

Barclays PLC Q2 2020 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, and thank you for joining us today.

First of all, let me say that I hope you and your loved ones have been keeping safe and well as we continue to navigate the COVID-19 pandemic.

These remain extraordinary circumstances for all of us, and the impact of this crisis weighs heavily on our professional and personal lives.

For me, this past Quarter for Barclays has been a story of two things.

The first is the resilience of the bank, underpinned by the diversification of our strategy, and evident in our performance.

And the second – made possible by that underlying soundness and strength - has been Barclays' continued support for our customers, our clients, our colleagues, and the communities where we live and work, around the world.

Slide 3: COVID-19 lockdowns have caused unprecedented economic disruption met with bold policy actions

As I've said before, the key difference between the financial crisis of '08/'09 and now, is that in a way the banks in '08/'09 were the catalyst for the crisis, while this time, we can be a firewall – helping to mitigate the impact of this crisis.

I do believe this is in large part, driven by regulatory and central bank policies of the past 10 years, which have aimed at moving the economy from an over dependence on bank balance sheets, to much greater reliance on the capital markets to fund economic growth.

You can see the evidence of that approach in central bank actions since the beginning of the crisis, particularly in the unprecedented injections of liquidity, and huge purchases of corporate debt, to bolster the capital markets globally.

That strategy has proven to be a very positive shift, in terms of the ability for corporates and Governments to remain well funded and liquid, as this health crisis moves towards an economic one, and as we contemplate how to support a sustainable recovery.

I welcome the opportunity and obligation for Barclays to help alleviate the social and economic impact of COVID-19, and that effort remains a core priority for Barclays.

Slide 4: Remained open for business during the COVID-19 pandemic helping support the economy

I've been especially proud of the way our colleagues across the bank have risen to the challenge.

Our business touches half the households in the UK. Five months into the crisis, we've provided an enormous amount of reassurance and support, to millions of customers facing financial challenges, and with understandable concerns about the future.

In practical help, so far we've granted repayment holidays on 121,000 mortgages, and on 76,000 personal loans.

We're providing an interest free buffer, on overdrafts for 5.4 million UK customers, and beyond that we've reduced and capped banking charges.

We've waived late payment fees and cash advance fees for 8 million Barclaycard customers, and granted some 157,000 payment holidays.

And we've exercised similar forbearance across both our businesses in the US and Europe

817 branches are open across the UK, providing critical frontline banking services, especially to our most vulnerable customers.

We have also trained thousands of branch colleagues to help ease the burden on our call centers. These colleagues are helping handle some 200,000 customer calls a week, representing a whole new engagement with customers from our branches.

As the economic consequences of COVID-19 begin to bite, it is more important than ever to help businesses get through this period intact, and to do what we can to protect and preserve jobs. That is clearly a top Government priority, and equally, a priority for Barclays.

We have all seen the unprecedented effort from the Treasury, and from the Bank of England to back businesses in the UK, and we've been playing our part to help get that support to companies that need it.

As of the beginning of this week, Barclays has now approved nearly 9,000 loans to mid-sized corporates in the UK, with a total value of £2.5 billion.

Perhaps even more importantly, Barclays has delivered Bounce Back Loans to nearly a quarter of a million small businesses across the UK, with a value of £7.75 billion, helping to preserve hundreds of thousands of jobs.

To give you some sense of the relative scale of that, we would historically make that number of loans, and of that size, over around a three year period .

We delivered the majority of this support in just 12 weeks.

Behind those numbers are stories of businesses and jobs surviving this crisis – which is what these programmes are all about.

Take Karas Plating in Greater Manchester for example. Karas is a 75 year old company specialising in electro-plating, surface coating, and metal finishing.

A £250,000 CBILS loan has enabled them to adjust their manufacturing process, to plate urgently needed parts for ventilators, provide electrical connectors for the Nightingale hospitals, as well as continue to supply critical components to the food and power sectors.

Or take the UK's leading Thai restaurant Group, Gigging Squid.

Our support in delivering a £5 million CBIL loan has helped safeguard 920 jobs at 235 restaurants across the Midlands and Southern England.

And nearly quarter of a million Bounce Back Loans, to small businesses like jeweller Anais Rose in London, or the caterer Papadeli in Bristol, have been the difference between survival and failure for companies up and down the UK. We're proud to be playing our part in that.

With our investment banking expertise, we've also been a leader in helping large businesses to access the Bank of England and Treasury's Commercial Paper programme.

So far we've arranged over £11.7 billion of funding for UK corporates, representing some 48% of the total funding accessed through the CCFF scheme.

To date, across all the Government backed programmes, Barclays has delivered some £22 Billion in COVID related support for businesses.

In the round, these programmes represent an extraordinary effort by the Government to preserve jobs, and we are proud to support them in that effort.

In addition to our backing for those Government schemes, we've also been able to provide significant help, of our own, to business clients.

For example, we waived everyday banking fees, and overdraft interest, for 650,000 of our small business customers.

And we've put in place 12 month capital repayment holidays for most SMEs with loans of over £25,000.

We're continuing to extend credit to companies, and Barclays has maintained billions of pounds in credit facilities for clients around the world to draw upon.

We're also steadfastly supporting clients globally in Advisory, and in the Equity and Debt Capital Markets.

During the second quarter we advised on 580 capital market transactions, that collectively raised a total of over three quarters of a trillion dollars in funding.

Of note in the UK, we helped listed companies raise almost £6 billion in the Equity Capital Markets, including household names such as William Hill, Aston Martin, and the Compass Group.

There is perhaps no greater stabilising effect for a company during a time of stress, than the injection of new equity, and Barclays is the number one underwriter of equities for British companies year to date.

In the US, we served as lead left bookrunner on a \$1.5bn term loan and a \$3.5 billion secured bond offering for Delta Airlines. The term loan represented the first broadly syndicated institutional term loan to clear the market since the start of the COVID-19 crisis.

On the advisory side we were pleased to act as lead financial advisor to Dominion Energy in the company's \$9.7 billion divestiture of its mid-stream business to Berkshire Hathaway, announced earlier this month.

We'll continue to evolve our approach and offering to clients – big and small - to help them through this crisis. It is crucial that we preserve as many businesses and jobs as we can to aid the recovery.

Barclays has deep roots in the communities where we live and work, and I'm proud of everything our colleagues do year-round to support their local areas.

We are delivering our core citizenship programmes in communities - such as LifeSkills, Unreasonable Impact, and Connect with Work - with a particular focus on helping mitigate the impacts of COVID-19.

And we're delighted that so far we have allocated £45 million of our £100 million Community Aid Package to charities in the UK, US, and India, to support the people hardest hit by the crisis – from providing food to vulnerable families, to purchasing protective equipment for NHS staff.

We understand that our fortunes are intertwined with those of the communities and economies we serve. At times like this, more than ever, our obligation is to support them. And we're going to continue to do that.

Slide 5: Resilient performance in H120 reflecting the Group's diversified business model

Before I hand over to Tushar to take you through the numbers in detail, I want to provide some overall thoughts on our financial performance in the first half and the second Quarter.

As I said at the top of these remarks, the first Half has clearly demonstrated the resilience of this bank, underpinned by the diversification of our universal banking model.

That diversification has enabled Barclays to deliver a robust operating performance in an extremely challenging, macro environment.

In the first half income increased 8% to £11.6 billion, with costs down 4% to £6.6 billion, resulting in positive jaws of 12%, and an improved cost to income ratio of 57%.

Pre-provision profits were strong - up 27%, to £5 Billion for the half.

Notwithstanding the impairment reserve of £3.7bn in the first half of this year, including a further £1.6bn in the second Quarter, that operating performance, led by our Investment Bank, meant we remained profitable in both quarters.

Tushar will talk more about the assumptions we have made about the macro economic outlook, which are a big part of our impairment build.

But we certainly feel that Barclays is appropriately positioned.

For instance, taking the unemployment rate, a key driver of consumer credit risk, we have assumed a prolonged period of heightened unemployment in both the UK and US that is some way above current levels.

Despite the £3.7 billion impairment number, Barclays still ended June with a CET1 ratio of 14.2%, that's the highest capital ratio in the bank's history.

Slide 6: Corporate and Investment Bank drivers

In our Corporate and Investment Bank, in the first half, income increased 31% to £6.9 billion, driven by a standout performance in our Markets business, particularly in FICC - up 83% year over year – and our Equities business, up 26%.

The majority of our Markets revenue is derived from trading in securities and derivatives, and earning the bid offer spread intraday.

We also saw an 8% increase in Banking fee income through continued momentum in both debt and equity underwriting.

The share gains we have made across Markets, and our performance in Banking over the past few years, reflect client confidence in our capabilities, and we are pleased at how well the franchise has done in these volatile markets.

While we don't expect those extreme levels of volatility to continue, the Markets business remains attractive.

In the first half, our CIB performance offset a much more challenging time for our consumer businesses.

Slide 7: Consumer business drivers

Income decreased by 11% for Barclays UK and 21% in Consumer Cards and Payments in the first half of the years, this is as a result of the low interest rate environment, fewer interest earning balances, reduced payments activity, and decisions to waive various fees and charges to support customers.

This all translated to marginal profitability overall for Barclays UK in the period, and a loss of some £500 million post tax, in Consumer Cards and Payments.

Dramatic falls in consumer spending in the second quarter have been well documented.

But we are now actually starting to see some encouraging signs of recovery, including strong demand in the mortgage market in the UK, in card spend trends on both sides of the Atlantic, and in payment acquiring volumes.

If that recovery continues further into the third quarter, this should lead to a better income and impairment environment, with a resulting improvement in underlying profitability, for both BUK and our international cards and payments business.

Finally, the investments we have made over the past five plus years in our digital capabilities have enabled us to serve our customers seamlessly through this period, including via the UK's number one banking App. As you'd expect, one consequence of the pandemic lockdown has been to increase demand for our digital services.

Slide 8: Diversification is a key strength of Barclays

So to conclude, and in summary, my colleagues and I are today primarily focussed on supporting our customers and clients, our communities, and the wider economy, to navigate the pandemic.

The strength of our business and the resilience of our strategy means we can both run this bank safely and profitably and provide that support to our customers and clients until this crisis passes.

I'm going to hand over to Tushar to take you through the performance for the quarter in more detail.

Slide 9: Tushar Morzaria, Barclays Group Finance Director

Thanks, Jes.

As usual I'll summarise the first half results, and then focus on the second quarter performance.

As at Q1, we are facing a period of uncertainty, which makes it particularly difficult to give forward-looking guidance, but we can now see the initial effects of the COVID pandemic, and where possible I will try to give pointers for the coming quarters.

Slide 10: H120 Group highlights

As Jes mentioned, the result for the first half showed the benefit of our diversified business model.

Despite the impairment charge of £3.7bn, we reported a statutory profit before tax of £1.3bn, generating 4.0p of earnings per share.

Litigation and conduct was immaterial, so on this call I'll reference the statutory numbers.

As for Q1 profits for the half overall were down on last year, reflecting the increase of £2.8bn in the impairment charge, but income growth of 8% and a reduction of 4% in costs resulted in a profitable half and a RoTE of 2.9%.

Given the uncertainty around the economic downturn and low interest rate environment, we do expect the environment in H2 to remain challenging. While we continue to believe that above 10% RoTE is the right target for Barclays over time, we need to see how the downturn plays out before giving any medium-term guidance.

That income growth reflected a 31% increase in CIB, more than offsetting income headwinds in the consumer businesses.

The cost reduction delivered positive jaws of 12% and an improved cost: income ratio of 57%.

As a result pre-provision profits were up 27% to £5bn.

Our capital position is strong, with the CET1 ratio ending the half at 14.2%, up on the year-end level of 13.8, despite dipping to 13.1 at Q1.

The strength of the balance sheet was reflected in the rise in TNAV from 262 to 284p.

Moving onto Q2 performance.

Slide 11: Q220 Group highlights

Income decreased 4%. Continued strong performance by CIB, particularly in Markets, was offset by income headwinds in BUK and CCP.

Costs decreased 6%, delivering positive jaws of 2% and a 62% cost: income ratio.

As a result, pre-provision profits were broadly stable year-on-year at £2bn.

However, we provided a further £1.6bn for impairment, up £1.1bn, to add to the £2.1bn provided in Q1.

This charge included a further £1.0bn net increase from modelling revised COVID-19 scenarios, with macroeconomic inputs based on a slower recovery than we modelled at Q1.

We continue to see limited effects of the pandemic on delinquencies, partly as a result of support programmes.

Net write-offs in the quarter were just £0.5bn, and £0.9bn for the half.

Assuming no further deterioration in the macro-economic variables we are using, we would expect to report a lower impairment charge in the remaining quarters of the year.

Before I go into the performance by business, a few words on income, costs and impairment overall.

Slide 12: Income decreased 4% YoY in Q220, as strong performance in CIB was offset by income headwinds in BUK and CC&P

The quarter showed the benefit of the diversification of our sources of income across consumer and wholesale businesses.

CIB income increased 19% to £3.3bn, driven by the increase of 49% in Markets, which was down just 8% on Q1.

Conditions remained challenging for our consumer businesses with reduced balances in a low-rate environment, as we'll show on the next slide. However, with some recovery in levels of consumer spending, there are encouraging signs starting to emerge.

Slide 13: Income in BUK and CC&P expected to gradually recover from Q220 levels

We've highlighted here the headwinds from balance reductions in BUK and in US cards, and also summarised the interest rate developments that have put pressure on income across our lending businesses.

We have seen some signs of recovery in consumer spending in both the UK and US through June and into July as lockdowns have eased, but of course there will be some time lag in converting this spend into associated increases in interest-earning balances.

The spending recovery should have a quicker transmission to income levels in US cards, due to the higher interchange income we earn on card spend in the US.

We have also put on the slide a reminder of the headwinds in BUK we quantified at Q1. These continue in H2, but following the repricing of deposits, the margin compression may moderate in H2.

Looking now at costs.

Slide 14: Continued focus on cost discipline, but short-term headwinds remain from spend on COVID-19 initiatives

With the 8% increase in income and costs down 4% in H1, the Group delivered positive jaws of 12%, and the cost:income ratio reduced from 64% to 57%.

I would remind you that costs in H2 will include the bank levy, and we expect the additional costs relating to the pandemic to outweigh cost categories such as travel, which have reduced in the short-term. Of course the level of costs in H2 will vary with performance-related cost flex in the CIB.

The pandemic is also changing some of the ways we work, so our continuing focus on cost discipline remains critical to our performance going forwards.

Slide 15: Increased impairment charges in Q120 and Q220 have resulted in higher coverage ratios across portfolios

I've mentioned the additional impairment charge in Q2. As you can see there was a year-on-year increase across all businesses, but the quarter-on-quarter progression shows an increase in BUK, reflecting a slower forecast economic recovery, but a decrease in CCP.

The effect of this slower forecast recovery in the US was offset by a lower 2020 peak for unemployment and the significant reductions in US cards balances.

In CIB, we had lower single name charges than in Q1, but the effect of slower recovery on expected losses in corporate lending kept the charge at an elevated level.

We've shown on the next slide a breakdown of how we built up the Q2 charge, and the macroeconomic variables, or MEVs, underlying the expected loss calculation.

Slide 16: Q220 impairment charge driven by updated economic forecasts and expectation of a slower recovery

We've used a similar format to Q1 to explain the workings behind the charge. The modelled impairment calculated during the quarter, using the MEVs we set prior to running the COVID scenario for the Q1 close, generated a figure of £0.4bn. I think of this as a sort of baseline modelled charge.

In addition to this, we had another £0.2bn in respect of single name wholesale charges in the CIB.

As in Q1, some of these names may have been affected by the pandemic, but the sum of these two is not materially above our underlying quarterly run rate in previous years of around £0.5bn.

The remainder of the increase reflects the £1bn net impact from using updated COVID scenarios, reflecting the deterioration in forecast MEVs and an overlay of £150m for selected sectors. This book up, as I call it, compares with the £1.35bn we charged in Q1.

We've shown on the slide some of the key UK and US macroeconomic variables used, and there's more detail in the results announcement.

The key changes are that, while the peak unemployment level in the US is lower than in the Q1 COVID scenario, the unemployment levels for both the UK and US remain high for longer.

The modelling is subject to inherent uncertainty with respect to forecasting incremental credit losses, and it is difficult to give guidance on the charge going forward.

The level of defaults flowing through will be a key determinant of the charges for the next few quarters. The extension of support programmes may delay visibility as to the ultimate level of such defaults and to what extent they were already included in the expected loss book up.

Slide 17: Q220 impairment coverage ratios

Taking a step back from the level of the Q2 charge, it's important to look at the coverage ratios to see the full extent of our cumulative protection against the downside risk.

This slide summarises the loan books, impairment builds, and resulting coverage ratios, for the wholesale and consumer portfolios, over the last two quarters.

You can see that our coverage ratio has increased at the group level from 1.8 to 2.5%.

Of course the coverage ratios vary materially across the secured and unsecured portfolios.

The wholesale coverage has increased from 0.8 to 1.4%, and a large portion of this is in the selected sectors which we consider to be more vulnerable to the downturn, which I'll cover shortly.

I would remind you that we are looking at the major risks in corporate lending on a name by name basis, including taking into account assessment of the value of any collateral.

The other major area of focus is the coverage on the unsecured consumer books, where the ratio has increased from 8.1 to 12% overall and to 23.1% on Stage 2 balances, most of which are not past due.

We've split out the unsecured portfolios on the next slide.

Slide 18: Q220 impairment coverage ratios of credit cards, unsecured loans and other retail lending

You can see here the increase in the coverage ratios across the UK and US cards portfolios to 16 and 13.9% respectively, and coverage on Stage 2 balances has increased to 28 and 24.5%.

Turning now to the wholesale coverage on selected sectors.

Slide 19: Exposure to selected sectors vulnerable to the current environment only 13% of total wholesale exposure

We've shown here our exposure to those sectors which we feel are particularly vulnerable to the downturn.

I won't go through each of them, but you can see that the balance sheet exposure is just over £20bn, and our overall coverage ratio across these sectors has increased from 2.3 to 4.0% through H1.

I would also highlight that, as a result of our cautious approach to wholesale risk management, we have synthetic protection in place covering over 25% of our exposure.

As I've mentioned before, we have been happy to sacrifice some income in order to reduce the downside on credit risk.

Before I move on to the individual businesses, a few words on payment holidays.

Slide 20: Balances on payment holidays across portfolios were well covered as at Jun-20

We've set out on this slide the balances in the major portfolios receiving payment holidays as at 30 June, the staging of those balances and coverage ratios.

As you can see 10% of the mortgage book was on a payment holiday, but these are mainly Stage 1 balances, and the average LTV is 57%.

In UK and US cards the percentage of balances with a holiday was much lower, at 5% and 3% respectively.

The proportion of these that are Stage 2 balances is considerably higher. However, the coverage ratios on those balances are well above average Stage 2 coverage on cards at 43.9 and 35.3% respectively.

That means the total uncovered balances on payment holidays across UK and US cards was under £1bn at 30 June, and you'll see on the next slide that this is coming down materially in July.

Slide 21: Payment holidays granted continue to reduce and net balances are also reducing as customers roll off

It's still too early to draw firm conclusions from the behaviour of customers rolling off payment holidays.

However, we've set out here the evolution of holiday grants and the roll-offs through to 22 July.

You can see that as the first wave of holiday grants have started to expire, a significant proportion have been rolling off payment holidays, and many of these are returning to regular payment schedules as their payments become due.

So there was a marked decline during June in net balances still on payment holidays and this trend is continuing in the first three weeks of July.

Turning now to performance of the individual businesses.

Slide 22: Q220 Barclays UK

We mentioned at Q1 some of the income headwinds BUK is facing and these are reflected in the Q2 performance, with income down 17%, in line with consensus.

Although we saw some recovery in spending towards the end of the quarter, as I showed earlier, unsecured balances reduced significantly, with interest-earning card balances down 18% year-on-year.

Mortgage balances on the other hand were up year-on-year and broadly flat on Q1, but with a slight improvement in pricing.

There was a significant increase in business banking lending, with c.£7bn combined in Bounce Back Loans and CBILS.

Meanwhile deposit balances continue to grow, resulting in a loan:deposit ratio of 92%.

Overall, as indicated at Q1, NIM was down materially in the quarter at 248bps, from 291 for Q1.

We still expect the full year NIM to be in the range of 250 - 260bps.

Costs in the quarter decreased 4%, as efficiency gains were offset by costs related to the pandemic, and c.£25m of costs were transferred with our partner finance business from Barclays International.

Impairment for the quarter was £583m, an increase on the Q1 level of £481m, reflecting the updated COVID scenario that I mentioned earlier.

As I noted earlier arrears rates at 30 June do not yet reflect the developing economic downturn.

Turning now to Barclays International.

Slide 23: Q220 Barclays International

The BI businesses delivered an RoTE of 5.6% for the quarter, down year-on-year, as the positive jaws from a 3% increase in income and 10% reduction in costs was more than offset by an increase of £0.8bn in impairment.

I'll go into more detail on the businesses on the next two slides.

Slide 24: Q220 Barclays International: Corporate & Investment Bank

CIB delivered an RoTE of 9.6% in Q2, as another strong performance in Markets more than offset the increased impairment provision.

Income was up 19%, at £3.3bn, while costs were down 10%, delivering positive jaws of 29%.

Markets grew income to £2.1bn, up 49%.

The increase was driven by flow trading, as in Q1, with increased client activity and the trading businesses capturing a good portion of the widened bid-offer spreads as a result of the heightened volatility. This was despite sizeable headwinds from hedging counterparty risk, including funding valuation adjustments.

FICC income was up 60% on last year, or up 90% excluding the net effect of Tradeweb gains, with a particularly strong performance from flow Credit.

Equities had a record quarter in terms of sterling income, at £674m, up 30%, with particularly strong increases in derivatives and cash equities.

Banking increased 5%, reflecting improved performance in DCM and ECM, but lower advisory revenues. Overall it was a strong performance by historical standards.

We talked at Q1 about the effect on the Corporate lending income of mark-to-market moves in loan hedges, and in Q2 we saw most of the Q1 benefit reverse, as market conditions improved, with c.£280m negative in total from the mark to market and carry costs on the hedges. We also had some positive marks on our leveraged loan commitments, totalling c.£140m, taken through the income line.

Costs reduced 10%, resulting in a cost to income ratio of 51%.

Impairment increased to £596m, driven by the effect of the updated COVID scenarios and some single name charges.

RWAs reduced by £3bn in the quarter to £198bn, significantly lower than anticipated. I'll come back to that when I talk about capital progression.

Turning now to Consumer Cards & Payments.

Slide 25: Q220 Barclays International: Consumer, Cards & Payments

Income in CCP was down 37% year on year. This included a £101m write down on Visa preference shares.

Excluding this, income was still down 28% year-on-year, reflecting a significant reduction in US card balances, which were down 18% in dollar terms.

In addition to affecting balances, lower spend volumes were also a headwind for interchange income in cards and payments income.

Although the income environment is expected to remain challenging in H2, recent spend data from June and into July, particularly in the US, has suggested some recovery in income, if those trends continue.

Costs were down 11%, reflecting both cost efficiencies and lower marketing spend in light of the pandemic.

While arrears rates have not yet responded to the downturn, we have taken an additional impairment provision of £0.4bn, as a result of running an updated COVID scenario with a slower economic recovery than forecast at Q1, partially offset by lower balances.

Turning now to Head Office.

Slide 26: Head Office

The Head Office loss before tax was £321m, up significantly year-on-year and quarter-on-quarter.

The negative income reflects the main elements I've referenced before: c.£30m of legacy funding costs, and residual negative treasury items, while hedge accounting this quarter generated negative income, compared to a positive contribution in Q1 and that is expected to continue in H2.

These were partially offset by the Absa final dividend of c.£40m.

Q2 also included some mark-to-market losses on legacy investments in the income line, and a write-down through the other net expenses. These were each of the order of £40-50m.

After an unusually low Q1 print, costs of £109m were above the usual runrate of £50-60m, due to the inclusion of around half of the community aid programme of £100m we announced at Q1.

Moving onto capital.

Slide 27: Q220 CET1 ratio increased to 14.2%

We began the quarter at a CET1 ratio of 13.1%, having seen a material increase in RWAs in Q1, and we had guided for a slightly lower ratio at Q2, as further pro-cyclical increases in RWAs were expected to more than offset capital generation.

As we flagged in our announcement a couple of weeks ago, the combination of some beneficial regulatory changes and lower RWAs have contributed to a higher than expected ratio, ending the quarter at 14.2%.

We continued to generate capital, with profits adding 60bps of capital, excluding the pre-tax impairment charge.

The full impairment charge would have taken 51bps off the ratio, but this was partially offset by IFRS9 transitional relief of 35bps, which included the benefit of the rule changes in Q2.

We've shown how these new rules work in the call-out box, and there's more detail in an appendix slide.

The PVA reduction added 10bps, which includes adoption of the rule change in Q2. There were also increments from fair value moves and the pension position.

I'll say more about the way we are looking at our capital flightpath in a moment, but first I'll go into more detail on the RWA bridge.

Slide 28: RWAs decreased over Q220

Here we've broken down the elements of the £6.6bn decrease in RWAs.

The pro-cyclicality we had anticipated at Q1 only partially materialised, and we were also able to take management actions to mitigate potential increases.

We did see some credit RWA inflation from credit quality deterioration, which we estimate at c.£5.0bn.

However, other credit risk movements reduced RWAs by a total of £7.6bn. Over half of the March drawdowns on revolving credit facilities were repaid in Q2, contributing £3.7bn to that credit RWA reduction, after an increase of c.£7bn in Q1.

Counterparty RWAs reduced by £3.1bn and in Market RWAs management actions we were able to take resulted in a £2.7bn net reduction in the quarter. A good result given our strong performance in the Markets businesses.

Our plans for running the business do currently assume some further pro-cyclical effects materialise in H2, but as we have seen forecasting the timing of such effects is difficult.

Overall, I would expect the RWA flightpath to be a headwind to the capital ratio in H2.

The other headwind I would call out is the potential capital effect of the H2 impairment charge to the extent it has an increased element generated by defaulted balances, which would not be eligible for the increased transitional relief that benefitted the Q2 ratio. This would limit the capital generation from pre-provision profitability in H2.

Looking on the next slide at our capital requirement.

Slide 29: Continue to manage CET1 ratio with appropriate headroom above MDA through the stress

We've shown here our current capital requirement, and how it has reduced to reflect the removal of the counter-cyclical buffer in Q1, and the recent reduction in Pillar 2A.

As a result, our MDA has reduced by 130bps to 11.2%, so our Q2 ratio of 14.2% currently represents a 300bps buffer.

We also expect some further reduction in our MDA hurdle in percentage terms over the stress period, through some further reduction in our Pillar 2A requirement.

With regard to headroom, our capital ratio has been strengthened over recent years to put us in a position to absorb precisely the type of stress we are now experiencing.

In this environment, we will manage our capital ratio through this stress period to enable us to support customers, while maintaining an appropriate buffer above the MDA.

I wouldn't look at the current 300bps buffer as any sort of benchmark. We expect the buffer that we consider to be appropriate to evolve over time, having regard to the expected flightpaths of both our ratio and our capital requirement.

In summary we are comfortable with our capital ratio, and would be comfortable for it to reduce in H2, but it's too early to give definitive guidance on the H2 flightpath.

Finally, a few words about our liquidity and funding.

Slide 30: High quality and conservatively positioned liquidity and funding position

You can see on this slide some of the key metrics, showing we are well positioned to withstand the stresses that are developing, and to support our customers.

Slide 31: Outlook: Diversification delivering resilient performance

So, to re-cap, we were profitable in Q2, as well as for the first half overall, despite the effects of the COVID pandemic.

Although some income headwinds across the consumer businesses are expected continue into 2021, we do expect a gradual recovery from the Q2 levels.

We continue to see the benefits of our diversified business model coming through, with strong income growth in the CIB in H1 and our franchise is well positioned for the future.

Costs were down year-on-year resulting in positive jaws for the quarter.

The pandemic has increased costs in certain areas, but is also changing some of the ways we work, so our continuing focus on cost discipline remains critical to our performance going forwards.

We have taken very significant impairment charges in Q1 and Q2, and while the future is hard to forecast, without further deterioration in economic forecasts, we expect to report lower charges for the remaining quarters of the year.

Our funding and liquidity remain strong and put us in a good position to support our customers and clients during this difficult period.

Although we may face further headwinds in H2, our improved CET1 ratio of 14.2% puts us in a good position to deal with further challenges resulting from the pandemic.

However, I won't comment further on potential future capital distribution at this stage. The Board will decide on future dividend and capital returns policy at the year end.

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

Important Notice

The terms Barclays or 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. The Bank of England will review the MREL calibration by the end of 2020, including setting Pillar 2A capital requirements, which may drive a different 1 January 2022 MREL requirement than currently proposed. The Pillar 2A requirement is subject to at least annual review.

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 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. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including, without limitation, during management presentations to financial analysts) 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, 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. The forward-looking statements speak only as at the date on which they are made and such statements may be affected by changes in legislation, the development of standards and interpretations under IFRS, 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 entity within the Group or any securities issued by such entities; direct and indirect impacts of the coronavirus (COVID-19) pandemic; instability as a result of the exit by the UK 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 Group's control. As a result, the Group's actual financial position, future results, dividend payments, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Group's forward-looking statements. Additional risks and factors which may impact the 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 2019 and our 2020 Interim Results Announcement for the six months ended 30 June 2020 filed on Form 6-K), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, (including, without limitation, the UK and the US), 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

Barclays management believes that the non-IFRS performance measures included in this document 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 document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.