

Barclays PLC HY 2019 Results**Analyst and Investor Conference Call Speech****Jes Staley, Barclays Group Chief Executive Officer****Tushar Morzaria, Barclays Group Finance Director****Slide 2: Jes Staley, Barclays Group Chief Executive Officer**

Good morning everyone.

This was another resilient quarter of performance for Barclays. We balanced some headwinds in our UK consumer business with good performance coming from the Corporate & Investment Bank.

Slide 3: Q219 highlights

For the second quarter in a row, Barclays has generated a profit of over £1 billion, and the bank delivered earnings per share of 12.6 pence for the first half of 2019.

Excluding litigation and conduct, profit before tax was £1.6 billion in the quarter, and £3.1 billion for the first half of the year.

Our Group Return on Tangible Equity of 9.3% for the quarter is a further step towards meeting our 2019 RoTE target of greater than 9%.

It is worth noting that we have now produced a Group RoTE of over 9% in 5 of the last 6 quarters we have reported.

Turning to capital, our CET1 ratio increased by 40 bps to 13.4%, demonstrating the strong capital generation achievable by the bank.

In point of fact, if our Operational Risk Weighted Assets were accounted for more like our UK peers, then our CET1 ratio would have actually stood at roughly 14% today.

Tangible Net Asset Value grew to 275 pence, representing the fifth quarter in a row of accretion in Barclays' book value.

Our cost to income ratio rose a touch in the quarter to 63%, reflecting our commitment to invest in the growth of the bank.

Management's focus on cost control remains a high priority however, and we expect to see positive jaws across the Group in the second half of the year, and for the full year.

Accordingly, we have this morning affirmed that we now expect to reduce expenses to below £13.6 billion for 2019, which was the bottom end of our guidance range for this year.

Barclays UK produced a RoTE of 13.9% in the quarter, despite margin pressure.

We continued to grow our mortgage and deposit balances, with stable credit metrics. That said, we had a reduction in NIM, from increased levels of consumers refinancing mortgages, and lower interest earnings from reduced UK cards balances.

We continued to invest in our digital capability, and on-line engagement with our UK customers is at an all-time high, with just under 8 million consumers now digitally active on the Barclays App.

The Corporate & Investment Bank produced a 9.3% RoTE in the quarter.

Excluding the Tradeweb IPO gain, Markets income overall was down 9% year on year on a dollar basis, which was broadly in line with our US peers.

Within that, Equities had a challenging quarter compared to a very strong comparable last year. However, we did see market outperformance in fixed income, currencies, and credit.

Banking fees were down a little, reflecting a reduced fee pool in debt underwriting, which was partially offset by a strong performance in advisory.

Overall though, in the half we gained share in Investment Banking fees, and our global rank also improved, placing Barclays as the 6th highest earner in Investment Banking fees globally, and the 5th highest in the US.

Our Corporate Banking franchise had a decent quarter with income up on the prior period, as well as on Q2 of 2018.

We are maintaining a strong focus on improving returns in the Corporate Bank, with focused, client-by-client plans to grow profitability. One mark of progress on this front, is that the Return on Risk Weighted Assets in our Corporate Bank has improved meaningfully in the first half of 2019, with transaction revenues up some 15% year over year.

Consumer, Cards & Payments continues to progress well, producing a RoTE of 18% for the quarter, and 16.7% for the half year.

We're happy with the prospects for this business, and were pleased that in this quarter we renewed a key US card partnership with Wyndham Hotels & Resorts.

Barclays' performance over the course of this year reinforces the confidence which the Board and Management feels in the capacity of this bank to generate sustained earnings.

A key indicator of that confidence is in our announcement this morning regarding the ordinary dividend.

As you'll have seen, we have declared a half-year dividend of 3 pence per share.

In normal circumstances, this would account for around a third of what we expect to pay in total in a given year. As such, this represents a significant increase in distributions over last year, which I hope will be welcomed by our shareholders.

As I've said before, we want to continue to return a greater proportion of the excess capital that we generate to our investors.

Consequently, Barclays' capital returns policy of a progressive dividend, and intention to supplement the ordinary dividend with additional cash returns - including share buybacks when appropriate - remains unchanged.

Now let me hand you over to Tushar to walk you through the numbers in detail.

Slide 4: Tushar Morzaria, Barclays Group Finance Director

Thanks, Jes.

As usual at half year, I'll begin with a slide on the results for the first six months, and then focus my comments on Q2 performance and the half-year balance sheet.

Slide 5: H119 Group highlights

We reported a profit before tax of £3.1bn for the first half, generating 12.6p of earnings per share, excluding litigation and conduct, I'll exclude litigation and conduct charges in my commentary as usual, but the gap to the statutory profitability was limited, with a statutory EPS of 12.1p.

We'll be paying a half-year dividend of 3p per share in September, and we've indicated that our half-year dividends are expected to be around one-third of the full year total, under normal circumstances.

Group RoTE for the half was 9.4%, with double-digit returns for both BUK and BI, but the drag from Head Office does take us to below 10%.

As Jes mentioned, we continue to target a RoTE for the full year of over 9%, based on a 13% CET1 ratio. The first half represents a good base for this, but there is work to be done in the second half.

The income environment was challenging, and we reported income down 1% for the half.

Costs were up 1% year-on-year, but we expect positive jaws in H2, and for the year as a whole.

Given the income environment, cost control will remain a major focus through the second half and we've reduced our cost guidance, based on 30 June exchange rates, to below £13.6bn, which was the lower end of the guidance range we had previously given.

I'll comment further on costs as I go through the businesses.

Focussing now on the second quarter.

Slide 6: Q219 Group highlights

Income decreased 1% reflecting the challenging environment which affected both CIB and BUK.

The cost print of £3.5bn reflects investment in a number of areas, but, as you can infer from our guidance, we would expect a lower cost run rate in the second half, excluding the Q4 bank levy.

Impairment was £480m, up £197m year on year, due to non-reoccurrence of favourable US macroeconomic updates and single name recoveries. However, this was just £32m higher than Q1, delinquencies remain stable, and the net write-offs in the quarter were just below the impairment charge at £465m.

The effective tax rate was 19.4%, just below our full year guidance of around 20%, and attributable profit was above £1bn, as in Q1.

This delivered a RoTE of 9.3%, excluding litigation and conduct.

TNAV of 275p was up 9p in the quarter, driven by earnings per share of 6.3p, and a tailwind from reserve movements due to currency and interest rate moves, and despite the payment of the full year dividend of 4p in the quarter.

We reported an increase in the CET1 ratio from 13.0% to 13.4%.

As we are now above our target ratio, and continue to be confident in our ability to generate capital, we are now in a position to increase our dividend payout, as I mentioned.

Looking now at the businesses in more detail, starting with BUK.

Slide 7: Q219 Barclays UK

BUK reported a RoTE of 13.9% for Q2, despite a challenging income environment, with income down 4%.

In Personal Banking we saw volume growth in mortgage balances of £1.5bn net, more than offset by margin pressure, including the effect of increased refinancing by customers.

In Barclaycard, balances were broadly flat but interest-earning balances reduced, reflecting our reduced risk appetite and customer behaviour including the impact of current economic uncertainty.

Margin pressure and the continuing growth in secured lending resulted in a lower net interest margin of 305 bps for Q2, but we expect NIM to stabilise around this level for the second half of the year, despite further growth in secured lending.

Costs were up year on year, as we continued with the first half investment spend we flagged in Q1. This includes a range of upgrades to our Barclays App and our digital offering more broadly.

We no longer expect to report year-on-year income growth for full year, but we are expecting higher income in H2 compared to H1 and positive jaws for H2, as cost reductions come through.

Deposit balances continued to grow strongly to reach £200bn.

With impairment of £230m, we were just a little above the run-rate of around £200m we've referenced in the past, but UK card delinquencies remain stable, and I think this remains a sensible average run-rate to think of for the year as a whole.

Turning now to Barclays International.

Slide 8: Q219 Barclays International

BI delivered a RoTE of 10.8% for the quarter, on income of £3.9bn.

The BI cost:income ratio was flat at 62%.

The main driver of the year-on-year decline in PBT was the increase in impairment from the low charge of £68m for Q2 last year. The latter was driven by macroeconomic updates and single name recoveries.

Although we are keeping a close eye on the economic outlook – in the UK and US particularly - we don't see signs for concern in the current credit metrics, and, as we've said before, we have positioned ourselves conservatively for this uncertain macro environment.

Looking now in more detail at CIB.

Slide 9: Q219 Barclays International: Corporate & Investment Bank

The CIB reported a RoTE of 9.3% for the quarter, up from 9.1% last year.

Overall income was up 8%. This included a gain of £166m on our stake in Tradeweb, in our Markets business. Excluding this, income still grew by 2%.

We saw a resilient performance, particularly from FICC, which was up 25%, or 2% excluding Tradeweb, and that would be down 2% in dollars.

This compared favourably with peers and reflected strong performance in Credit and growth in Securitised Products.

Equities was down 14% on the record Q2 last year, resulting in overall Markets revenues up 7%, or down 5% excluding Tradeweb.

Banking decreased 1% year-on-year, or 5% in dollars, reflecting a reduced industry fee pool, particularly in debt underwriting.

The Corporate income line was up 13% reflecting growth particularly in Transaction banking. The significant negative mark to market on hedges we highlighted in Corporate Lending at Q1 did not reoccur.

Costs increased by 5%, resulting in positive jaws of 3%. We also had positive jaws for the first half overall and expect positive jaws for the second half.

We retain significant flexibility on costs, including in performance costs, should the income environment in the second half disappoint.

There was an impairment charge of £44m, compared to a net release of £23m last year, but broadly in line with the average runrate we've discussed before.

The only significant movement in CIB assets in the quarter was the result of flattening of interest rate curves, which led to similar increases in derivative assets and liabilities.

RWAs were broadly flat at £175.9bn and down around £5bn year on year.

The franchise is in good shape and we remain focused on delivering improved and sustainable returns, despite periodic fluctuations in market conditions.

Turning now to Consumer Cards & Payments,

Slide 10: Q219 Barclays International: Consumer, Cards & Payments

We continue to generate attractive returns in CCP, while growing the business.

RoTE was 18.0%, down year-on-year due to the unusually low impairment in Q2 last year, but up on the 15.4% we reported at Q1.

Income decreased by £19m year-on-year, reflecting the non-recurrence of the gain of £53m on sale of the LL Bean partner portfolio.

We grew the US cards receivables by 6% in dollars. Again the airline portfolios, notably JetBlue and American, reported strong balance growth.

Costs increased year-on-year as we continued to invest in the growth of international cards, payments and the private bank, but were down on the Q1 level. Again we expect positive jaws in H2.

Impairment of £203m was only slightly higher than the £193m reported for Q1, but we would expect Q3 and Q4 to be higher, as we have said before, reflecting seasonality and portfolio growth.

However, credit metrics remain well controlled, with 30 and 90-day arrears down slightly in the quarter.

Turning now to Head Office.

Slide 11: Head Office

As usual the Head Office result was driven by the level of income expense, which was £136m. This compared to last year's positive income of £33m, which reflected the Lehman gain of £155m.

As in Q1, there was a £90m impact from legacy funding costs in Q2, which will reduce to under £30m from Q3 onwards, following the redemption of the 14% RCI's in June.

The hedge accounting expenses and residual Treasury charges will continue through Q3 and Q4, while Q3 income will have a positive contribution from the Absa dividend.

Those elements are relatively predictable, while the HO cost base has been tracking at around £50m a quarter.

There will always be a few lumpy items in Head Office, but over time I would expect the loss to decrease.

Slide 12: Expect to reduce costs below £13.6bn, given H1 income environment

I've included this cost summary again to emphasise our continuing focus on cost efficiencies, to fund investment spend, and to deliver absolute cost reductions when the income environment requires it.

As I mentioned earlier, we have taken the current environment into account in moving our guidance to below £13.6bn. That's based on June FX rates, notably \$1.27 to the pound. We are confident we can deliver this, while still pursuing key investment opportunities that we believe are in the best interest of the Group.

Key cost levers we are using as we go through the year include:

Flexibility in compensation costs, particularly in the CIB, which depend on the income performance; and

We've been prioritising, and adjusting the pace, of our investment spend, as appropriate.

Slide 13: TNAV progression

TNAV increased in the quarter by 9p to 275p.

Earnings per share of 6p were partially offset by the payment of the full year dividend of 4p.

Net reserve movements were positive, reflecting strengthening of the dollar, and rate movements which benefited both the fair value and cashflow hedge reserves.

I would also call out the increase in the net pension surplus to £1.6bn.

Slide 14: CET1 ratio progression

On capital, we reported an increase in the CET1 ratio from 13.0 to 13.4%, with an increase in capital on broadly flat RWAs, and that was a 70 bps increase before taking the deduction for foreseeable dividends, including the AT1 coupons.

Profits contributed 38 bps and reserve movements more than offset the Q2 deficit reduction contribution of £250m and I'd remind you that the pension contribution reoccurs in Q3.

The foreseeable dividend deduction of 22 bps reflected the increased dividend expectation we indicated earlier.

Our capital ratio won't increase every quarter, but we are now above our target ratio and our confidence in our ability to continue to generate further capital is reflected

in the capital returns policy which we have reiterated, combining a progressive dividend and buybacks as and when appropriate.

Slide 15: Strong capital and leverage positions

To remind you, with our current regulatory minimum at 11.7%, we remain comfortable with a capital ratio of around 13%.

Our reported ratio is based on the current treatment of Op Risk RWAs. As I mentioned at Q1, we are exploring with the PRA the possibility of removing the floor that was introduced in our operational risk RWAs.

This would have the effect of reducing Pillar 1 RWAs, but would be expected to lead to an increase in the Pillar 2 requirement. Our reported CET1 ratio would thus increase, as Jes mentioned, as would our regulatory minimum.

In assessing the adequacy of our capital, we do factor in future headwinds from regulatory changes in RWAs.

Over the next couple of years we have the PRA's proposed changes to mortgage risk weights in BUK from the end of 2020; and in CIB, changes to the securitisation risk weightings in early 2020 and changes to standardised counterparty credit risk from mid-2021.

We currently expect each of these three changes to result in RWA increases of low single digit billions. This is based on our current balance sheet and business mix, and doesn't take into account further mitigating actions.

We're confident these changes are manageable, and they are factored into the way we look at capital distribution.

Regarding leverage, there is an expected leverage benefit from the SA-CCR change, with a modest reduction in leverage exposure.

We already have a strong leverage position. For Q2 the average UK leverage ratio was 4.7%, slightly up on 4.6% for Q1.

The spot leverage ratio was 5.1%, both comfortably above the minimum UK requirement of around 4%.

Slide 16: High quality funding position with a conservatively positioned liquidity pool and LDR

Our funding and liquidity position remains strong.

In Q2 we issued £1bn of AT1, to add to the \$2bn we issued in Q1, and we've announced today that we're calling three outstanding AT1s on 15 September, totalling £2.3bn sterling equivalent.

I'd remind you that these calls will result in a headwind for our Q3 capital ratio, of around 13bps.

Looking at MREL overall, we have issued £7.1bn equivalent in the year to date, against our current plan to issue around £8bn this year, and our MREL is currently at 30.2%, around our expected end requirement.

The Liquidity Coverage Ratio was 156% at the end of the quarter, with a liquidity pool of £238bn, and our loan to deposit ratio was 82%, positioning us conservatively in light of the continuing Brexit uncertainties.

Slide 17: Focused on profitability and returning capital to shareholders

So, to re-cap, we remain on track in the execution of our strategy.

We reported a RoTE of 9.3% excluding litigation and conduct, or 9.0% on a statutory basis and continue to target a RoTE of greater than 9% and 10%, for 2019 and 2020 respectively, based on a CET1 ratio of around 13%.



We remain very focussed on cost control and, given the challenging income environment, we have reduced our guidance for the year to below £13.6bn.

We reported another quarter of TNAV accretion.

We are above our CET1 target of around 13% and are reiterating our capital returns policy and paying an increased half-year dividend of 3p per share, indicating our confidence in the future of the Group.

Thank you, and we will now take your questions, and as usual I would ask you to limit yourself to two per person so we get a chance to get round to everyone.

Important Notice

The terms Barclays or Barclays Group refer to Barclays PLC together with its subsidiaries. The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments.

Information relating to:

- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, CRD IV (as amended by CRD V applicable as at the reporting date) and CRR (as amended by CRR II applicable as at the reporting date) texts and any applicable delegated acts, implementing acts or technical standards. All such regulatory requirements are subject to change;
- 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 June 2018, updating the Bank of England's November 2016 policy statement, and the non-binding indicative MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into account a number of factors as described in the policy statement and as a result of the finalisation of international and European MREL/TLAC requirements;
- future regulatory capital, 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, including amongst others, holding constant the Pillar 2A requirement at the 2018 level despite it being subject to at least annual review and assumed CRD buffers, which are also subject to change.

Forward-looking Statements

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 Barclays 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. These 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. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards including evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions; the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Barclays Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; instability as a result of the exit by the United Kingdom from the European Union and the disruption that may subsequently result in the UK and globally; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Group's control. As a result, the Barclays Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Barclays Group's forward-looking statements. Additional risks and factors which may impact the Barclays Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2018), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-IFRS Performance Measures

This presentation includes certain non-IFRS performance measures, such as income statement and financial performance measures excluding litigation and conduct. These measures are defined and reconciliations to the nearest IFRS measures are available in the appendix to Barclays Group's interim results announcement for the period ended 30 June 2019.