Barclays PLC FY 2023 Results

Fixed Income Conference Call Speech

Anna Cross, Group Finance Director

Daniel Fairclough, Group Treasurer

Anna Cross
Group Finance Director

Good afternoon everyone and welcome to the fixed income investor call for our full year 2023 results and investor update. I'm joined today by Dan Fairclough, our Group Treasurer.

Let me begin with a brief overview of our performance over 2023 before speaking to a few slides that summarises the investor update from this morning from a fixed income investor perspective. I'll then hand over to Dan for his overview of our balance sheet.

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Delivering against guidance

Achieved guidance across metrics

10.6%[1]
RoTE (target: >10%)

63%[1]
CIR (guidance: low 60s%)

46bps
Loan loss rate[2] (guidance: 50-60bps through the cycle)

3.13%
FY23 Barclays UK NIM
(guidance: 3.05-3.10%)

Strong balance sheet and earnings

13.8%
CET1 ratio
(target: 13-14%)

331p
TNAV per share
(up 36p YoY)

32.4p[1]
EPS
(up 1.6p YoY)

Enabled increased shareholder distributions

8.0p
FY23 dividend per share
(up 0.75p YoY)

£1.75bn
Share buybacks
£1.0bn announced at FY23
£0.75bn announced at H123

£3.0bn
Total capital distribution for the year[3]
(up c.37% vs 2022)

[1] Excludes Q423 structural cost actions of £927m | [2] Loan Loss Rate (LLR) | [3] Refers to the total capital distributions announced in relation to 2023 and includes the share buyback of up to £1.0bn announced at FY23 results |

We delivered on our targets in 2023.

Return on Tangible Equity was 10.6% for 2023, in line with our target of above 10%, and we've achieved that in each of the past three years.

Our cost income ratio was 63%, in line with our low 60s guidance for the full year.

Both of these metrics exclude fourth quarter structural cost actions, that we indicated at the time of Q3 results. The full year RoTE was 9% when including the actions.

These are directly linked to our revised financial targets that were announced this morning and I'll set out in a moment.

Our CET1 ratio ended the year at 13.8%, towards the top end of our target range.

And the loan loss rate for the year was 46bps, below our through the cycle guidance of 50-60 basis points, continuing to see the benefit of our long-standing, prudent approach to lending and provisioning.

Overall, we view this performance as a strong foundation on which to build towards our revised financial targets over the next three years.

Let me now turn to a very brief summary of the Investor Update from this morning.

Over the last decade we have become well-capitalised and leaner

Strategy Update May 2014[1]		Investor Update February 2024
139,600 colleagues	**Non-priority business exits**	92,400 colleagues
>50 countries	• Africa • Commodities • Europe retail banking • Reduced non-CIB footprint in Asia • US and Asia Wealth • Considering options for merchant acquiring Payments business • Sale of German consumer finance business • Disposal of Italian retail mortgages book	38 countries
£436bn RWAs	**Refocused business priorities** • Invested in building at scale CIB franchise	£343bn RWAs
9.3% CET1 ratio	**c.£16bn litigation and conduct addressed[2]** • Customer redress • Market manipulation • Governance	13.8% CET1 ratio

[1] Barclays Strategy Update at May 2014. £436bn RWA and 9.3% CET1 ratio as at FY13 results | [2] Litigation and conduct charged to the income statement for the period 2014-2023 including in relation to customer redress, market manipulation and governance. Please see our Legal, competition and regulatory matters note on pg.473 of ARA 2023 for further detail |

Here we laid out our journey since our strategy update ten years ago. In that time we have become leaner having exited non-priority businesses and we now operate with fewer people in fewer countries.

We are better capitalised, with our 13.8% CET1 ratio 450bps higher than a decade ago and RWAs reduced by over 20%.

We are creating a simpler, better, more balanced bank, dedicated to higher and more stable returns.

Our financial goals for the next three years

Targets	2023	2024	2026
Statutory RoTE	9.0%	>10%	>12%
Total payout	£7.7bn 2021-2023	>	At least £10bn[1] 2024-2026
Investment Bank RWA (% of Group)	63%[2]	>	c.50%

Supporting targets	2023	2024	2026
Income	£25.4bn	>	c.£30bn
Cost: income	63%[3]	c.63%	High 50s%
Loan Loss Rate (LLR)	46bps	50-60bps Through the cycle	50-60bps Through the cycle

Continue to target a 13-14% CET1 ratio range

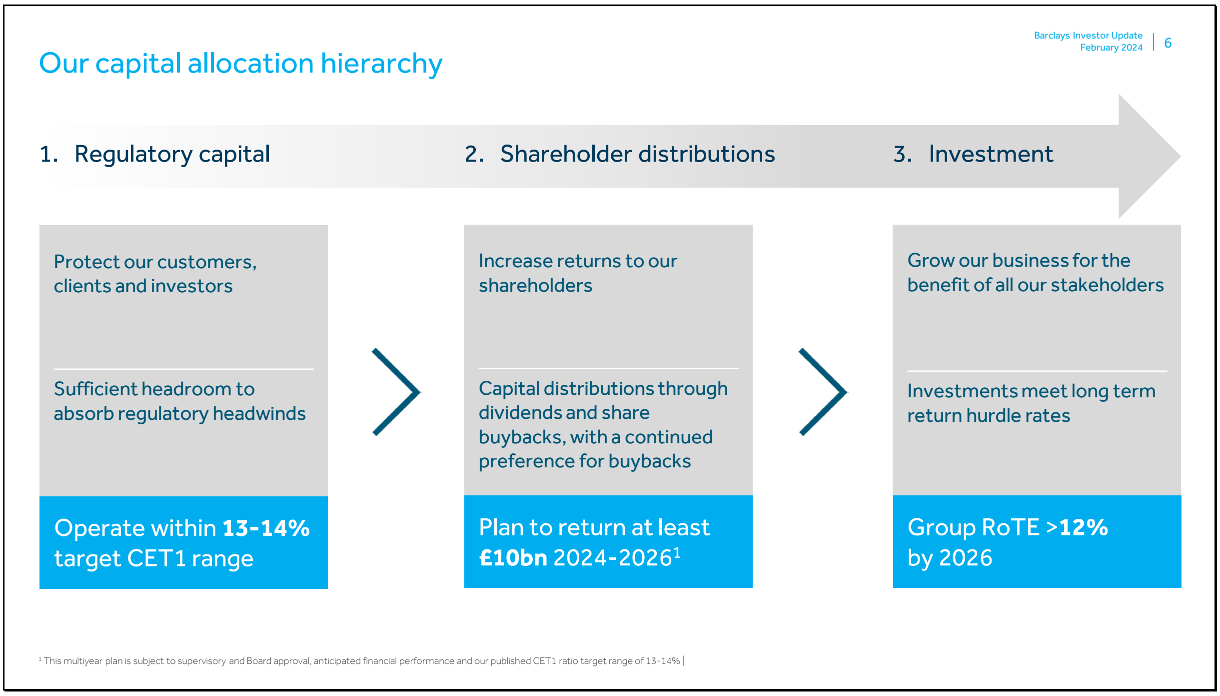
[1] This multiyear plan is subject to supervisory and Board approval, anticipated financial performance and our published CET1 ratio target range of 13-14% | [2] 63% based on prior Corporate and Investment Bank segmentation. Re-segmented Barclays Investment Bank 58% |
[3] Excludes Q423 structural cost actions of £927m |

So let me begin with a summary of our financial goals and supporting targets.

First, we target a RoTE of above 12% in 2026, up from 9% statutory in 2023.

Second, we expect this improved profitability to enable us to distribute at least £10 billion to shareholders between 2024 and 2026.

And finally, the proportion of RWAs in our Investment Bank will reduce from 58% to around 50% by 2026.



On the next slide, we show our clear hierarchy for capital allocation:

Our first priority is to hold a prudent level of capital, and our 13-14% CET1 ratio target range is unchanged and includes a prudent buffer to our requirement.

With our capital generation capacity, this allows flexibility and ability to absorb headwinds.

Our next priority, after maintaining our target regulatory capital, is distributions to shareholders.

And third, we will balance this thoughtfully as we invest selectively in our higher returning divisions, resulting in a more profitable RWA mix over time, and a better bank for all our stakeholders.

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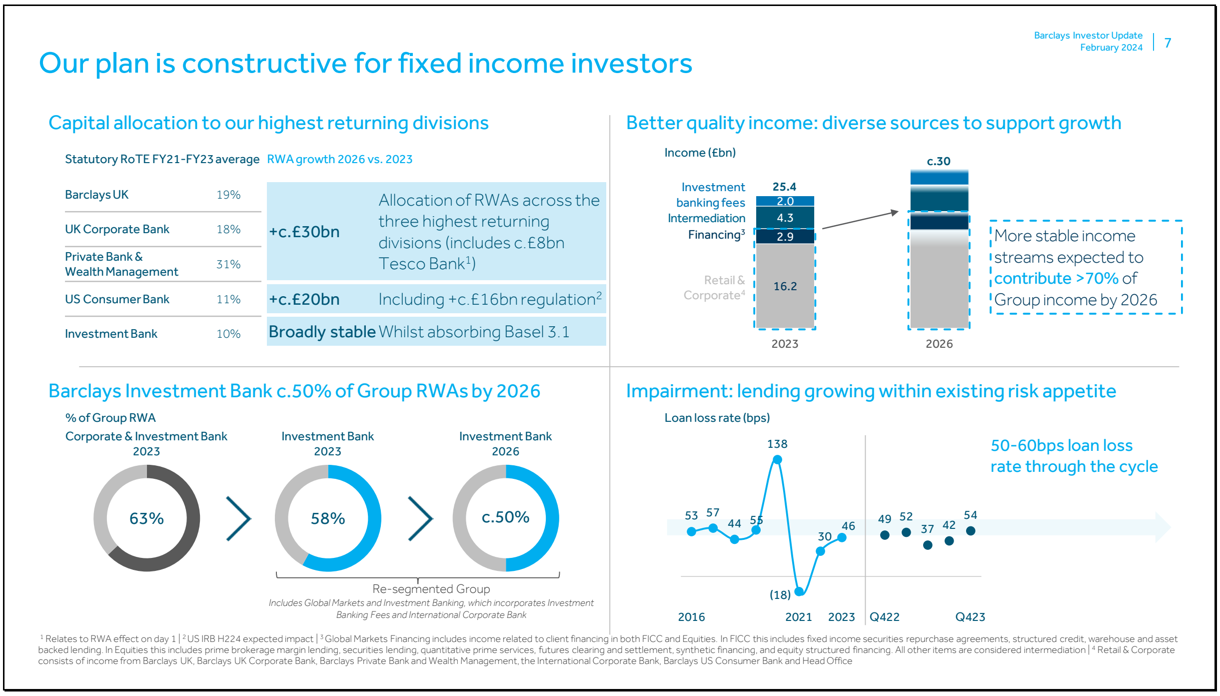


We believe the plan set out this morning is constructive for fixed income investors and slide 7 provides the highlights.

We will be disciplined on how we will allocate capital, both across the bank and within each business.

By 2026, we plan to allocate around £30bn of the £50bn growth in RWAs to our highest returning divisions – Barclays UK, the UK Corporate Bank and Private Bank and Wealth Management by growing their lending and gaining market share.

This includes the £8bn day 1 RWAs from the acquisition of Tesco's consumer finance business, where the risk profile is consistent with our own portfolios.

Turning to the bottom left of the slide, the Investment Bank is now both competitive and at scale. As noted, it accounts for 58% of RWAs today and will be c.50% of Group RWAs by 2026.

These changes include the absorption by the Investment Bank of the impact of Basel 3.1.

We will increase RWA productivity by reallocating capital to the higher returning International Corporate Bank, and to high returning secured lending and financing activities in Markets.

Moving to the top right quadrant, the RWA allocation underpins our ambition for better quality income as we grow to c£30bn by 2026.

We consider retail & corporate and financing to be more stable income streams, and we plan for these to account for more than 70% of the bank's income by 2026.

While there is significant growth in lending in our plan, we do this whilst maintaining our through the cycle loan loss rate guidance of 50-60 basis points.

We can achieve this given we have capacity to grow lending within our existing risk appetite, as we de-risked our overall lending profile through recent macroeconomic crises.

As a result, our lending portfolios have either stepped back in market share or have run with lower risk versus peers.

We see an opportunity to re-establish our position in lending in the UK, and unsecured in particular.

For market risk, whilst not in this slide, the Investment Bank presentation this morning demonstrated our controlled approach with a broadly flat VaR profile despite increased volumes.

Let me conclude with a summary, on slide 8.

We have a high returning UK retail and corporate franchise that complements our top-tier global Investment Bank, with scale in our core UK and US markets and we deploy capital between those businesses in a disciplined way.

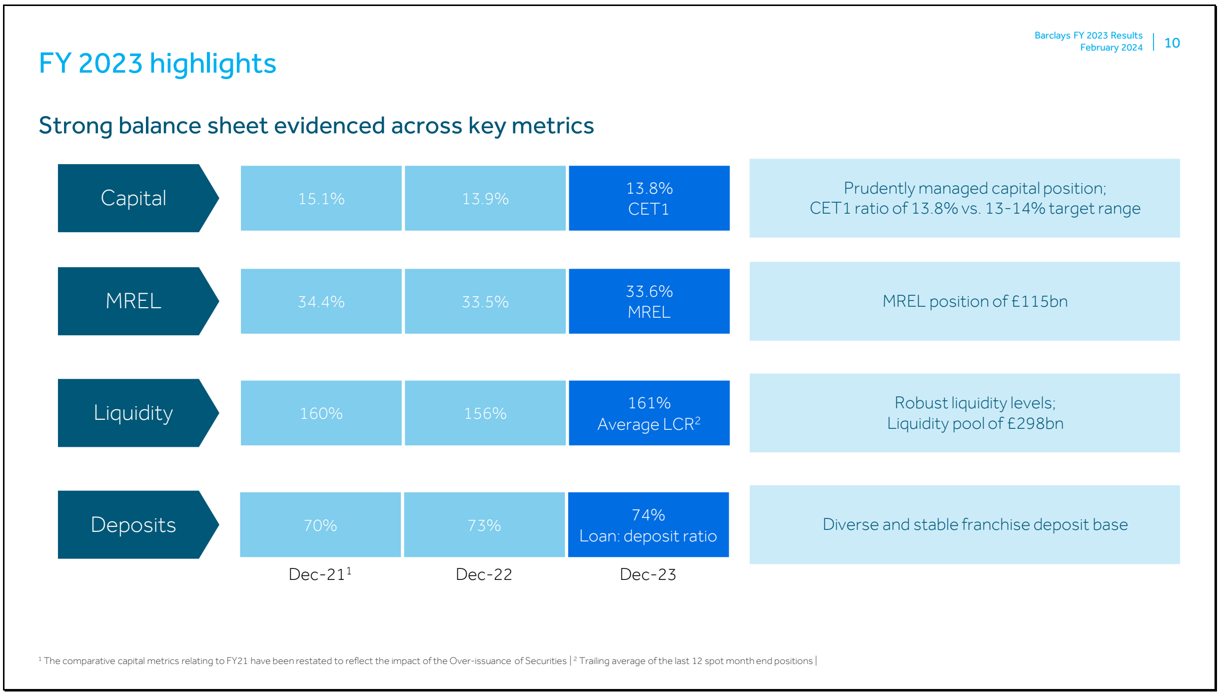
We plan to deliver above 12% RoTE by 2026, reflecting both ambition and realism.

We are well-capitalised, have deep liquidity and sound risk management, which combined with consistent and improved profitability will enable higher return of capital.

As I said, this is a plan that delivers for all our stakeholders.

Hopefully that has given you a helpful summary.

I'll now hand over to Dan for the balance sheet highlights .

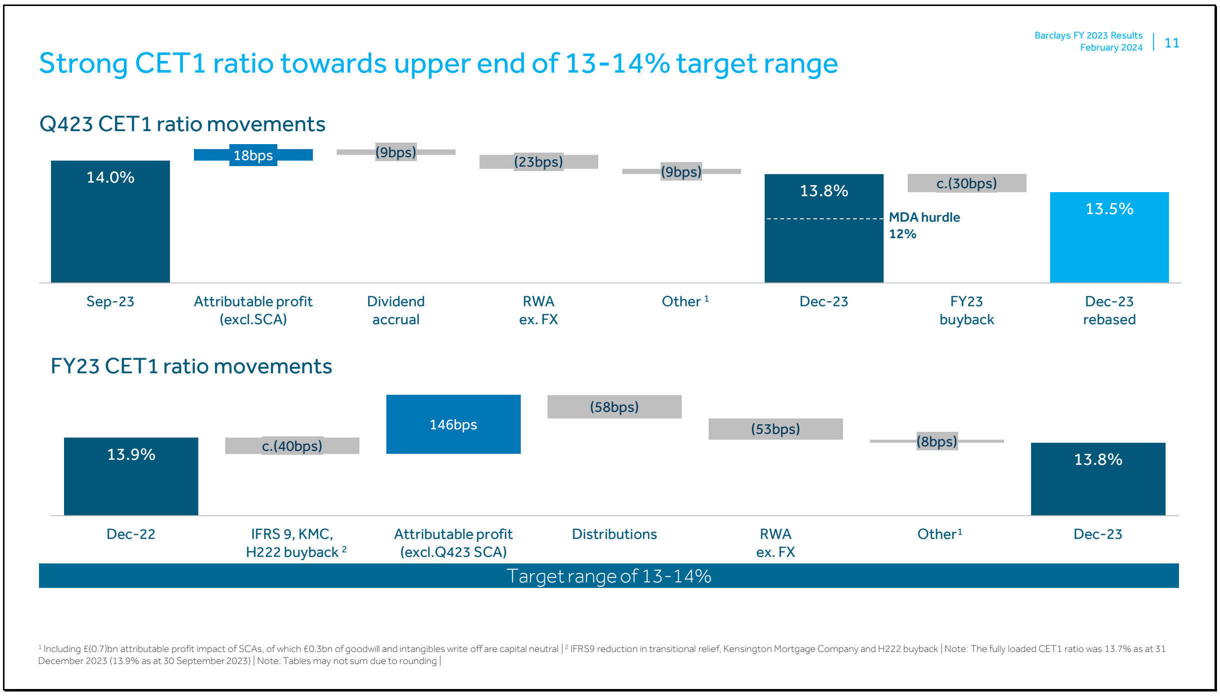


Thanks Anna.

We ended the year with a strong balance sheet, as evidenced by the metrics on the slide.

The CET1 ratio of 13.8% places us at the upper end of the target range and the MREL ratio of 33.6% provides £12bn of headroom above our requirements. A liquidity coverage ratio of 161% and low loan to deposit ratio of 74% demonstrates our robust balance sheet position.

Let me begin with capital.



The CET 1 ratio for the year end reflected the resilience of our capital generation despite absorbing one off items in Q4.

Structural cost actions and underlying growth in RWAs had a total impact of 45bps, and this was partially offset by profits, and we ended the quarter 23bps below the Q3 position.

Our underlying RoTE for the year of 10.6% generated 146bps of capital for the year and our 2026 RoTE target of >12% is expected to generate >200bps.

And with the continued strength of our capital position we announced a £1 billion share buyback this morning, and this would re-base the ratio to 13.5%, in the middle of our target range.

In Q1, we expect the usual seasonal effects as we lean into market opportunities and the associated RWA growth.

The MDA increased 15bps to 12% in Q4 23, reflecting the PRA's annual recalibration of our pillar 2A requirement.

As you heard this morning, having a sufficient headroom above our regulatory requirements is the foremost priority in our capital management framework, and we remain comfortable with the £6bn of headroom we have.

The announced acquisition of Tesco's consumer banking portfolios is c. 30bps impact of CET1 in 2024 and will be accommodated within our flightpath management.

You have already heard Anna's comment on our RWA plans over the next three years, and I want to address the two main regulatory headwinds over the following slides.

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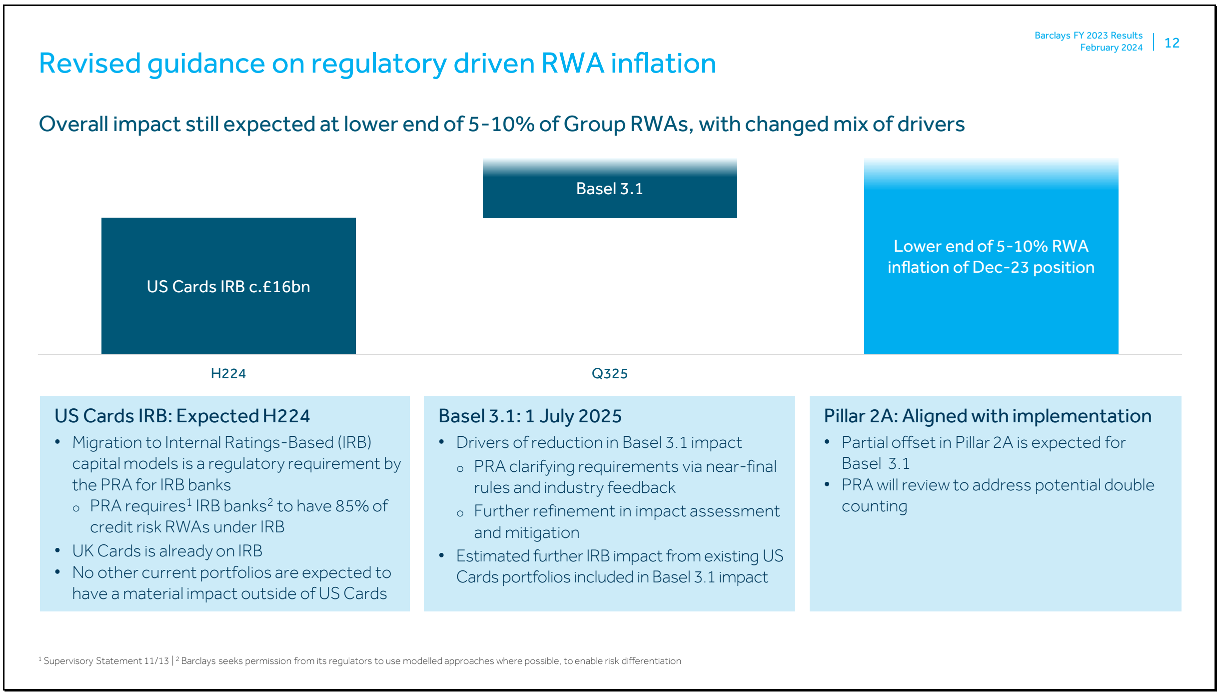

The first is a move of our US cards portfolio to an internal rating based, or IRB, model.

We continue to make significant progress towards at least 85 percent of credit risk RWAs being IRB, which is the level required by the PRA for IRB banks.

This move results in an expected increase in RWAs of c.£16bn from H2 2024.

We don't expect any further material impact from model migrations from current portfolios beyond US cards.

The second headwind is Basel 3.1, which we have quantified publicly for some time.

The PRA's recent policy paper was constructive and we have also worked through some refinements and mitigations.

Furthermore, our previous Basel 3.1 guidance included an element for US Cards RWAs which has been superceded by the IRB migration.

The aggregate impact of these factors means a materially lower expected impact from Basel 3.1 on implementation.

Given the lower Basel 3.1 impact estimate, the total effect of the two headwinds is broadly aligned to the previously guided day one impact of Basel 3.1, towards the lower end of 5-10 percent of Group RWAs.

In the PRA's update, they reaffirmed they would avoid double counting risks in pillar 1 that are in pillar 2A. We expect this offset to be formalised by the PRA prior to Basel 3.1 implementation. The effect of this will be to reduce our minimum requirements, including our MDA hurdle.

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US Cards portfolio IRB migration

Aside from US Cards, no material impact in current portfolios from model migration expected

Context

The key difference between IRB and standardised is the model now captures unused credit lines more conservatively

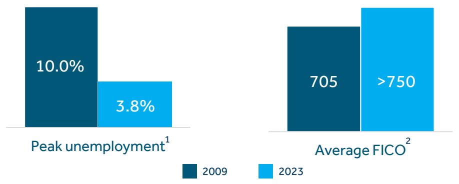
RWA impact includes a higher estimate of unexpected loss based on the Global Financial Crisis in 2009

Impact

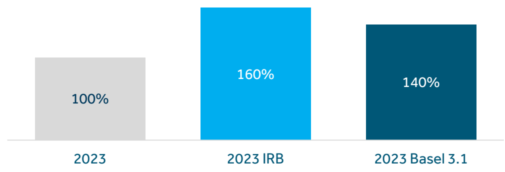
RWA impact c.£16bn in H224

Impact directionally consistent with current draft US Basel endgame treatment – adoption expected in 2025

Model inputs based on 2009 financial crisis experience vs 2023 experience



RWA / End net receivables



Mitigating actions include management of credit lines and business models and execution of selective risk transfers

[1] Source: U.S. Bureau of labour statistics | [2] 2009 includes open and closed accounts |

On the next slide we illustrate the drivers of the increase from implementing IRB for US cards.

Our IRB models when applied to US cards generate a greater risk weight density versus standardised models.

The key drivers are the IRB model captures unused credit lines more conservatively and it includes 2009 financial crisis stress loss assumptions, despite current and expected experience being materially less adverse.

Under the US Basel endgame treatment, we expect our peers in the US to also experience a capital increase, although noting that these are yet to be finalised.

We therefore do not believe the IRB introduction will materially affect our competitive position in the US credit card market although there is work to do to mitigate the RoTE impact of the higher capital charges.

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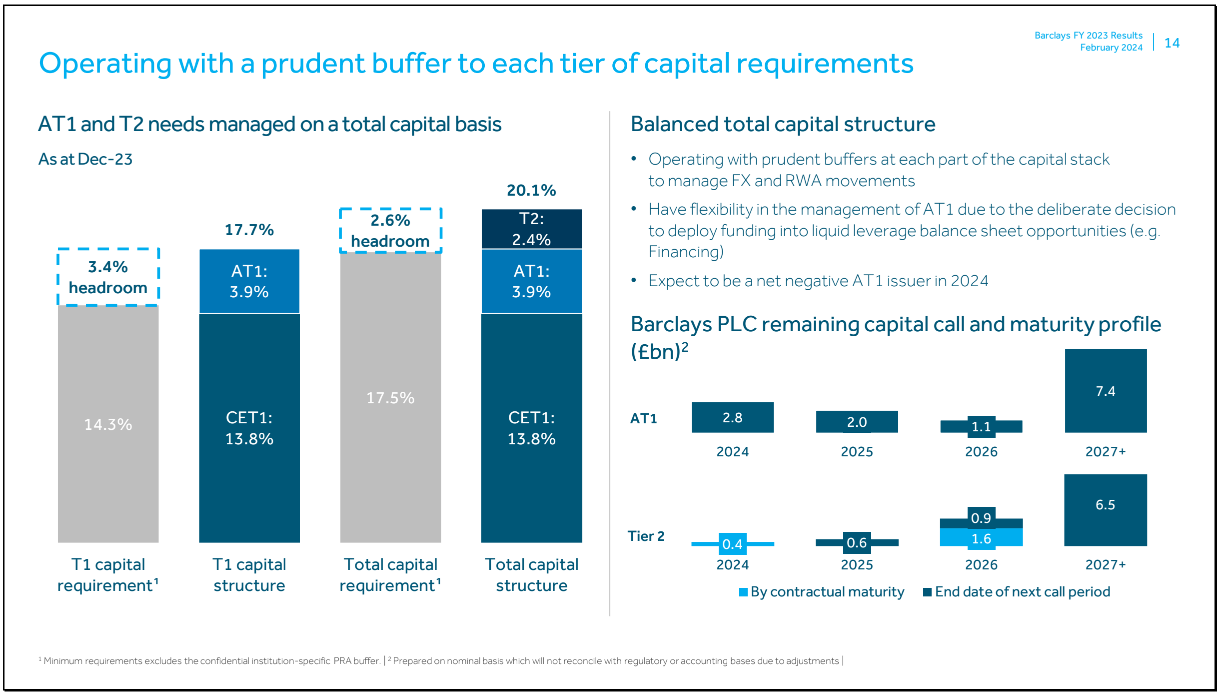


On slide 14, we show our total capital requirements as a proportion of RWAs, split out by Tier 1 and total capital respectively.

We continue to target a prudent buffer against each of these requirements, and this is visible on the slide.

Taking each tier in turn.

On a tier 1 basis, we currently have a 17.7% ratio with a healthy headroom over our 14.3% regulatory requirement.

Within this ratio, you can see that we had a robust AT1 component of 3.9%.

During 2023, we maintained strong levels of AT1 over a challenging year for the asset class.

As the AT1 market has normalised, coupled with the prudent position we are at, we expect to be a net negative issuer in 2024, noting we have £2.8bn equivalent of AT1 instruments with first call dates due this year.

Of course, this remains subject to our economic assessment of these calls and regulatory permission at the appropriate time, but does demonstrate the responsive and dynamic way we are able to manage this tier of capital through our issuance and regular call profile.

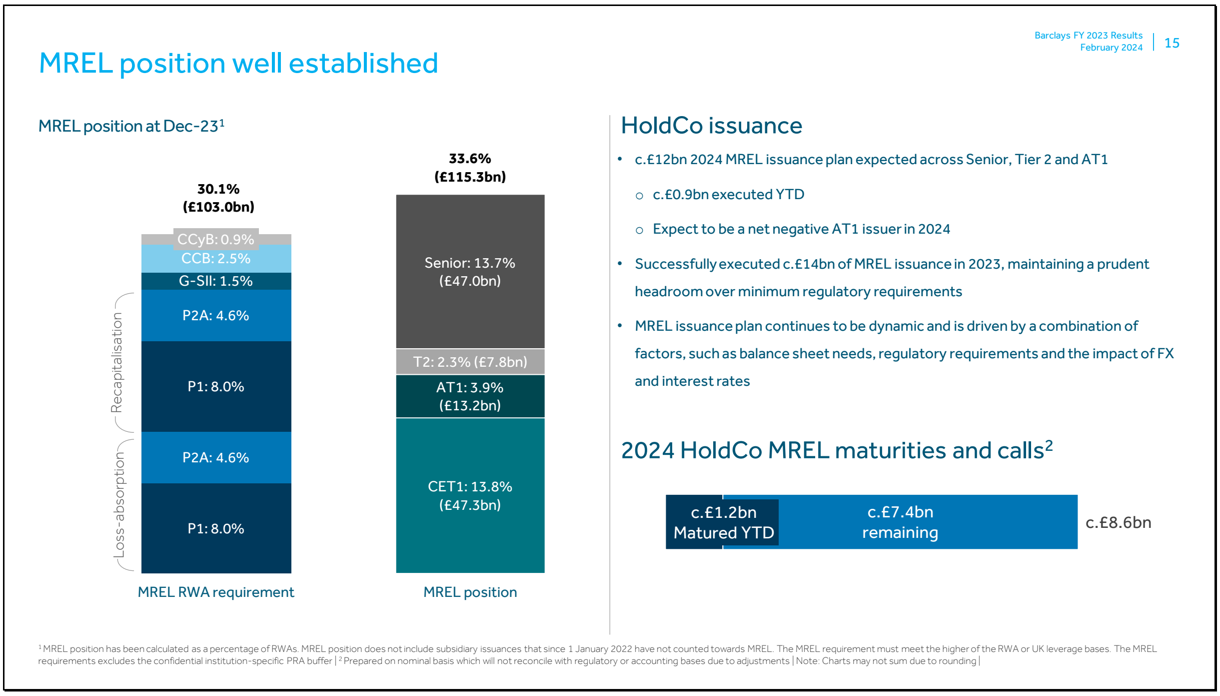
As mentioned before, we value our AT1 component and the many regulatory benefits it provides, namely on Tier 1, total capital, MREL and leverage bases and it will continue to be a deliberate strategy of ours, to operate with robust levels through the cycle reflecting attractive opportunities for liquid leverage balance sheet in our businesses.

Moving onto total capital, our buffer over our regulatory minimum remains healthy at 260bps.

The strength of our Tier 1 level continues to support this position.

As a result, our Tier 2 requirements have remained modest over recent years, largely replacing our existing call and amortisation profile.

In line with previous years, we do expect to be active with issuance in Tier 2 as we seek to maintain current prudent levels.



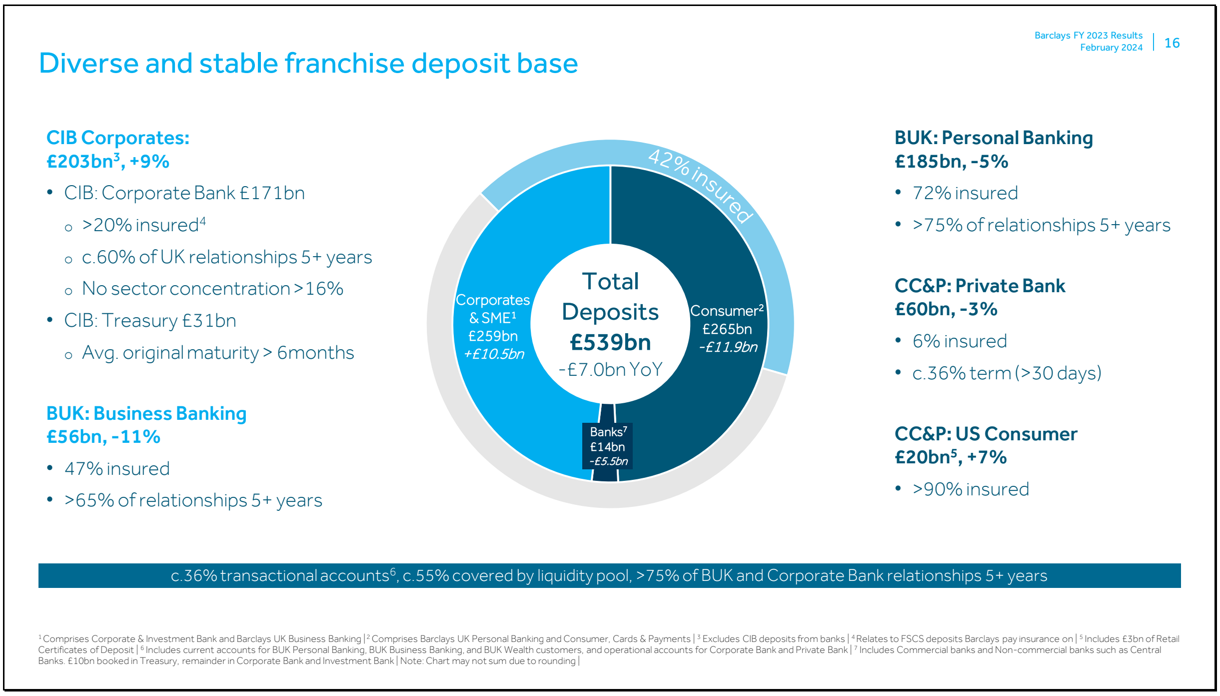
Turing now to MREL, which also continues to be managed well in excess of our regulatory requirements.

At year end 2023, we had a MREL ratio of 33.6%, which was comfortably above our regulatory requirements of 30.1%.

This was supported with £14bn equivalent of issuance in 2023, as we successfully navigated through challenging market conditions.

For 2024 we expect to issue around £12bn equivalent across AT1, Tier 2 and Senior,

Our MREL issuance plan continues to be dynamic and is driven by a combination of factors, such as balance sheet needs, regulatory requirements and the impact of FX and interest rates on our MREL stock.



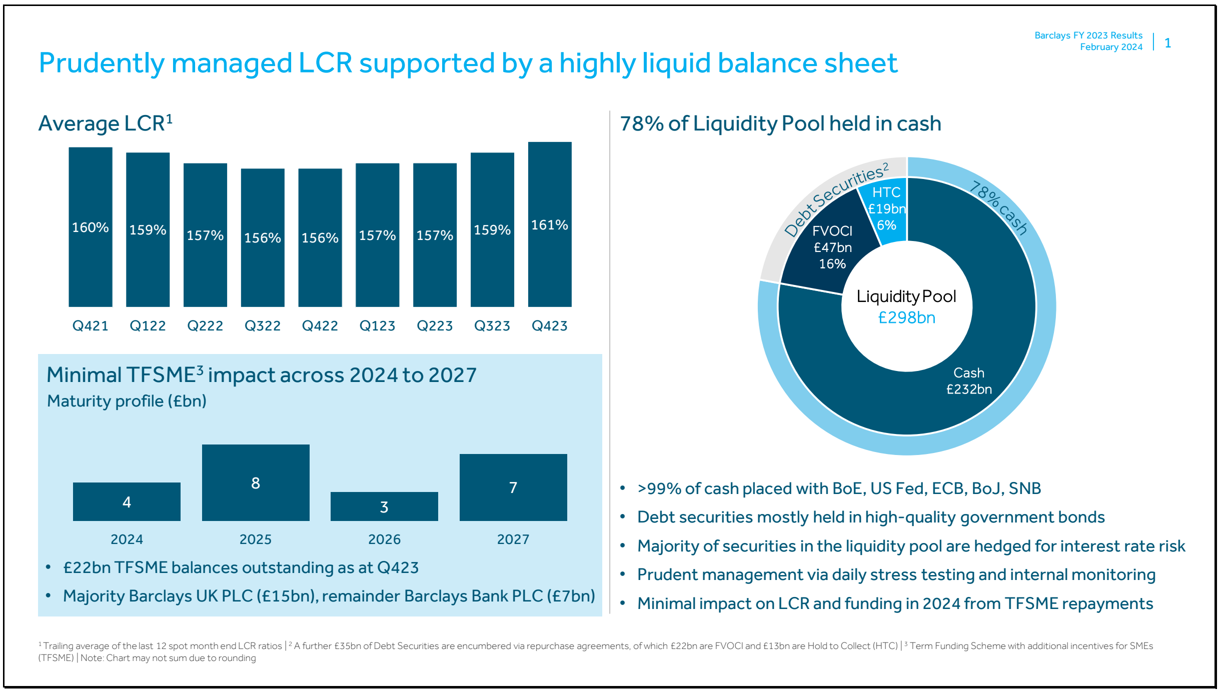
Moving onto deposits.

We have maintained a stable deposit base throughout the course of 2023, and demonstrated the resilience of having a diverse deposit franchise across consumer, SME and corporate sectors.

As you can see on the slide, the mix of the deposit base has shifted over the year, with consumer deposits down reflecting market conditions and almost fully offset by the increase in SME and corporate deposits.

Given continued quantitative tapering and upcoming TFSME repayments, the outlook for overall money supply growth remains muted, and we expect this to be reflected in a broadly stable deposit base, subject to normal seasonal variations, over the year.

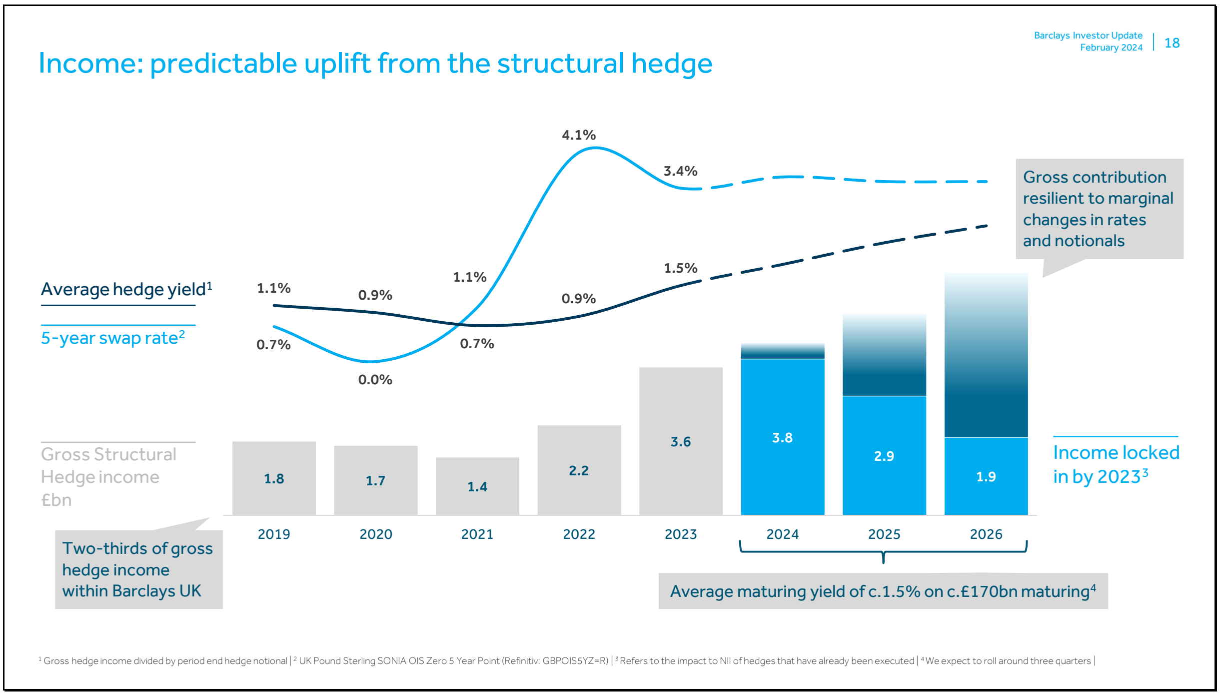
We expect £7bn of deposits from the Tesco consumer portfolios acquisition to transfer in the second half of the year.



Onto the next slide on liquidity.

Our average LCR at 161% provided £118bn in excess of the regulatory requirement and our liquidity position remained robust throughout 2023.

This liquidity position also provides ample coverage for our TFSME drawings of £21.9bn, and you can see the repayment profile is spread across to 2027. We will watch for any impact on TFSME redemptions across the industry, but it is not a material impact for Barclays.



Moving onto the structural hedge.

Given we are at a point in the cycle where rates may have peaked and a market expectation of rate cuts from here, the hedge acts as an important stabiliser to income.

The expected NII tailwind is significant and relatively predictable. To illustrate this, even with swap rates lower in Q4, we have already locked in £8.6 billion aggregate hedge income over the next 3 years. Of this, £3.8 billion is locked in this year, higher than in 2023 and this will continue to build due to the impact of rolls this year onto higher rates.

We also anticipate income from the expected re-investment of approximately 75% of the maturing £170bn of positions over the next three years at an average yield of 1.5%, significantly lower than current swap rates.

These maturities re-invested at current swap rates would expect to compound over the next 3 years to increase structural hedge income in 2026 by c.£2bn based on these assumptions and rates.

Targeting Barclays PLC to be "A" composite across all indices over time

Strong momentum with 2023 credit rating upgrades

Moody's
- Upgraded in March 2023

Standard & Poor's
- Upgraded in May 2023

Impact of 2023 upgrades

- HoldCo Senior composite rating "A" for certain indices
- Tier 2 investment grade with all agencies
- AT1 ratings now BB-or above

Current Senior long and short term ratings

	Moody's	Standard & Poor's	Fitch
Barclays PLC	Baa1 ↑ Stable P-2	BBB+ ↑ Stable A-2	A Stable F1
Barclays Bank PLC	A1 Stable P-1 Counterparty risk assessment A1/P-1 (cr)	A+ ↑ Stable A-1 Resolution counterparty rating AA-/A-1+	A+ Stable F1 Derivative counterparty rating A+ (dcr)
Barclays Bank UK PLC	A1[1] Stable P-1 Counterparty risk assessment Aa3/P-1 (cr)	A+ ↑ Stable A-1 Resolution counterparty rating AA-/A-1+	A+ Stable F1 Derivative counterparty rating A+ (dcr)

[1] Deposit rating |

Turning finally to credit ratings.

Improving our credit ratings has been a key strategic priority and we were pleased to secure two upgrades in 2023.

Our medium term aim for Barclays PLC senior to qualify as single A composite across all indices remains an important target.

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Daniel Fairclough
Group Treasurer

Let me conclude.

We have demonstrated once again the strength and resilience of our diversified business model and balance sheet over a challenging year of volatility for the sector.

Our robust capital and liquidity positions are an important underpinning for the strategy and targets that we have updated on today and we are well positioned to support our businesses in the journey to 2026.

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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 and as such rules and regulations form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended. All such regulatory requirements are subject to change and disclosures made by the Group will be subject to any resulting changes as at the applicable reporting date;

- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into `flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change.

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this presentation provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this presentation are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the appendix of the Barclays PLC Results Announcement for financial year ended 31 December 2023, which is available at Barclays.com, for further information and calculations of non-IFRS performance measures included throughout this presentation, and the most directly comparable IFRS measures.

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. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by directors, officers and employees of the Group (including during management presentations) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Group's future financial position, business strategy, income levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including policy on dividends and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance (ESG) commitments and targets), plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulations, governmental and regulatory policies, expectations and actions, voluntary codes of practices and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents, pandemics and similar events beyond the Group's control; the impact of competition in the banking and financial services industry; capital, liquidity, leverage and other regulatory rules and requirements applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; reforms to benchmark interest rates and indices; higher or lower asset valuations; changes in credit ratings of any entity within the Group or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the conflicts in Ukraine and the Middle East on European and global macroeconomic conditions, political stability and financial markets; political elections; developments in the UK's relationship with the European Union (EU); the risk of cyberattacks, information or security breaches or technology failures or other operational disruptions and any subsequent impacts on the Group's reputation, business or operations; the Group's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Group's control. As a result, the Group's actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Group's forward-looking statements. In setting its targets and outlook for the period 2024-2026, Barclays has made certain assumptions about the macro-economic environment, including, without limitation, inflation, interest and unemployment rates, the different markets and competitive conditions in which Barclays operates, and its ability to grow certain businesses and achieve costs savings and other structural actions. Additional risks and factors which may impact Barclays Bank Group's future financial condition and performance are identified in Barclays PLC's filings with the US Securities and Exchange Commission ("SEC") (including, without limitation, Barclays PLC's Annual Report on Form 20-F for the financial year ended 31 December 2023), which are available on the SEC's website at www.sec.gov.

Subject to Barclays Bank PLC's 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.