

Financial Analysis: Barclays -2025 FY summary

Executive Summary

Executive Summary: Quarterly Performance Review (Q1-Q3 2025)

The period spanning Q1 to Q3 2025 demonstrates a mixed but generally robust financial performance, characterized by strong year-on-year income growth, effective capital management, and ongoing strategic execution. However, a critical review highlights increasing credit loss provisions and significant regulatory and macroeconomic risks that warrant close monitoring.

Revenue Trend:

Group income showed strong year-on-year growth across the period, driven by broad-based divisional performance, including significant contributions from Barclays UK, UK Corporate Bank, Private Bank and Wealth Management, and the Investment Bank.

* **Q1 2025:** Revenue stood at a strong GBP 7.709 billion.

* **Q2 2025 (H1 data reflects Q2):** Revenue moderated slightly to GBP 7.187 billion.

* **Q3 2025:** Revenue remained stable at GBP 7.167 billion, indicating a slight quarter-on-quarter plateau after a strong Q1. Despite this, the Group reported a 9% year-on-year increase in Q3 income, underscoring underlying growth momentum.

Headcount Changes:

Specific data regarding total headcount changes was not provided within the quarterly reports. However, total operating expenses have shown an increasing trend across the quarters (GBP 4.365bn in Q1, GBP 4.225bn in Q2, GBP 4.497bn in Q3). This increase is attributed to factors such as Tesco Bank integration costs, strategic investments, business growth, inflation, and employee share grant expenses, suggesting ongoing investment in the workforce and operational infrastructure despite efficiency savings.

Write-offs and Risk Profile:

While direct "write-offs" were reported as GBP 0 million across all quarters, **credit loss provisions** and other risk-related items were significant and represent the primary area of concern:

* **Credit Loss Provisions:** These remained elevated and volatile:

* **Q1 2025:** GBP 643 million, driven by a GBP 74 million post-model adjustment for elevated US macroeconomic uncertainty and stage migration from the Tesco Bank acquisition. The loan loss rate rose to 61bps from 51bps year-on-year.

* **Q2 2025 (H1 data reflects Q2):** GBP 469 million, attributed to the Tesco Bank acquisition and continued US macroeconomic uncertainty, with the loan loss rate increasing to 44bps from 38bps

year-on-year.

* **Q3 2025:** GBP 632 million, including a substantial GBP 110 million single-name charge in the Investment Bank and a GBP 65 million day-one impact from a GM portfolio acquisition, alongside persistent US macroeconomic uncertainty. The loan loss rate further increased to 57bps from 37bps year-on-year.

* **Motor Finance Redress:** A critical development in Q3 was the GBP 235 million charge for motor finance redress, increasing the total provision to GBP 325 million. The final terms of the compensation scheme remain uncertain, posing a material unquantified risk for future financial impact.

* **US Macroeconomic Uncertainty:** An "uncertainty adjustment" of GBP 70 million (net of credit protection) related to heightened US macroeconomic uncertainty, tariffs, trade tensions, and geopolitical risks persisted, indicating potential for higher future credit losses if these risks materialize.

* **Regulatory Fines:** In H1, Barclays settled FCA investigations into financial crime systems and controls, resulting in fines totaling GBP 48 million (GBP 39m for Barclays Bank PLC and GBP 9m for Barclays Bank UK PLC), which were fully provided for.

* **Future Regulatory Impacts:** The Group anticipates significant Risk Weighted Assets (RWAs) impacts by 2026, estimated at c.GBP 19-26 billion, primarily from Basel 3.1 implementation and the US Consumer Bank's transition to an Internal Ratings Based (IRB) model.

In summary, while Barclays demonstrated strong income growth and capital generation, the increasing trend in credit loss provisions, the substantial and uncertain motor finance redress, and ongoing macroeconomic and regulatory challenges highlight a heightened risk environment that requires vigilant management and strategic foresight.

Quarterly Metrics

Metric	H1	Q1	Q3
Quarterly Revenue Bn	7.187	7.709	7.167
Eps	0.117	0.13	0.104
Net Interest Income Millions	3505	3517	3745
Dividend Per Share	0.0	0.0	0.0
Assets Under Supervision Bn	131.9	0.0	84.4
Total Headcount	0	0	0
Write Offs Millions	0.0	0.0	0.0
Credit Loss Provisions Millions	469	643	632

Operating Expenses Bn	4.225	4.365	4.497
Return On Equity Bn	0.0	1.864	5.8406
Return On Equity Tier1 Captial Bn	0.0	0.0	0.0
Net Profit Growth Percentage	34.11	20.26	-6.84
Liquidity Coverage Ratio Percentage	177.7	175.3	174.6
Risk Weighted Assets Bn	353.0	351.3	357.4

Qualitative Insights

Key Highlights

[H1]: Barclays PLC reported a strong performance for the first half of 2025 (H125), achieving a Return on Tangible Equity (RoTE) of 13.2%. For the second quarter of 2025 (Q225), RoTE stood at 12.3%, with profit before tax increasing by 28% year-on-year to GBP 2.5bn and total income growing by 14% to GBP 7.2bn. Earnings per share (EPS) saw a significant rise of 41% to 11.7p in Q225, reflecting both profit growth and the positive impact of share buybacks.

The Group demonstrated robust capital generation, maintaining a Common Equity Tier 1 (CET1) ratio of 14.0%. In line with its commitment to shareholder returns, Barclays announced a further GBP 1bn share buyback and a half-year dividend of 3.0p per share, bringing total capital distributions for H125 to GBP 1.4bn, a 21% increase year-on-year. Progress on the three-year strategic plan remains on track, with over half of the planned UK risk-weighted assets (RWAs) growth and target income growth achieved, alongside two-thirds of the GBP 2bn gross cost efficiency savings.

Divisional performance was strong, with all segments delivering double-digit RoTE in Q225. Barclays UK, UK Corporate Bank, and Private Bank and Wealth Management all reported increased income driven by factors such as higher structural hedge income, client balances, and the acquisition of Tesco Bank. The Investment Bank also saw a 10% income increase, primarily from Global Markets. Despite a 5% year-on-year rise in total operating expenses to GBP 4.2bn, the cost-to-income ratio improved to 59% in Q225, reflecting positive operating leverage and ongoing efficiency savings.

[Q1]: Barclays PLC reported a strong Q1 2025 performance, achieving a Return on Tangible Equity (RoTE) of 14.0% and an Earnings Per Share (EPS) of 13.0p, marking a 26% increase year-on-year. The Group's top-line income grew by 11% to GBP 7.7 billion, contributing to a 19% rise in profit before tax compared to Q1 2024. The balance sheet remains robust, with a Common Equity Tier 1 (CET1) ratio of 13.9% and a Liquidity Coverage Ratio (LCR) of 175%.

Income growth was broad-based across the businesses. Barclays UK saw a 14% increase, driven by structural hedge income and the acquisition of Tesco Bank. The UK Corporate Bank and Private Bank and Wealth Management segments also reported 12% income growth each, reflecting higher deposit balances and client activity. The Investment Bank's income surged by 16%, notably with a 21% increase in FICC within Global Markets.

Strategic achievements in the quarter included the completion of the sale of the German consumer finance business, which boosted the CET1 ratio by approximately 10 basis points, and the announcement of a long-term strategic partnership for the Payment Acceptance business. These actions underscore the Group's commitment to delivering its financial and distribution targets for 2025 and 2026.

[Q3]: Barclays delivered a robust Q3 2025 performance, achieving a Return on Tangible Equity (RoTE) of 10.6%, contributing to a year-to-date RoTE of 12.3%. This strong performance has led to an upgraded 2025 RoTE guidance to greater than 11% and a reaffirmation of the 2026 target of over 12%. The Group announced a GBP 500m share buyback, signaling a move towards quarterly buyback announcements, and remains on track to return at least GBP 10bn of capital to shareholders between 2024 and 2026.

Financial highlights include a 9% year-on-year increase in Group income to GBP 7.2bn, with Net Interest Income

(excluding Investment Bank and Head Office) rising 16% year-on-year to GBP 3.3bn. All divisions reported double-digit RoTE, demonstrating broad-based strength. The Group maintained strong cost discipline, with the year-to-date cost-to-income ratio improving to 59%, and achieved its targeted FY25 cost efficiency savings of approximately GBP 500m a quarter ahead of schedule.

Barclays' balance sheet remains robust, with a Common Equity Tier 1 (CET1) ratio of 14.1%, which would be 13.9% after the announced share buyback, staying at the top end of its target range. Liquidity metrics are well above regulatory requirements, supported by a liquidity pool of GBP 332.9bn and an average Liquidity Coverage Ratio (LCR) of 174.6%. Total deposits grew to GBP 575.3bn, and the Group's MREL position is strong at 35.8%, comfortably exceeding regulatory requirements.

Critical View

[H1]: While the report highlights strong performance, several underlying factors warrant a critical view. The appreciation of GBP against USD, while positively impacting credit impairment charges and operating expenses, also negatively affected overall income and profits, suggesting that reported growth might have been stronger without this currency headwind. Furthermore, credit impairment charges increased to GBP 469m in Q225, driven by the acquisition of Tesco Bank and "elevated US macroeconomic uncertainty," which necessitated a post-model adjustment in Q125. The loan loss rate also rose from 38bps in Q224 to 44bps in Q225, indicating a potential deterioration in credit quality, even if it remains within the through-the-cycle range.

The Group continues to carry a significant "uncertainty adjustment" of GBP 70m (net of credit protection) related to heightened US macroeconomic uncertainty, tariffs, trade tensions, and geopolitical risks. This adjustment, which is not yet reflected in customer behavior, suggests that future credit losses could be higher if these risks materialize. Additionally, the report notes a prospective change in the Liquidity Coverage Ratio (LCR) calculation methodology from June 2025, which is "expected to contract over time from recent elevated levels." While framed as "readily absorbed," this indicates a future reduction in a key liquidity metric.

Finally, the ongoing "Motor finance" provision remains a significant area of uncertainty. Despite no change to the provision in H125, the report explicitly states that "legal and regulatory outcomes and the nature, extent and timing of any remediation action, if required, remain uncertain and as a result the ultimate financial impact could be materially different to the amount provided." This highlights a material unquantified risk that could impact future financial results.

[Q1]: While overall performance was strong, several areas warrant a critical look. Credit impairment charges increased significantly to GBP 643 million in Q1 2025 from GBP 513 million in Q1 2024, with the loan loss rate rising to 61bps from 51bps. This increase was primarily attributed to a net GBP 74 million post-model adjustment for elevated US macroeconomic uncertainty and stage migration impacts from the Tesco Bank acquisition, suggesting underlying caution regarding credit quality in certain portfolios.

Operating expenses also saw an increase, with Group total operating expenses rising 5% year-on-year to GBP 4.4 billion. Operating costs specifically increased 7% to GBP 4.3 billion, driven by Tesco Bank integration costs, further investment, business growth, inflation, and an employee share grant expense. Despite reported cost efficiency savings of GBP 150 million, these pressures indicate ongoing challenges in managing the cost base.

Barclays US Consumer Bank experienced a decline in its Return on Average Allocated Tangible Equity (RoTE) to 4.5% from 5.3% in Q1 2024, with profit before tax slightly decreasing. This was attributed to higher costs and the aforementioned post-model adjustment for US macroeconomic uncertainty, alongside a 1% reduction in Net Interest Income due to margin compression in a lower interest rate environment. The Head Office also reported a larger loss before tax, primarily due to the non-recurrence of a prior year gain on disposal of a legacy investment.

[Q3]: While the report highlights strong overall performance, a critical view reveals several underlying challenges. Notably, Q3 2025 saw a year-on-year decline in both profit before tax (from GBP 2.2bn to GBP 2.1bn) and attributable profit (from GBP 1.564bn to GBP 1.457bn), indicating a weakening in quarterly profitability despite positive year-to-date trends. Total operating expenses for Q3 increased significantly by 14% year-on-year to GBP 4.5bn, pushing the quarterly cost-to-income ratio to 63% from 61% in Q3 2024, driven by Tesco Bank integration costs, investment, and inflation, partially offsetting efficiency savings.

Credit impairment charges surged to GBP 0.6bn in Q3 2025 from GBP 0.4bn in Q3 2024, with the loan loss rate rising from 37bps to 57bps. This increase includes a substantial GBP 110m single-name charge in the Investment Bank and a GBP 65m day-one impact from the GM portfolio acquisition, alongside elevated US macroeconomic uncertainty. A significant concern is the GBP 235m charge for motor finance redress in Q3, increasing the total provision to GBP 325m, with the final terms of the compensation scheme still uncertain, posing a potential for further financial impact. Additionally, the Group incurred GBP 48m in fines from FCA investigations into financial crime systems and controls, underscoring ongoing regulatory scrutiny and compliance costs.

Regulatory & Legal

[H1]: Barclays has been actively managing several regulatory and legal matters during the period. Notably, the Group completed the sale of its German consumer finance business in Q125, which released approximately GBP 3.3bn of Risk Weighted Assets (RWAs) and positively impacted the CET1 ratio. In a significant development, Barclays Bank PLC and Barclays Bank UK PLC reached settlements with the UK Financial Conduct Authority (FCA) in July 2025, resolving investigations into financial crime systems and controls and compliance with Money Laundering Regulations, with monetary settlements of GBP 39m and GBP 9m respectively.

However, other legal and regulatory challenges persist. The ongoing FCA review into historical motor finance commission arrangements and sales continues, with Barclays cooperating fully. A judicial review challenge filed by Clydesdale Financial Services Limited (CFS) against the Financial Ombudsman Service (FOS) decision was appealed to the English Court of Appeal after an initial ruling against CFS. Separately, the UK Supreme Court heard an appeal in April 2025 concerning three motor finance commissions cases involving other lenders, with judgment pending, which could have implications for Barclays.

In the US, several civil actions related to LIBOR, foreign exchange, and other benchmarks have seen various outcomes, including dismissals, appeals, and settlements. Notably, a shareholder derivative action against Barclays PLC and former executives was dismissed and affirmed on appeal, concluding the matter. However, class actions related to the over-issuance of securities in the US, while some have settled, others have been dismissed but are currently under appeal. Furthermore, Barclays is engaging with HM Revenue & Customs (HMRC) regarding a challenge to its

interpretation of UK bank levy legislation concerning beneficiary accounts, and an appeal is underway after a court upheld HMRC's denial of VAT grouping.

[Q1]: Barclays' regulatory capital requirements saw an increase in Q1 2025, with the Group's Overall Capital Requirement for CET1 rising to 12.2% following the latest PRA Individual Capital Requirement (ICR) notice. This includes a Pillar 2A requirement that increased by 23bps to 4.8%, with at least 56.25% to be met with CET1 capital.

The Group continues to maintain capital and liquidity metrics well above regulatory minimums, including a CET1 ratio of 13.9% and an MREL ratio of 36.2%, which is in excess of the 30.7% regulatory requirement plus a confidential PRA buffer. The UK leverage ratio remained stable at 5.0%.

Looking ahead, the Group anticipates significant impacts from future regulatory changes on Risk Weighted Assets (RWAs). This includes an estimated c.GBP 19-26 billion RWA impact by 2026, comprising c.GBP 3-10 billion from Basel 3.1 implementation (expected January 2027) and c.GBP 16 billion from the US Consumer Bank transitioning to an Internal Ratings Based (IRB) model, potentially beyond 2026. Litigation and conduct charges were notably lower in Q1 2025 at GBP 11 million, compared to GBP 57 million in Q1 2024.

[Q3]: Barclays is actively navigating several significant regulatory and legal developments. A major item is the reassessment of provisions for a proposed UK Financial Conduct Authority (FCA) Motor Finance redress scheme. Following the FCA's consultation paper in October 2025, Barclays increased its provision from GBP 90m to GBP 325m, resulting in a GBP 235m charge in Q3 2025. The final terms of this compensation scheme remain uncertain, with the FCA's Policy Statement and final rules expected in early 2026, indicating potential for further adjustments.

In July 2025, the FCA concluded civil enforcement investigations into Barclays Bank PLC and Barclays Bank UK PLC regarding anti-money laundering regulations and financial crime controls. This resulted in fines totaling GBP 48m (GBP 39m for Barclays Bank PLC and GBP 9m for Barclays Bank UK PLC), which were fully provided for in H1 2025. These cases are now closed, with the FCA acknowledging Barclays' cooperation.

From a capital and liquidity perspective, Barclays continues to meet and exceed regulatory minimums. As of 30 September 2025, the Group's Overall Capital Requirement for CET1 was 12.2%, and its CET1 ratio of 14.1% (13.9% post-buyback) remains within the 13-14% target range. The UK leverage ratio requirement was 4.1%, and the Group's MREL ratio stood at a strong 35.8%, comfortably above the 30.5% regulatory requirement plus the PRA buffer.