Barclays PLC Q3 2024 Results

14 November 2024

Analyst meeting transcript (amended in places to improve accuracy and readability)

Anna Cross, Group Finance Director

So, good morning everybody. Thank you for coming to see us. I'm going to start off with a quick recap of our Q324 results and then I'm going to cover off a few things that I know have been of interest to all of you before opening up for Q&A. So we continue to be very focused and very disciplined on the execution of our three-year plan and we're encouraged by our progress to date.

At Q3, we delivered a Group RoTE of 12.3% and 11.5% in the year to date and we remain on track for greater than 10% to 2024 and greater than 12% in 2026. So similar to the first two quarters, I personally was looking for four things in these results.

The first was continued stability in group income, our total income was up 5% year on year at £6.5bn, and 74% of that income came from our corporate retail and our financing businesses and that provides real ballast to the income profile.

Our financing income was up 6% year on year, reflecting increased client flow and balances, and that business has now delivered more than £750m in four of the last seven quarters. We also increased our 2024 NII guidance for the group excluding Head Office and the Investment Bank from £11bn to greater than £11bn and for Barclays UK from c.£6.3bn to c.£6.5bn. That reflects the continued stabilisation of deposit trends and continued structural hedge momentum. Both of those figures exclude the Tesco Bank acquisition, which we completed on the 1st of November.

The second focus area for me is cost discipline. We delivered a Group CIR of 61% for the quarter and for the year to date and we're on track to achieve our c.63% full year target. We continue to make progress in the delivery of our gross efficiency savings and delivered a further £0.3bn in the third quarter, bringing the total to £0.7bn year to date and we've got good line of sight to deliver the full £1bn for the full year and importantly, we expect a further £1bn efficiency savings across 2025 and 2026. Our total cost line was impacted in Q3 by the confirmation of our Bank of England levy charge at £93m which was lower than the estimated charge of £120m which we recognised in Q124.

Please note that our Q4 bank levy charge is expected to be higher than the prior year due to a non-recurrence of prior year adjustment and balance sheet growth. So we anticipate a charge somewhere between £220m and £240m and that compared to last year's charge of £180m and you can use this range as a baseline for your charges going forward.

The third focus area was impairment, which continues to trend positively and in line with our expectations. We reported a Group loan loss rate of 37 bps for the quarter and 42 bps for the year, below are through the cycle guidance of 50 to 60 basis points. As a reminder, we expect the full year Group LLR to be at the bottom of that range, inclusive of the £0.2bn day one IFRS 9 impairment charge resulting from the Tesco Bank acquisition.

The fourth area for me was maintaining a robust capital position. We generated 46 bps of organic capital in Q324 and 125 bps in the nine months to the end of the quarter and that ended us at 13.8% CET1 ratio comfortably within our 13% to 14% range. We've also continued to make progress with

our non-strategic business disposals that we talked about in order to simplify the bank and importantly across all of the inorganic activities that we have done this year and including Tesco Bank, we expect that this will have a c.10 basis points negative CET1 impact and are broadly neutral RoTE impact on the Group.

Finally, as I noted for Q3 results, the quarterly performance was impacted by FX and by a weaker dollar, which was a headwind to income and profit, but positively impacted cost, impairment and RWAs and our results will continue to be impacted by those FX movements, so please keep that in mind as the quarter progresses. So that's a quick summary of the Q3 results. So let me now turn to a few areas which I know are of interest to you.

On Tesco Bank, now that the acquisition has completed we can be more precise on the geography of the day one impact within our financial statements. So we expect the £0.5bn income gain to be recognised in the Barclays UK Non-NII line. This is partially offset by the day one impairment charge that I just referenced, which will also be reported within Barclays UK.

Secondly, while it appears that the sell-side forecasts reflect the day one impact and annualised NII benefits going forward, I would also remind you that we are acquiring Tesco Bank's cost base and need to invest to realise synergies.

So we now have improving clarity on costs and investment requirements post-deal closing. For modelling purposes you should use the previous Tesco financial disclosures, which will get you to a run-rate of around £30m per month. You should include that from the 1st of November this year, this is before any investment in integration work and obviously before we realise any synergies.

On the structural hedge, we've had some questions on the new disclosures and specifically our illustrative structural hedge income split by business, which was on [slide] 38 of the Q3 [results presentation]. It's worth noting that the product structural hedge income split by business is not exactly the same as the notional split and that's just due to differences between customer and client behaviour and product mix between those businesses over time. What that results in, is different hedge profiles across the Group. For example, in recent past we've observed that deposits in UK Corporate Bank have been comparatively more rate sensitive than Barclays UK and that does impact the structure and ongoing management of hedging.

Finally, on USCB, now that this division is stand-alone you will see FX impacts more clearly as we did during Q324. We'll continue to call such impacts out when relevant. In addition, you should also be able to see clearer seasonality trends. So Q3 was impacted by higher rewards earned by customers through increased spend, but we do expect these factors to be less of a headwind going into Q4 due to higher holiday spend. And we continue to target a NIM of greater than 12% by 2026, driven by a number of actions.

Firstly we've completed the repricing actions on our cards, this will drip-feed through to NIM over time once customers purchase under the new terms and conditions. Secondly, the funding mix, as at Q3 USCB core deposits were 66% of its funding base and we want that to be above 75% by 2026. This will take time to build, but we have now launched the tiered savings products that will underpin that. Finally rebalancing the portfolio mix towards a higher proportion of retail balances, which will improve risk adjusted returns, and we've announced our new partnership with General Motors last month and that's very much in line with our strategy.

So before I finish, on Motor Finance. We are unable to provide any detailed or specific comment at this point. As a reminder, we have low single-digit market share in this market from 2007 until our exit in 2019. There is still a number of moving parts here.

Firstly, we are aware of the recent Court of Appeal rulings and understand that the lenders involved

are seeking permission to appeal to the UK Supreme Court.

Secondly, as the FCA is also conducting an industry wide review, which was due to be published in May 2025, it is possible that this could now be delayed further to allow time for the Supreme Court appeal to reach a conclusion, and for this to be incorporated in the FCA's review.

So as such, while we're keeping this under review, currently, we believe we have no basis on which to make a provision or to determine a liability. In summary, we are pleased with another quarter of progress, we remain focused on the disciplined execution of the plan and we're on track to deliver our 2024 and 2026 targets that we shared with you in February. And with that, I'm happy to take your questions and have an open discussion. Please can you introduce yourself with your name and institution, because this meeting is being transcribed. Thank you, I'm going to start in this corner and go clockwise.

Chris Hallam, Goldman Sachs

Thank you. Just two questions. First on Tesco. If we think about the £30m a month, £350m or £360m year, let's say, should we be assuming that at some point we'll hear from you about £100m plus restructuring charge next year? Is that something to be aware of with Q4 results perhaps? And then the second point, I suppose , since you've reported, we've had the budget here in the UK for the election in the US just any high level thoughts you have on the client discussion impact or business activity level impact of those two events?

Anna Cross

Thank you, Chris. On the Tesco point, I think your assessment of what you should build in as ongoing operational costs is accurate. I'm not going to comment at this point in terms of restructuring, we've actually been taking some costs as we've gone through the year in order to start that integration process for Tesco, so taking some into the run rate already. Clearly there will be more as we go forward. Our objective in the short term is to ensure that we integrate it safely and properly, and ensure customer service is unaffected. We'll just advise you as we go through 2025 really on the quantum and the timing of those integration costs. But our objective is for this business to be RoTE accretive, so you can imagine we do have some ambition around that [audio unclear].

Marina Shchukina, Head of Investor Relations

For the target cost: income ratio for 2026, we are sticking to what we gave on the 20th February.

Anna Cross

Yes, the BUK cost: income ratio remains the same for 2026.

On the budget point, we believe now is the right time to grow in the UK and we made that decision actually more than a year ago when we put our plan together that we presented that we presented in February. There is no part of the budget that would change our perspective on that. We believe that it aligns closely to the objectives of the government, which are really to drive growth in the UK. Clearly there will be some impacts on the cost base, but equally we're encouraged by that focus on investment and growth in the UK. That's probably where I'd leave that.

In terms of the US, it's very early. Obviously, we need to see the expectations of that new administration. The things that we are mindful of really are the expectations of growth in the US and we saw some reflection of that in the immediate share price response both for us and U.S. banks. I think the second thing I would say is that we're really mindful of under waiting, is there the timing and nature of Basel 3.1 in in the US, they're the two things that we're watching for. Thank you, Chris.

Ben Toms, RBC

Good morning. Thanks for taking my questions. The first is around the UK acquiring business. It feels like we're towards the end of that journey, in terms of us thinking about day one impacts, it looks like the way that deal's being structured that we shouldn't really expect much of a day one impact, is that the right way to think about it?

Secondly, on slide 39, you show your investment bank wallet assumptions that you made in the strategic plan. In terms of high level, do you think when we look forward nine months later that we're brought in line with those wallet assumptions? Or do we think a little bit better or a little bit worse?

Anna Cross

Thank you. I'm not going to comment on Merchant Acquiring other than to repeat what we've said in the past, which is that what we're looking for here is the partnership. When Venkat talked about this in February, he said that because of that partnership and because of the fact that that this acquiring service is so important to our clients and actually to the UK more broadly, it is a fundamental part of the UK economy, we are really thoughtful about it. We are still considering our options here and I wouldn't comment on any speculation or anything beyond that. We will update you when we're when we're ready to do so.

On the IB wallet assumptions, you might recall that we assumed the markets wallet would be broadly flat across the period of time and that we'd see a slow recovery in the Banking wallet from the lows of 2023 towards more of a decade average, which we pitched around £84bn. I would say that markets is there or thereabout, Banking has been slightly better this year than our expectations of £70bn, but it ties back to the conversation just had with Chris to really, what should we expect in 2025. So we're watchful of that, but we feel that the business is well-positioned, it's growing in line with the expanding market and we've seen a little bit of increase in market share. So we've seen good performance in the areas that we're really focused on, specifically ECM and M&A. So our market shares there have been pretty robust and growing throughout the year. So we're pleased with the progress and thinking about what 2025 may bring. Thank you.

Robin Down, HSBC

Good morning. One quick question, and one slightly longer. The quick one, the FX move, we've seen the dollar strengthening quite a lot in Q4 from the end of Q3. Am I right in thinking you're hedged on a capital basis? So the RWAs potentially pick up quite a bit of the capital moves, so from a CET1 perspective, it should be more neutral?

On Tesco, appreciate you may not be willing to give more detail at this point, but, you guide towards £400m of interest income and now £360m of costs. I'm conscious that there's a fee that you're going to be paying to Tesco. How do we square the circle, and there's about £7bn of capital in there and some impairments [on day one]. That's probably not really going to be a profitable business. So how do you see that developing in a couple of years? Is it more about cost takeout or is there a lot of revenue hope built into your numbers to get that to the business being RoTE accretive, anything you can give us on the shape of it going over the next couple of years?

Anna Cross

[…] You're right. Movements in FX will impact the individual geography of the P&L and therefore impact the RoTE but has very little impact on the CET1, just because of the fact we've also got dollar RWAs, so that is the right way to think about it.

On Tesco, if you think about what we bring and what Tesco brings to us is the right way to construct your financial expectations going forward. The first thing I would say, what do we see in this business? We obviously see the opportunity to integrate a sizeable unsecured portfolio into a cost base we already have. And think about that end to end. Everything from risk models through to operational customer service. That will be a journey of integration for us. You would expect us to do it relatively quickly, but at the same time mindful of the thing that I discussed with Chris earlier, which is there's a large number of customers here, this is a 10 year partnership and a much longer partnership with Tesco as a fellow corporate in the UK.

So our number one objective is to integrate this safely and ensure that customer service, because that's the basis on which we will grow. So yes, we do anticipate that there will be some cost synergies here, but there are also other synergies that you would expect given the nature of our business. For example, funding synergies that will come through time. We will update you on these as we go. I'd really encourage you to go and look at the Tesco's disclosures, you will see that as it stands alone, this is a business that clearly has some challenges around its RoTE, but within Barclays there are opportunities for it to be run more efficiently all the way through its P&L and for it to grow. So it's not just an income story, it's actually about the fundamentals of the P&L line following.

James Invine, Redburn Atlantic

Hi, good morning Anna. I've got two please. The first is on Kensington and on the topic of acquisitions, is that now 100% fully integrated up and running, and also how much of the recent increase in mortgage originations has that supplied please?

The second question was, I was wondering if you could unpack some of the revenue trends in the transaction bank. On the one hand, you've got migration affecting the margin, but then on the other hand, you said the increase in US deposits is a good lead indicator for the revenue stream. I was wondering what the lag is there, how quickly that will come through? Thanks.

Anna Cross

OK. So on Kensington, yes, it's up and running. Clearly we bought it at a period of time when we were less able to bring it to market to its fullest extent. But what it's doing right now is it's underpinning that broadening of product proposition that we have within Barclays UK. So it's really helping us both in terms of volume, but also in terms of our margin. So that clear objective that we have around pivoting to have a more industry or market like flow of higher loan to value mortgages, Kensington is a key part of that. I won't specifically comment on its share of flow, but it's extremely helpful.

Beyond that some of the capabilities of Kensington are really helpful and I might ask Dan to comment. But in terms of our ability to actually manage our risk proactively on the balance sheet, I [think Dan that you] might want to talk about the most recent transaction that we've done.

Dan Fairclough, Group Treasurer

Yeah. So it's been quite helpful from that [inaudible] perspective.

There were good capabilities in the people that we brought across, so that's been really helpful. As Anna said, it has really helped us in terms of the product offering that we've got and there's a pickup in volumes, that's an area that we continue to look at as well. From a risk management and an SRT perspective.

Anna Cross

To your second question James, I'll talk about the international corporate bank and corporate banking because clearly we've got transaction banking sitting across both of those. The first is that clearly we have seen migration activity in those two businesses, as we've seen across the entirety of

our portfolio and the way I think about it is the migration impacts there were more significant earlier than we would see typically in a retail or business banking or private banking portfolio. Having said that, that's clearly starting to slow now, given where the rates have been, and it's certainly more stable than what we've seen in the past. If you compare the two, you would probably see slightly less hedged in ICB than in corporate, just given the nature of those businesses. There is less hedge protection as rates start to fall.

However, offsetting all of that, what we're trying to do in both is grow deposits and grow our transactional [banking] income. And on the first, in corporate banking, whilst our objective is to lend more, it's also to grow our deposits in line with the industry growth. We would expect to do so given the strength of deposits in that business. In the ICB, you will recall from the strategy session that the IB heads took us through in October that their objective here to really broaden the product offering to their clients and that includes treasury type products and it includes the products and you're seeing that coming through in deposits generally, but particularly within U.S. dollar deposits, and that's been true throughout the year. So I'm expecting an increase in deposits in both of those businesses.

Finally, this business is about much more than deposits. It's about cash management more generally, it's about ethics, it's about trade. So there's a number of fees that are running through that business and everything that we are doing in terms of the product set. And particularly the digital engagement of those clients. You might remember, Matt Hammerstein when he did his UK corporate deep dive talked about "I-portal" and the ability to really digitise those products and get into a position where they were easier to execute for our clients. That technology is leveraged across both the ICB and corporate banking, so all of that technology build-out is really benefiting both businesses, even though they're reported separately, they share that stack. I would say think about this, the slowing migration, probably less hedge benefit as rates start to fall, but increasing deposits over time and a real focus on increasing fee businesses within those two.

Guy Stebbings, BNP Paribas Exane

Good morning. The first question was on US Consumer Bank, if you could sort of update us on whether we will find any changes to consumer regulations in the US and anything you're keeping an eye on under a Trump administration in terms of possible changes down the road?

And then the second question is on Basel 3.1, you're guiding to £8bn to £15bn, circa £5bn is coming from the US Consumer Bank, there's quite a big range for the residual component. Could you help us think about what are the drivers those impacts? How much maybe is for FRTB. Thank you.

Anna Cross

Thank you. You're right, we're very watchful about the late fees regulation in particular, that has clearly been delayed to date. We talked about this at our Investor Day in February and that we expected that fee regulation to be put in place, but somewhat offset by market pricing that we believed would follow. Though actually what's happened in practise is that that regulation has been delayed and at the moment seems to be somewhat stuck in the Texas courts. So we're really watchful of that and what happens in the industry more broadly. We haven't heard from the new administration yet or the administration to come, but we will be looking at for that. Over time we expected that to be broadly neutral. There would have been a timing impact, so you would have had the day one impact of those fees reducing and then pricing bringing that back. So there may be a difference in the short term, but in the longer term, I don't think it will materially change our expectations of the business.

On Basel 3.1. As you'll appreciate, we've given you slightly firmer guidance in that we've said still at the lower end of 5% to 10% of RWAs, but in that sort of range of [£19bn to £26bn]. We're still working through all of that detail and I think when we're ready to give you more guidance around the

specific divisions and the specific factors that relates to, then we'll do so. As you can imagine at Q3 it's still relatively new regulation. The other things that are on my mind in particular are firstly that US Basel 3.1 position when we see that, but also when we expect to get some insight from the PRA as to any [Pillar 2 offset], because that's also really important for us to understand the overall capital impacts on the business. Clearly what they said is they believe there will be an elimination of any double-count through Pillar 2, we are still waiting to hear on that point. Thank you.

Sheel Shah, JP Morgan

Hi, a question on the UK deposit pricing. I had a quick look at your Everyday Saver rates this morning and you've announced some changes for February, which sort of implies 100% beta for the cut that was just announced in terms of the Bank of England and in aggregate about 80% in terms of the deposit beta across the last two cuts, which seemed to be a little higher than the industry average. In that context, I'm wondering where Barclays and maybe where you think the industry will move to in terms of deposit beta across the longer term, as you get toward the neutral rates.

Anna Cross

I think to understand the beta more holistically or the way we think about it is across the entirety of the range. So taking individual products is probably a little bit less helpful because clearly what we are doing as we observe rates coming down, is we are reacting not only to the market but to our customers' requirements and what we think those products do for them. So I would think about it broadly across the range, not just one individual product.

What we observe off the back of the first rate cut, which is somewhat behind us now, is pricing changes across the industry that were between 10 and 25 bps and we were on average broadly within that range. So that's what we would expect on an ongoing basis. The market seems to be responding to rate cuts fairly systematically, so we will expect that from here. But it's difficult to respond either in terms of our future pricing expectations, which we never do as you know, and also in terms of the specific product, because you need to look at [the whole product range].

I would remind you though that the most important thing from our perspective here is the protection that the hedge gives on an ongoing basis and the fact that hedge continues to grind higher and is actually driving a really positive impact across that deposit base in the UK and indeed the entirety of the bank.

Kian Abouhossein, JP Morgan

I have a question about the investment bank. Clearly considering the environment and what the market is expecting is a boom in the US, you are very well exposed in the US, as you outlined at the Investor Day. What I am then trying to understand is how flexible will you be in terms of RWAs, assuming there is a boom, how do you participate in that considering it would consume capital? And clearly you've given reasonably detailed guidance on RWAs in the investment bank. And is there flexibility that you would consider growing that faster?

Secondly, how should we think about your cost guidance because clearly should revenues be significantly better and based on your guidance you assume very little growth by 2026. Then clearly there's a cost element to that as well. So how should we think about flexibility in your guidance?

Anna Cross

Ok. I think the answer is more flex in one than the other. We've given a clear steer for our utilisation of capital across the bank overall and that remains unchanged, so our expectation is that the

Investment Bank will operate broadly around the sort of £197bn to £200bn that it was at the year-end. So no change to that. Where we are growing our RWAs in the bank relates to our three highest returning businesses, which are based in the UK. That said, this will not prevent us from participating in market growth any more than it has this year, or indeed in in prior years, and I just remind you that even prior to February that over the years in the Investment Bank had been broadly flat for a couple of years before that. We're well used to operating within that framework and many of the areas that we're really trying to lean into here, particularly around banking are inherently less capital intensive – specifically ECM and M&A – perhaps is the activity that we might expect to be stimulated, although we await to see and that clearly has a much, much lower RWA burden.

Similarly, within markets our focus has been on the efficiency and the effectiveness of RWAs within that business and actually what we've demonstrated over the last few years is, where we have grown RWAs, the revenue over RWAs has been unaffected. So they're really focused on that. And finally, I would remind you that we do have opportunities and have been optimising our RWAs within the Investment Bank and the leadership there really do consider the best use and the best return of those RWAs as they're making their decisions on an ongoing basis.

Where there is more flex is clearly on the cost base and just to take you back to February, the north star of the business is RoTE. Therefore the north star relating to costs is not cost [in absolute terms], it's cost: income ratio. We talked about an expectation of [Group] income for 2026 that was [circa] £30bn and alongside that a [Group] cost base that was [circa] £17bn and we said if income was higher or lower than £30bn cost would be higher or lower than £17bn. So I would expect to flex costs in alignment, although at the same time, it's really important to us that we drive the RoTE of the Investment Bank and that is coming through both driving revenue over RWAs, but also by driving the cost programmes that they've got underpinning. Because really what we're trying to do here is drive underlying efficiency in the business so we can invest in it. And that's as true of the investment bank as it is of any other division.

Alvaro Serrano, Morgan Stanley

Maybe a follow up question on investment banking and then on Motor Finance, I'm afraid. On investment banking fees in-particular coming from the performance YTD, I think which is very good. Dealogic data for this quarter suggests that momentum continues very good. If we think about next year and if this sort of expectation of the flurry of deals continues, would you expect to continue to gain that level of market share if you look at the pipeline today? Any colour you can give us from that, or is it vulnerable to potential policies or more so than others? Just a bit of colour on your expectations and on market share wins.

Second on Motor Finance, your position was you've appealed that you've submitted. Is there any timeline you can share? And given the appeals court decision, how can it change, how informative it could be once we see it? And related to that, the FCA had a call yesterday, it seems the FCA disagrees with the appeal decision. Is there anything the SCA can do in practise? [Can it change the outcome in practice or is that just up to the Supreme Court thanks].

Anna Cross

Ok. Thank you, Alvaro. So in terms of fees, we are pleased with our performance year to date, what we've been saying is that we really need to see that consistently. We've seen better performance in ECM, has seen better performance than M&A and that really reflects the change in leadership that we made last year and it reflects the change in talent that they recruited, which has been not only ECM and M&A focused, but also sector focused into areas where they believe that there will be more activity. So they have been thoughtful about where they've done that, but also the way that they are running the business and if I take you back to their deep dive, really that focus that they have on the industry and on capability by industry, is really, really important to this.

We just need them to do that over and over again. So I don't think that I would articulate [a] particular aspiration in terms of market share [for ECM and M&A][…] Our expectation is that we would want to grow M&A and ECM relatively speaking in order to rebalance our fee proportion across that particular part of the business, because if you recall back to either that investment banking deep dive, or 20th February, what we said was our revenue split is very similar actually to that of a US Investment Bank in terms of [geography], so we are exposed in the same way as the US banks are to US revenues as a proportion. But within that, DCM is a much higher proportion. We don't want to shrink DCM, but we want to grow the others. We're still really focused on that. So this is really about the talent that we've already hired becoming more productive, that continued focus and hopefully you'll see that output.

Marina Shchukina

The only thing to add is that we did talk to you about Investment Banking fee share rebuilding to 2019 level of c.4%.

Anna Cross

Yes, although that is somewhat market scale dependent.

On Motor Finance. I mean, I'm not going to say any more than I than I gave previously. They're clearly awaiting the result as to whether or not they are allowed to appeal and when that goes to the Supreme Court. The FCA made a call yesterday for that to be expedited in order to give some clarity to the Motor Finance industry. So we're awaiting that decision. It's very difficult for us to call that timing and until we have that clarity and the clarity from the FCA's own review, it will be quite difficult for us to determine our position.

Alvaro Serrano

Is it that you are waiting for the Supreme Court to take the case, and see what they have to say, is that basically it?

Anna Cross

[That is my understanding] I'm not a lawyer but the FCA made a statement yesterday about lender requirements to comply with the law so we're waiting for that case [to conclude].

Perlie Mong, Bank of America

Hello, so just again going a little bit into Motor Finance, for a more wider read across, because I think what maybe the street is a bit more worried about is how does it impact other product segments. If I think about all the products that a bank offers maybe one that has a similar structure in terms of you go to a shop, you buy something and then maybe a bank finance is offered to you without you knowing that they are acting as a corporate broker. It may be partner finance things, it may be furniture, that sort of thing.

I'm not asking for you to quantify the impact, but can you sort of just help us a little bit with how those businesses work and in terms of the way the product is sold to a customer, is there any similarity between that?

And I guess secondly, you've said about deploying £30bn in the UK businesses in the planning horizon. It still looks like there is plenty of capacity to deploy, even allowing for organic growth and there are lot of ex-lenders are more exposed to the Motor Finance issues that were previously in very high, high quality businesses. Do you see that as a chance to start acquiring those capabilities?

Anna Cross

Perlie sorry to disappoint but I'm really not going to comment further on Motor Finance. As you can imagine, we're being really thoughtful doing a lot of work in the background and when we're ready to discuss it more fully then we will obviously do so with the market.

On the £30bn, I would take you back to slide 14 from our Q3 results. Our expectation was that we wouldn't see significant organic growth this year, but we did want to see a pick-up in growth, which is clearly what we've seen across Cards, Mortgages and obviously more lagged but into our Corporate Banking and Business Banking business. As we reflect on inorganic opportunities, I would say that our plan is an organic one. Tesco gave us an opportunity to acquire a really high quality unsecured book, which was really fitting to our strategic objective, and didn't have further complications with it. They didn't have a branch network didn't have current accounts etc.

So very closely aligned to our strategy and with a customer that looks very much like ours. Our thoughts on acquisition more broadly are as follows, our priority is to execute the plan that we have given you. We would not do anything that would distract from that plan, either operationally or in terms of capital distribution. So that's number one. So that would preclude us from doing anything of any significant size or scale or integration complexity which we don't want to distract the businesses from executing the plans that we've already put in place.

The second thing I would say is that, as we consider opportunities and of course we're doing that all the time. We would do so in the context of the three businesses that we want to grow in the UK, the UK Corporate Banking, Private Bank and Wealth Management and BUK. So think of it as looking across that slightly narrower set of businesses, that those would be very much add-on and they would not distract us more significantly. Also, as we do an acquisition in any environment, but particularly more so in the current environment, we would be extremely focused on conduct risk and we would not want to acquire an issue.

Andrew Coombs, Citi Bank

Morning, I'll stay on the same theme. If we could talk about volume growth, firstly on the UK, you mentioned slide 14, which shows the improvement in the gross mortgage lending and in the card acquisition volumes. But if I'll give you slide 16 as well, it shows that loans overall lending balance is flat it shows that deposit volumes are contracting, and certainly now it's in all the other UK banks support. It does look like you're lagging both the other UK banks and the system data. Is that just a function of the redemption profile? Is there anything else you can add as to why you think that's the case and when you think that's going to reverse?

And then second same question, but on the US. If you look at the US consumer business, if I go back to the Investor Day. Your stance was predicated on your own risk weight density down from a 160% and then post mitigation back to 145% and your argument was that the US peers would be at 140% post-Basel 3.1 and therefore you would be comparable. Post-Trump administration Basel 3.1 gets kicked into the long grass in the US, what does that mean for your US consumer growth plans?

Anna Cross

Alright, Andy. So just on volume growth, I'll just remind you, we didn't expect to see loan growth this year, we said in February that we expected the balance sheet to get smaller before it got bigger and that was because of what we see as a redemption profile and also the build up of loan gathering activity, which clearly generates growth. So it's partly around redemptions, it was partly also around some of the businesses that we have within Barclays UK, which remember are no longer where we are focused. So think about the impact of BBLS within Business Banking it's clearly running off very significantly through 2024, probably less so in 2025, just cause the balances are getting smaller and smaller as we go.

Also, our Barclays partner finance business clearly in more of our run off state. So that run off of loans is clearly a factor. What we're really focused on is the businesses that we are trying to grow, so UK cards, Mortgages, Business Banking, Corporate, Private Banking and Wealth Management and we feel like we're seeing the type of progress that we would have expected at this point in time, and therefore you're going to start to see that growth coming through in 25 and beyond.

In terms of your second question on US cards. There's clearly uncertainty around the US regulatory position and there and there has been all year. The election doesn't really change that uncertainty. We will only be able to react to that regulation once we see it in front of us, we've seen some indication from the bar speech, but that is a speech, it's not the regulation, we need to see that before we can react. In the meantime, all of the actions that we are taking are within our control, are the ones that we continue to pursue, so whether that's around the repricing of the book, which is complete and will flow through over time, whether it's around acquiring more retail-like portfolios, which will also drive the margin improving the funding mix and improving the efficiency of the business.

Throughout the current year, we've seen an increase in digital engagement, which is exactly what we want to see because it allows us to retire that physical infrastructure that sits behind it. Then finally, the kind of capital trade that we did with Blackstone in Q1. So all of those activities will continue and they will improve the RoTE of the business and you're seeing that RoTE tick up over time and that will take time to flow through and that is our focus until we have greater clarity on the US regulations.

Amit Goel, Mediobanca

Hi, two from me, one just actually coming back on BUK NII, one of the areas where we're trying to reconcile some of the guidance is on the mid-single NII growth including Tesco versus when we model it bottom up and now with the 85% product edge allocation. On that basis we get much better numbers, so just really trying to understand is that [mid]-single digit growth something we should just kind of ignore and just look at the bottom up or whether there's some other factors at play there?

Secondly, and maybe it's a follow up to Andy's question, but on that USCB business. If there is, in the end, any material difference in the risk density, I am wondering how that would affect your aspirations or how that would affect your thinking in that business? The last part of that was within that book, I think there's a £6bn legacy non partner piece, I was just curious what your expectation is for that, that how quickly or slowly should that run off?

Anna Cross

Ok. I will reiterate the guidance that we gave you in February, which was for mid-single digit NII growth and that's from 2023 to 2026. So, Tesco has an outsized impact from between 2024 and 2025 but the time scale that we're talking about is much, much broader than that. I'm not going to give you more specific guidance than that, but this is this is how I think about it. The first piece is the structural hedge, that structural hedge continues to grind higher and you would expect it to do so actually for a number of years from here because, if you look at the hedge yield in Q3 it is 2.1% and

it's maturing at 1.5%. You can see from those reinvestment rates that that was really quite a powerful tailwind. At the same time, we're trying to grow the balance sheet, and you can see the emphasis that we're putting on the growth and assets and that growth in assets as you can see, is one of the factors behind the fact that the product margin dilution that we've seen over more recent years is dissipating because we are seeing less mortgage churn impact, we're seeing a slightly more positive mortgage mix, and we've got the mix impact of cards coming through.

Deposits, certainly seeing less deposit migration than we were in in the past. The thing that's slightly less certain is the rate pathway, and what the rate pathway will do is it will have some quarter to quarter impacts, and the reason it will do that is obviously because of the repricing [lag]. So, we're mindful of that as we give you that mid-single digit guidance. Overall we expect NII to be on an upward path from here really from our growth and from that structural hedge position.

In terms of USCB. It's really difficult to say anything more than what I've said to Andy, which is our expectation of this business is that we will grow it's RoTE over time. We're well used to operating across different regulatory frameworks. We've done that very successfully in the past, both between here and Europe and here and the US and we would expect to do so in in the future. Clearly, we will only be able to answer the question fully once we see any quantum of difference, if indeed there is a difference at all. At this point, we don't know. What I would say is our objective for the business is to get it first to be in line with the group. But that's just 2026, we don't want to stop there. This business in the past has had a mid-single digit RoTE, our objective would be to get it back to that position.

Provided we can deliver that, then it provides some value to the Group not only because of its stability and its relatively high returns, but also because of the diversification benefit that it gives us within the US. So it's really important to us. That we have diversification globally but also diversification within the geographies that we exist within. So particularly within the US, if you look at our capital requirements and our CCAR results, they are enhanced by that that diversification. And if we were not to have it, then we would hold more capital within our [US Intermediary Holding Company - USIHC] . So the US card business, of course it has to stand alone, it has to wash its face, but once it's done that, it provides greater benefit to us as a Group and we think it's success is, if I think about the other side of this which is how can it be commercially successful we've got a really good track record of renewing transactions in that business and it's as much about the service and our ability to understand really what a partner wants.

On the legacy book, I won't comment on the quantum of it. I would say that obviously that was [part of the transaction] that we did, in Q1. So you should take that as an indication that we really see that as something we're not going to re-enter from here.

Jason Napier, UBS

Thank you, doing Motor one last time perhaps. The commentary you provided in your prepared comments felt really clear that the uncertainty is too high to make provision. It doesn't feel like that's necessarily a near term time bound comment and so given that there is uncertainty and the risks are definitely higher than they were at Q3, can you just rule out any change to the £3bn payout for FY24? That's the first question.

Secondly, thank you for the additional colour on your SRT activity. One of the words that I think comes up fairly regularly in that area is 'mature' that your Colonnade as a programme that's been in place for a long time. Some of your peers are talking about broader ranges of assets that are being reinsured and bigger volumes. Can you just talk about whether there is a change in the magnitude of CET1 optimisation that you plan outside the US in the next year or two.

Anna Cross

Ok. So I'll start on the first one and then I'll make some comments on the second and I'm sure Dan might want to add.

Our distribution decision is one that we will make with the board in the fourth quarter. You can see that we are on plan, or we told you that we are on track with our expectations in terms of both our profit delivery, but also the fact that the capital generation of the businesses is very strong and we reiterated at Q3 that our expectation was that our distribution this year, would be in alignment with last year and there's nothing I would say today to contradict that.

In terms of SRT, we think about this in in two different ways. So if you think about colonnade, that's very much a mature programme, as you say it's been going since 2016, it has a very strong investor base sitting behind it and we manage it very carefully. So we don't see that changing significantly in scale.

Beyond that, we might think of particular parcels of risk that that we believe we're probably not the optimal owner of, or because we want to manage the balance sheet more actively. The transaction that we did in the US is an example of that. Similarly within the UK, but Dan you might want to comment.

Dan Fairclough

Yeah, I think that's exactly right. It's very much a risk management tool. So we will look at pockets of risk in the UK book, but really from a risk management perspective rather than thinking of it as a material capital lever. And obviously the colonnade book as Anna said is very mature, and again, you shouldn't expect any particular change in that from [inaudible] or a capital perspective.

Anna Cross

I think we're good. I'd like to thank you for coming along today. I really appreciate your time and your continued interest in Barclays. I really hope that you can join us for the third of our deep dives this year [on Private Bank and Wealth Management] which [will be presented by Sasha Wiggins] on 10th of December in this room. So please come along and join us for the final part of the box set this year, so we're really looking forward to seeing you.

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