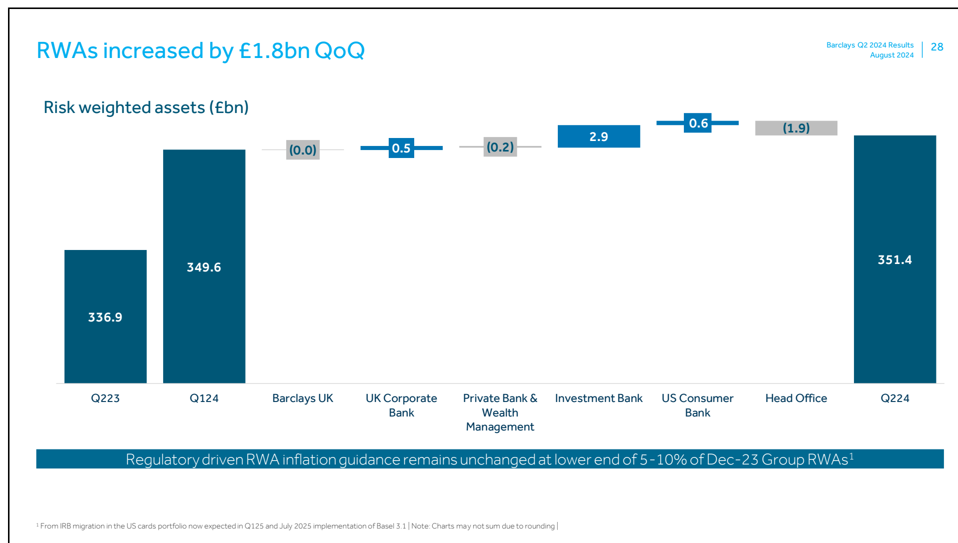

Risk Weighted Assets were £1.8bn higher on Q1 at around £351bn, as you can see in more detail on slide 28.

Our guidance remains for regulatory driven RWA inflation to be at the lower end of 5-10% of December 2023 Group RWAs.

This includes both expected Basel 3.1 and US Consumer Bank IRB impacts, as we said in February.

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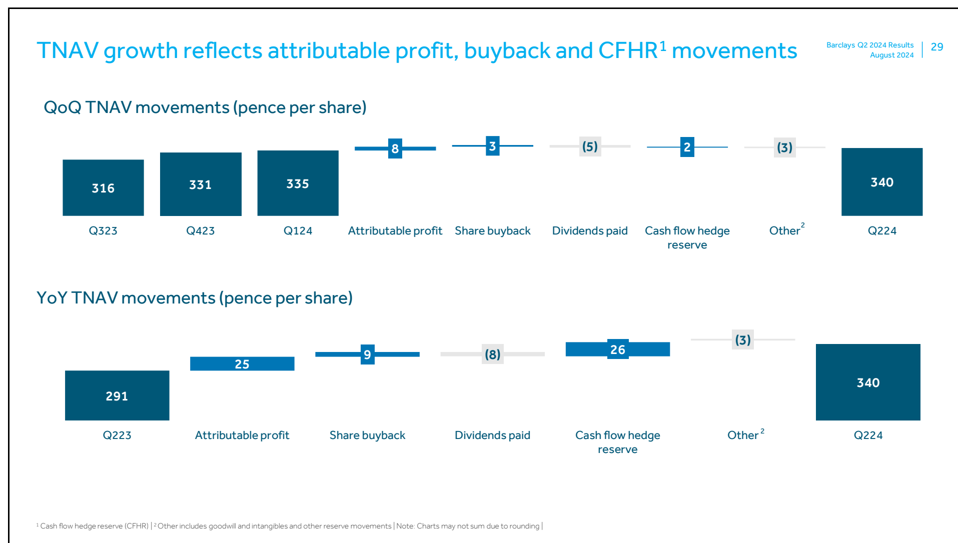

TNAV per share increased 5 pence in the quarter to 340 pence.

Attributable profit added 8 pence and the reduced cash flow hedge reserve drag on shareholders' equity added 2 pence. Additionally, share buybacks reduced our share count by 2% over the same period, driving TNAV accretion of 3 pence per share. This was partially offset by dividends paid and other reserve movements.

Year-on-year, TNAV is up 49 pence or 17%.

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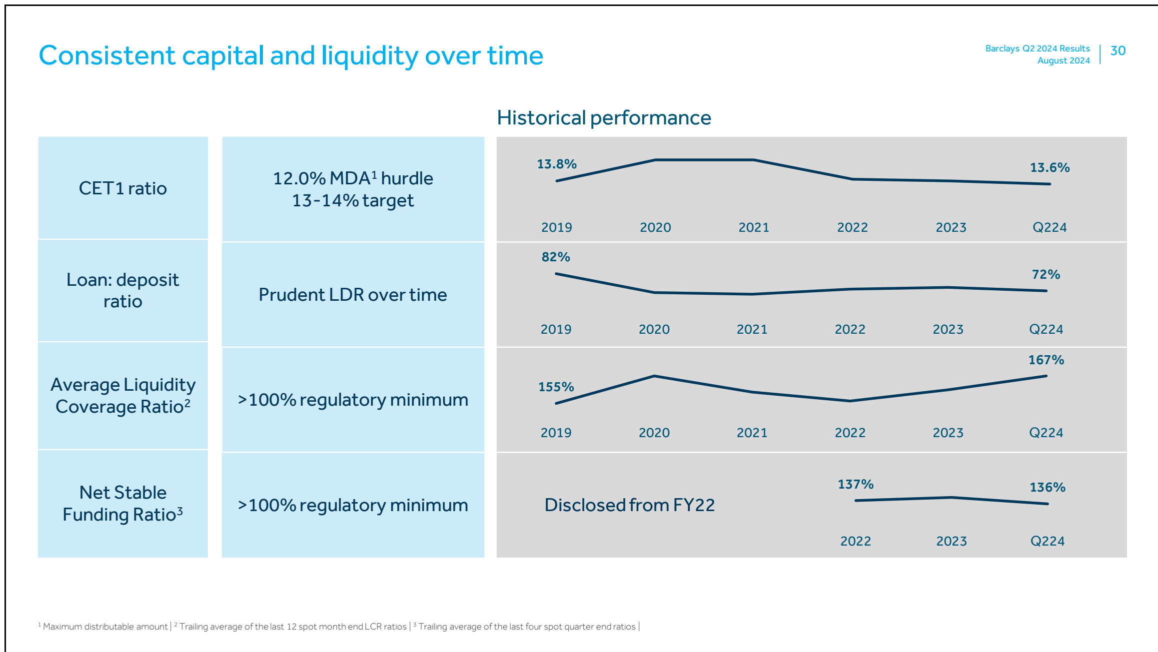

Before I conclude, as usual, a brief word on capital and liquidity on slide 30.

We continue to maintain a well-capitalised and liquid balance sheet, with diverse sources of funding and a significant excess of deposits over loans.

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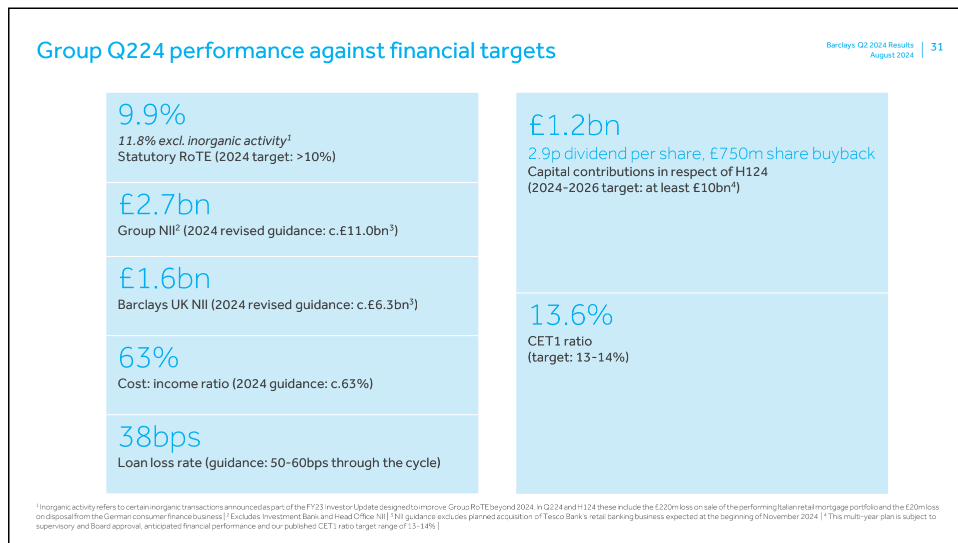

In summary, we remain focused on disciplined execution. This is the second quarter of progress against the targets we laid out in February, which we are reiterating today, and we remain on track. Thank you for listening. Moving now to Q&A. As usual, please could you keep to a maximum of two questions, so we can get around to everyone in good time.

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- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as in force and implemented in the UK as at the reporting date, including, but not limited to: the UK implementation of the Capital Requirements Directive; CRR; and any applicable delegated acts, implementing acts or technical standards and as such rules and regulations form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, in each case as amended. All such regulatory requirements are subject to change and disclosures made by the Group will be subject to any resulting changes. The Pillar 2A is also subject to at least annual review;
- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change, as determined by the Bank of England, taking into account a number of factors as described in the policy, along with international developments;
- future regulatory capital, leverage, liquidity, funding and/or MREL, including forward-looking illustrations, are provided for illustrative purposes only and are not forecasts of Barclays' results of operations or capital position or otherwise. Illustrations regarding the capital `flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change.

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this presentation provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this presentation are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the appendix of the Barclays PLC Results Announcement for the period ended 30 June 2024, Barclays PLC's Current Report on Form 6-K filed with the U.S. Securities and Exchange Commission on 1 August 2024, and the Group Reporting Changes 2023 Results Resegmentation Document, respectively, which are available at Barclays.com, for further information and calculations of non-IFRS performance measures included throughout this presentation, and the most directly comparable IFRS measures.

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This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by directors, officers and employees of the Group (including during management presentations) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Group's future financial position, business strategy, income levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including policy on dividends and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance (ESG) commitments and targets), plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulations, governmental and regulatory policies, expectations and actions, voluntary codes of practices and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the impact of competition in the banking and financial services industry; capital, liquidity, leverage and other regulatory rules and requirements applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; reforms to benchmark interest rates and indices; higher or lower asset valuations; changes in credit ratings of any entity within the Group or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the conflicts in Ukraine and the Middle East on European and global macroeconomic conditions, political stability and financial markets; political elections including the impact of the UK, European and US elections in 2024; developments in the UK's relationship with the European Union (EU); the risk of cyberattacks, information or security breaches, technology failures or other operational disruptions and any subsequent impacts on the Group's reputation, business or operations; the Group's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Group's control. As a result, the Group's actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Group's forward-looking statements. In setting its targets and outlook for the period 2024-2026, Barclays has made certain assumptions about the macro-economic environment, including, without limitation, inflation, interest and unemployment rates, the different markets and competitive conditions in which Barclays operates, and its ability to grow certain businesses and achieve costs savings and other structural actions. Additional risks and factors which may impact the Group's future financial condition and performance are identified in Barclays PLC's filings with the US Securities and Exchange Commission ("SEC") (including, without limitation, Barclays PLC's Annual Report on Form 20-F for the financial year ended 31 December 2023), which are available on the SEC's website at www.sec.gov.

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