



# Barclays PLC Fixed Income Investor Call

FY 2016 Results Announcement

23 February 2017



Tushar Morzaria

Barclays Group Finance Director

## Strong evidence of strategic progress in 2016

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Strong Core business

9.4% Core RoTE<sup>1</sup>

- Barclays UK 19.3%
- Barclays International 8.0%

Non-Core rundown

Accelerated progress, closing ahead of schedule

Africa sell-down

First stake sold and separation terms agreed

Group returns

Focused on generating attractive and sustainable Group returns

# Strong Core business performance in 2016<sup>2</sup>

Core				
Income	Cost: income ratio	Profit before tax	RoTE	Average allocated tangible equity
£22.0bn ↑ 7%	61% ↓ 1%	£6.4bn ↑ 4%	9.4% ↓ 1.8%	£41.3bn ↑ £4.1bn

## Barclays UK

UK consumer and business bank differentiated by scale, data analytics and digital

RoTE	19.3%
Robust NIM	3.62%
Low cost: income ratio	53%

## Barclays International

Diversified transatlantic wholesale and consumer bank

RoTE	8.0%
CC&P income growth	+21%
CIB income growth	+6%

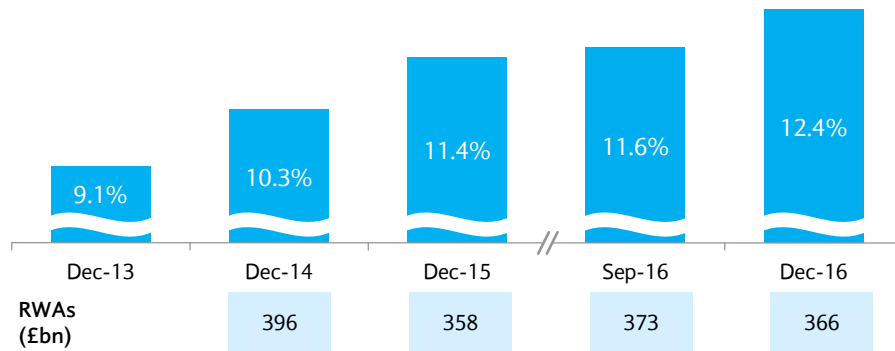


Dan Hodge

Barclays Group Treasurer

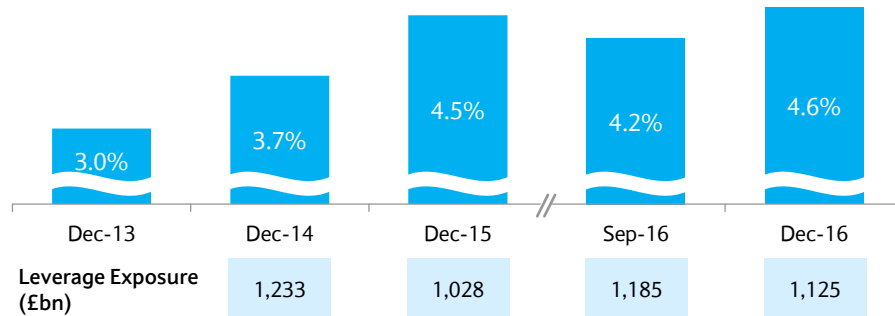
# Strong CET1 and leverage ratio progression

## Fully Loaded CET1 ratio<sup>3</sup>



- The CET1 ratio increased to 12.4% (Dec-15: 11.4%) reflecting an increase in CET1 capital of £4.5bn to £45.2bn, despite RWAs increasing by £7bn to £366bn:
  - Increase in CET1 capital was largely driven by profits of £2.1bn generated in the period, after absorbing the impact of notable items
  - The increase in RWAs was principally due to the appreciation of ZAR, USD and EUR against GBP and business growth, which more than offset RWA reductions in Non-Core
- The 80bps increase in Q416 was driven by:
  - £8bn reduction in RWAs mainly as a result of Non-Core rundown; and
  - Reversal of the UKRF pension deficit which reduced from £1.1bn to £27m in the quarter
- Expect >75bps<sup>4</sup> increase in the CET1 ratio from the regulatory deconsolidation of BAGL

## Leverage ratio<sup>5</sup>

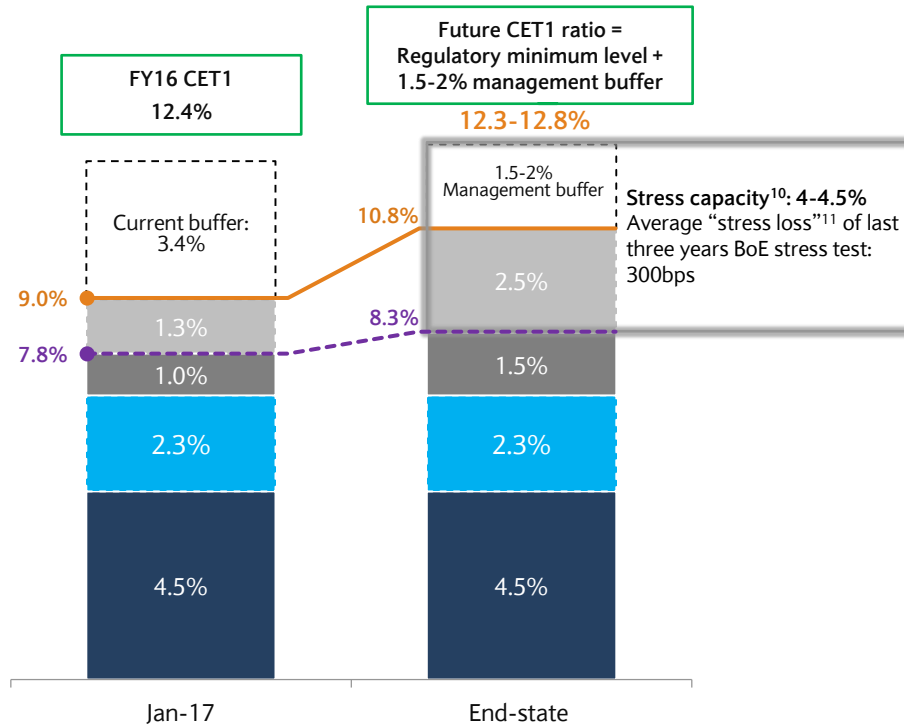


- Leverage ratio of 4.6% as at Dec-16, up 10bps over the year due to:
  - £5.8bn increase in Tier 1 capital reflecting the increase in CET1 and AT1 issuance partially offset by;
  - £97bn increase in leverage exposure primarily driven by the appreciation of major currencies against GBP
- The 40bps Q4 increase was mainly due to:
  - £60bn decrease in leverage exposure reflecting Non-Core rundown and seasonally low year-end positions mainly in the CIB
  - £2.1bn increase in Tier 1 capital reflecting the increase in CET1 capital
- Expect to grow the leverage ratio further over time, maintaining the ratio comfortably above future minimum requirements

# Managing evolving future minimum CET1 levels

## Illustrative evolution of minimum CET1 requirements and buffers<sup>6</sup>

- Minimum CRD IV CET1 requirement
- 2017 Pillar 2A CET1 requirement<sup>7</sup>
- G-SIB buffer
- Capital Conservation Buffer (CCB)
- Mandatory distribution restrictions hurdle<sup>8</sup>
- BoE stress test systemic reference point for 2017 tests<sup>9</sup>



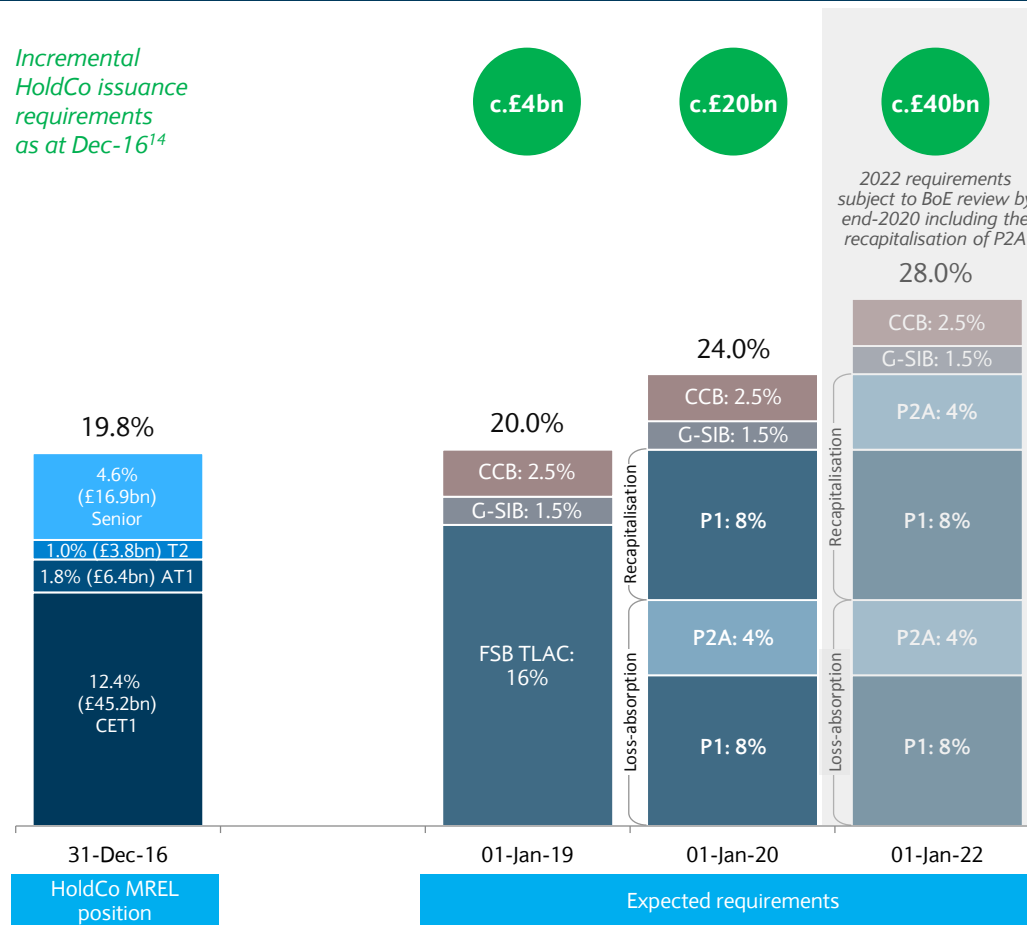
- New end-state expectation of 12.3-12.8% reflects:
  - Updated management buffer of 150-200bps from 100-150bps following recalibration to reflect 2016 BoE stress test outcome
  - 50bps reduction in the G-SIB buffer
  - Updated Pillar 2A<sup>7</sup> Individual Capital Guidance of c.4%, of which 2.3% is required to be held in CET1 form

- As capital buffers and RWAs will evolve over time, we manage our CET1 position to maintain a prudent internal management buffer over future minimum levels to guard against mandatory distribution restrictions<sup>8</sup>
- The management buffer is prudently calibrated, intended to absorb fluctuations in the CET1 ratio, cover against event risk and stress, and to ensure management actions can be taken in sufficient time to avoid breaching mandatory distribution restrictions
- We continue to monitor regulatory developments as part of our capital planning and conservatively manage our capital position as the regulatory landscape normalises

# Manageable MREL requirements through proactive issuance<sup>12</sup>

## HoldCo MREL position and requirements based on Nov-16 BoE policy statement<sup>12</sup>

Incremental HoldCo issuance requirements as at Dec-16<sup>14</sup>



## HoldCo issuance plan of c.£10bn for 2017<sup>13</sup>

- Our indicative MREL issuance for 2017 is c.£10bn of which we have already issued £4.7bn equivalent (c.47%). The residual issuance will be a combination of senior, Tier 2 and AT1
- Incremental HoldCo requirements to 1 January 2022 expected to be met largely through refinancing outstanding OpCo debt and capital instruments. OpCo debt and capital instruments of c.£28bn are maturing or callable by 1 January 2022<sup>15</sup>
- MREL position of 24.2% as at Dec-16 on a transitional basis, including eligible OpCo instruments, compared to 19.8% on a HoldCo basis

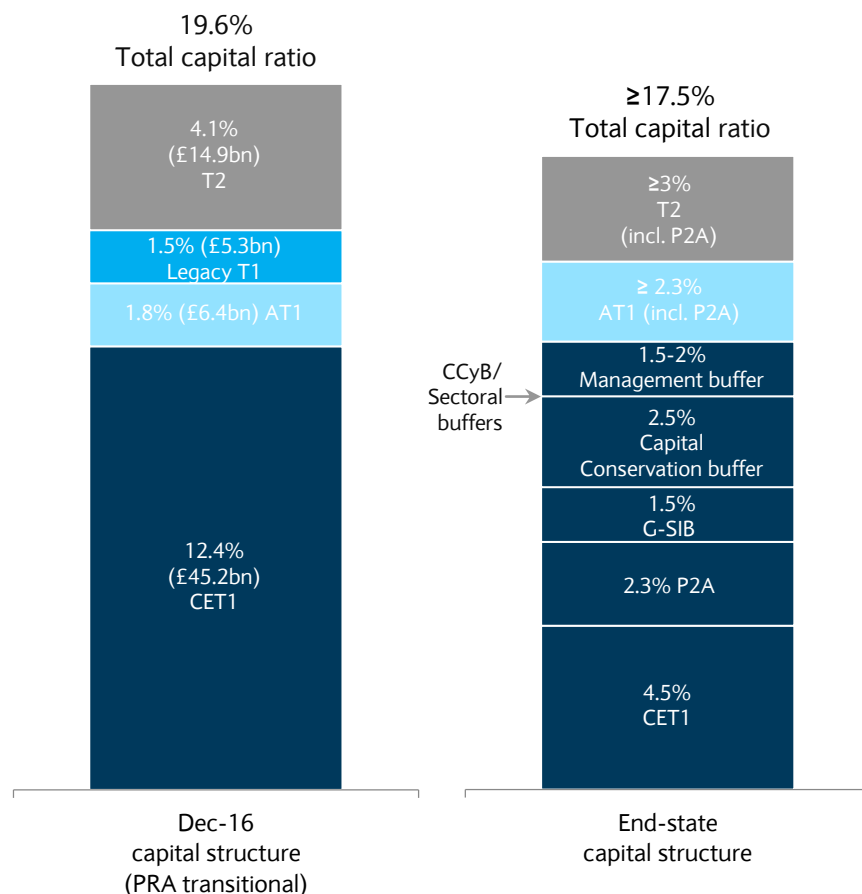
### Assumption for calculating HoldCo MREL position and incremental HoldCo requirements

- All OpCo instruments have been excluded. However, most subordinated instruments are expected to be eligible, in line with their regulatory capital value, until 1 January 2022 if still outstanding
- Includes refinancing of HoldCo senior unsecured debt maturing within the respective periods
- Does not include refinancing of HoldCo capital with first call dates during the respective periods, of which £1.2bn until 1 January 2019, £3.5bn until 1 January 2020 and £5.4bn until 1 January 2022
- RWAs of £366bn and CET1 capital of £45.2bn kept constant as at 31 December 2016
- All new MREL issuance over 2017-2022 is assumed to have maturities beyond 1 January 2022



# Evolving CRD IV capital structure transitioning to HoldCo over time

## Illustrative evolution of CRD IV capital structure<sup>16</sup>



## Well managed and balanced total capital structure

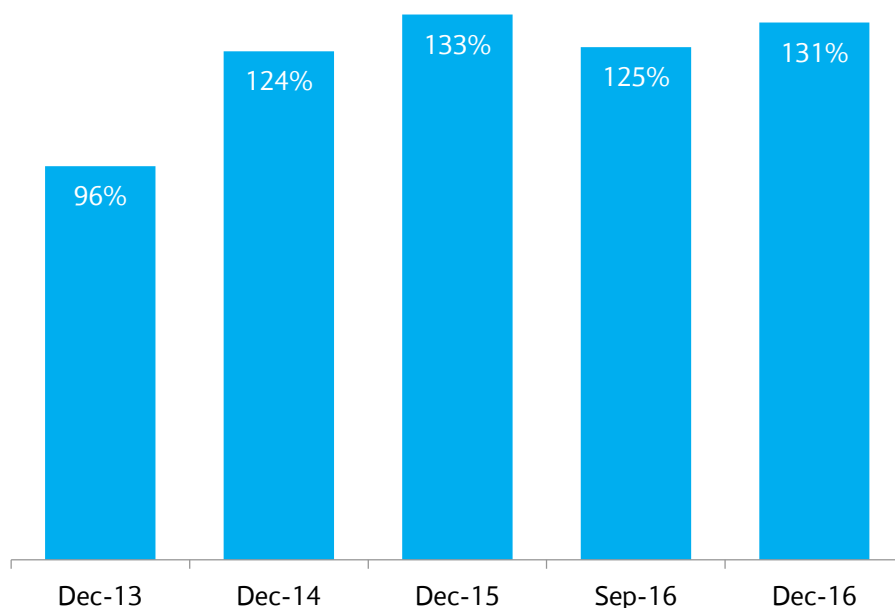
- Transitional and fully-loaded total capital ratios both increased by 80bps in Q4 16 to 19.6% (Sep-16: 18.8%) and 18.5% (Sep-16: 17.7%), mainly driven by CET1 ratio accretion
- Capital efficient CRD IV grandfathering transition supported by recent LMEs
  - Currently most OpCo capital is expected to remain eligible CRD IV capital during and, to the extent outstanding, after the grandfathering period, and is expected to qualify as MREL until 1 January 2022 based on our understanding of the current Bank of England position<sup>17</sup>
- We aim to manage our capital structure in an efficient manner:
  - Expect to build towards at least 2.3%<sup>7</sup> of AT1 in end-state through regular issuance over time
  - The appropriate balance of Tier 2 will be informed by relative pricing of Tier 2 and senior unsecured debt and investor appetite

## Pillar 2A requirement<sup>7</sup>

- Barclays' 2017 Pillar 2A requirement as per the PRA's Individual Capital Guidance (ICG) is c.4.0%. The ICG is subject to at least annual review. This is split:
  - CET1 of 2.3% (assuming 56% of total P2A requirement)
  - AT1 of 0.8% (assuming 19% of total P2A requirement)
  - T2 of 1.0% (assuming 25% of total P2A requirement)
- Basel Committee consultations and reviews of approaches to Pillar 1 and Pillar 2 risk might further impact the Pillar 2A requirement in the future

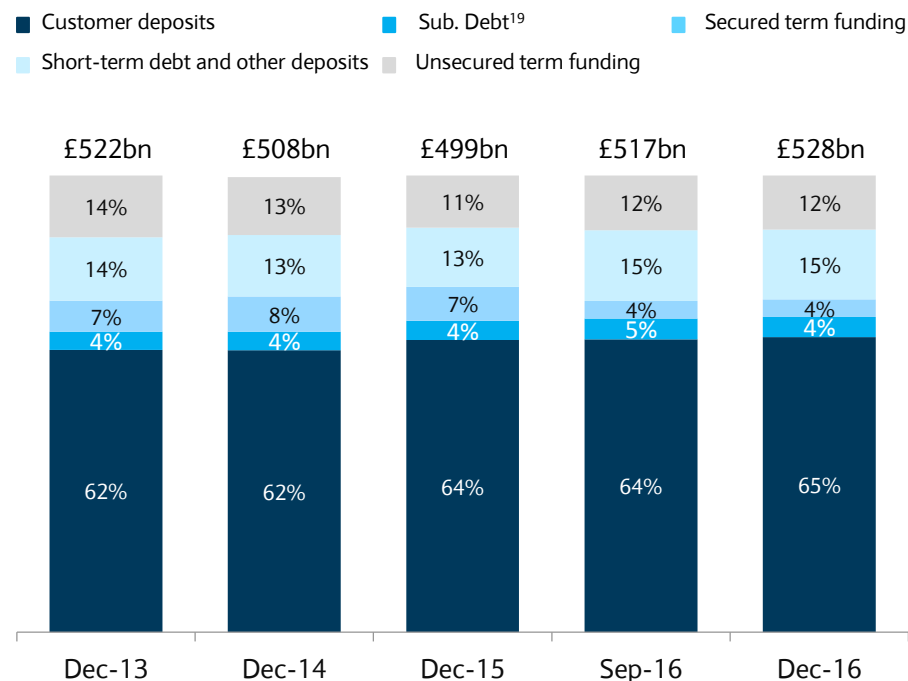
# High level of liquidity and conservative funding profile

LCR<sup>18</sup> continues to remain in prudential surplus



- Liquidity pool increased to £165bn (Sep-16: £157bn) and the LCR was 131% (Sep-16: 125%) equivalent to a surplus of £39bn
- Quality of the pool remains high with the majority held in cash, deposits with central banks and high quality government bonds
- Although not a requirement, the liquidity pool is 2.3 times the wholesale funding that matures within 1 year

Conservative and stable funding profile (£bn – excludes BAGL)



- Retail loan to deposit ratio at 83% at end of Dec-16<sup>20</sup>
- Wholesale funding diversified across currencies, notably in USD, EUR and GBP
- The Group has £21bn of term funding maturing in 2017 across public and private senior unsecured and secured, and capital instruments
- NSFR exceeds future minimum requirement of 100%

# Structural reform plan is on track achieving critical milestones as planned

## H2 2017 Group Service Company setup

### Milestones completed

- ✓ Legal entity re-positioned and rated
- ✓ Target operating model agreed
- ✓ Relevant services identified and catalogued

### Milestones to complete

- Migrate assets, contracts and employees
- Introduce arms-length service management
- Continue to prepare internal infrastructure

## H1 2018 Legal entity separation

### Milestones completed

- ✓ Barclays UK and Barclays International established as operating divisions in March 2016 and will become the future-state legal entities
- ✓ Submission of Banking Licence application in September 2016
- ✓ Ongoing communication with customers and clients with positive feedback to date

### Milestones to complete

- Ring-Fenced Transfer Scheme (RFTS) court process to be initiated in Q4 2017
- Continue to prepare internal infrastructure including moving customer accounts to new sort codes

*Supports delivery of fundamentally strong banking propositions for all our stakeholders, consistent with the Group's strategy of being a transatlantic, consumer, corporate and investment bank*

## Focused on delivery

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Continued to deliver on Group strategy

Simplified our business and delivered strong underlying Core returns. Intend to close Non-Core ahead of schedule

Further progress made on balance sheet

CET1 ratio is now close to end-state expectation

Pursued MREL build

Efficient issuance and liability management achieved and maintained robust liquidity and funding diversification

Well positioned for structural reform

Structural reform plans on track as we execute key deliverables in 2017



Q&A

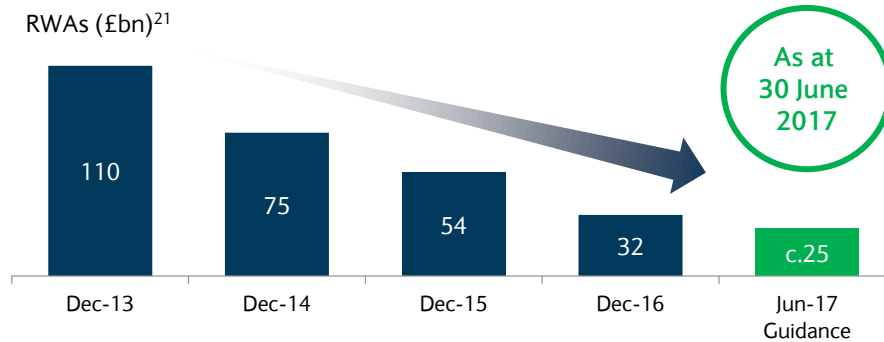


# Appendix

# Consistent delivery against strategy

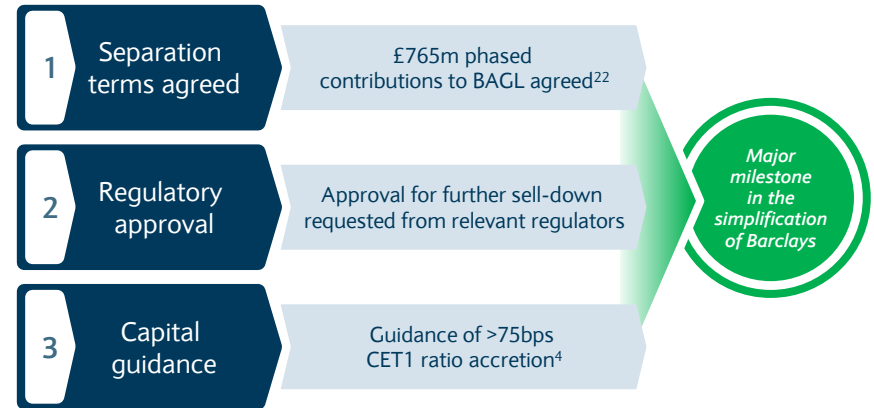
## Announcing Non-Core closure six months early at June 2017

RWAs (£bn)<sup>21</sup>

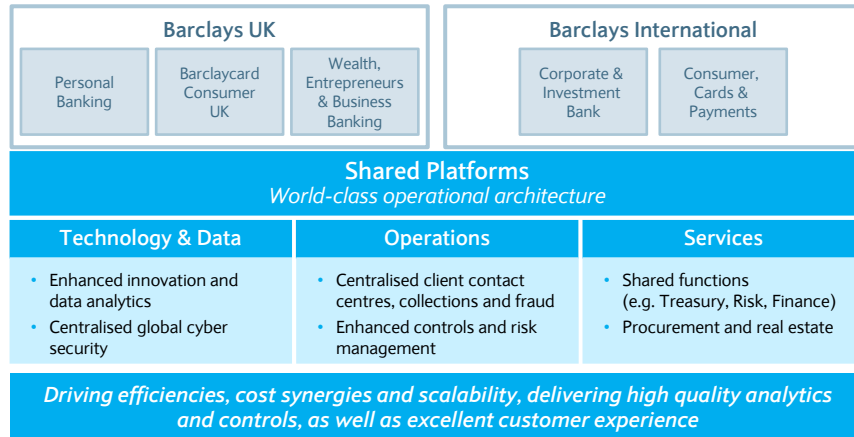


Will have reduced RWAs by c.£85bn in just over three years

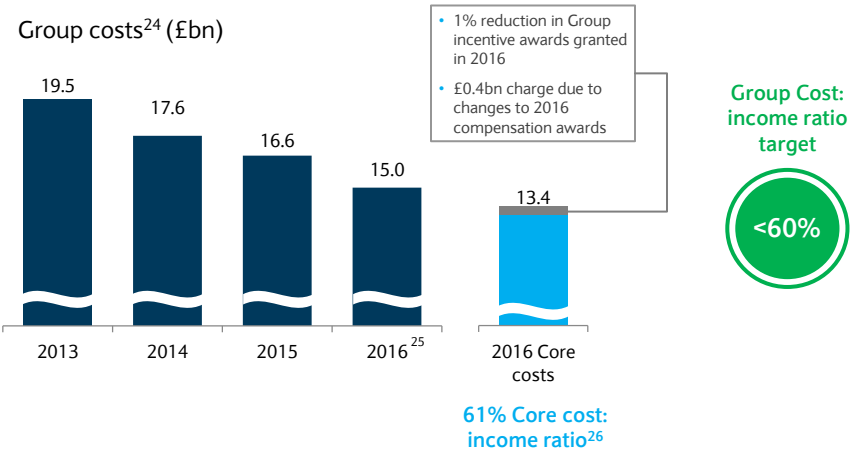
## Africa sell-down on track with consistent capital guidance



## Operational and technological strength will be a key advantage



## Driving cost efficiency towards our target



# Ratings are a key strategic priority

Senior Long Term/ Short Term ratings	Fitch	Standard & Poor's	Moody's
Barclays PLC (B PLC - HoldCo)	A F1	BBB A-2	Baa2 P-3
Barclays Bank PLC (BB PLC - OpCo)	A DCR <sup>27</sup> : A F1	A- A-2	A1 CRA <sup>28</sup> : A1 P-1
Outlook			
Pre-referendum	STABLE	STABLE	STABLE
	=	↓	↓
Post-referendum	STABLE	NEGATIVE	NEGATIVE

## Rating priorities

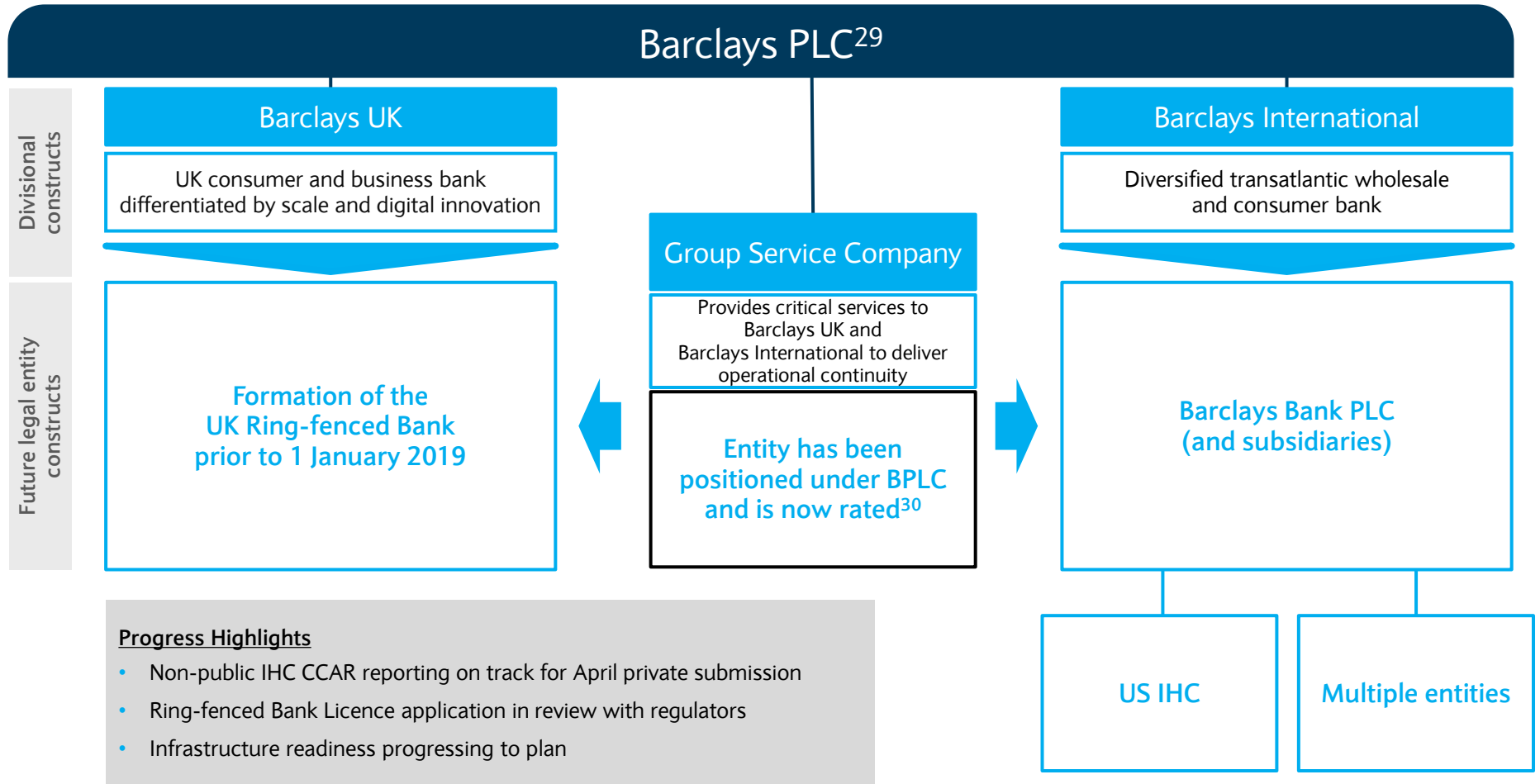
- Barclays is committed to maintaining solid investment grade ratings
- We intend to create as much stability in the ratings of Barclays PLC and Barclays Bank PLC as we can – both before and after structural reform

## Rating developments in 2016

- Following the EU referendum, all rating agencies took action on UK sovereign ratings
- S&P and Moody's also placed several UK banks on negative outlooks including Barclays, whilst affirming the ratings
- In December 2016 Moody's upgraded senior long term ratings for both the OpCo and HoldCo by one notch reflecting the continued build-up of loss absorbing capacity at the HoldCo
- Ratings and outlooks for Barclays have remained unchanged with Fitch after the UK referendum
- In December 2016 S&P assigned an A- rating to the ServCo, aligned to the rating of Barclays Bank PLC



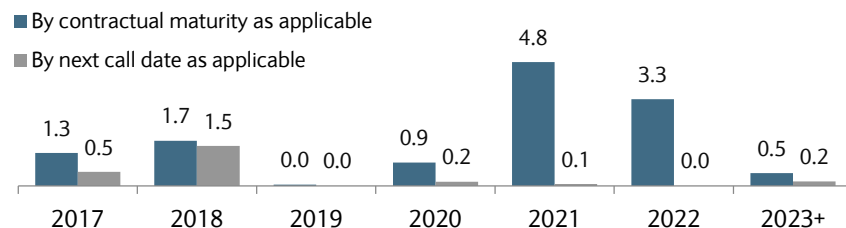
# Progress on Group legal structure



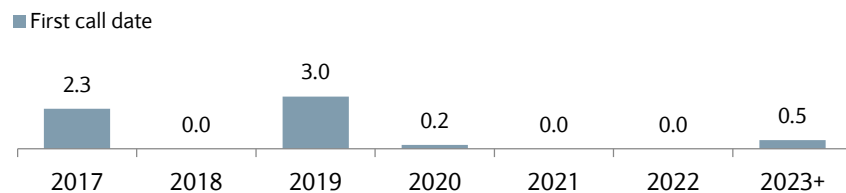
# Continued progress on transition to HoldCo capital and funding model

PRA transitional regulatory capital		
(£bn)	Dec-15	Dec-16
PRA transitional Common Equity Tier 1 capital	40.7	45.2
PRA transitional Additional Tier 1 regulatory capital	11.9	11.8
– Barclays PLC (HoldCo)	5.3	6.4
– Barclays Bank PLC (OpCo)	6.6	5.3
PRA transitional Tier 2 regulatory capital	13.8	14.9
– Barclays PLC (HoldCo)	1.8	3.8
– Barclays Bank PLC (OpCo)	12.0	11.1
<b>PRA transitional total regulatory capital</b>	<b>66.5</b>	<b>71.8</b>

## BB PLC Tier 2 capital (nominal basis)<sup>31</sup>

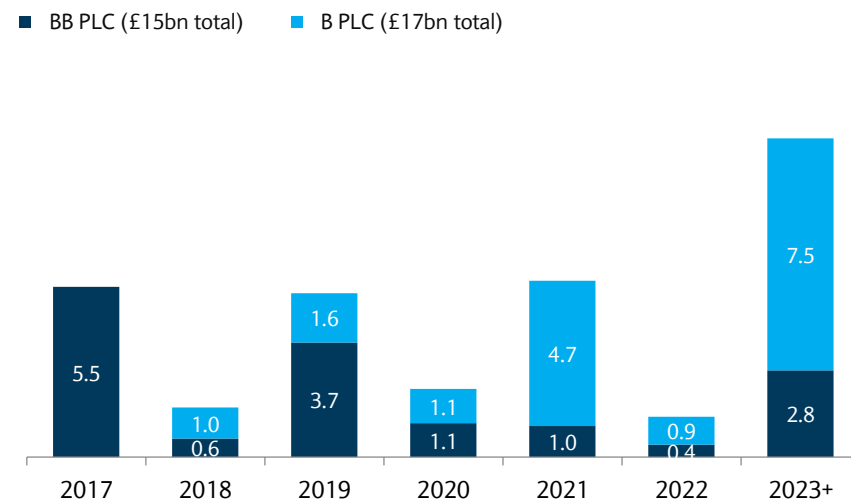


## BB PLC Tier 1 capital (nominal basis)<sup>31</sup>



Outstanding term vanilla senior unsecured debt		
(£bn)	Dec-15	Dec-16
Barclays PLC (HoldCo) term vanilla senior unsecured debt	6.2	16.9
Barclays Bank PLC (OpCo) term vanilla senior unsecured debt <sup>32</sup>	22.8	15.1
<b>Total term vanilla senior unsecured debt</b>	<b>29.0</b>	<b>32.0</b>

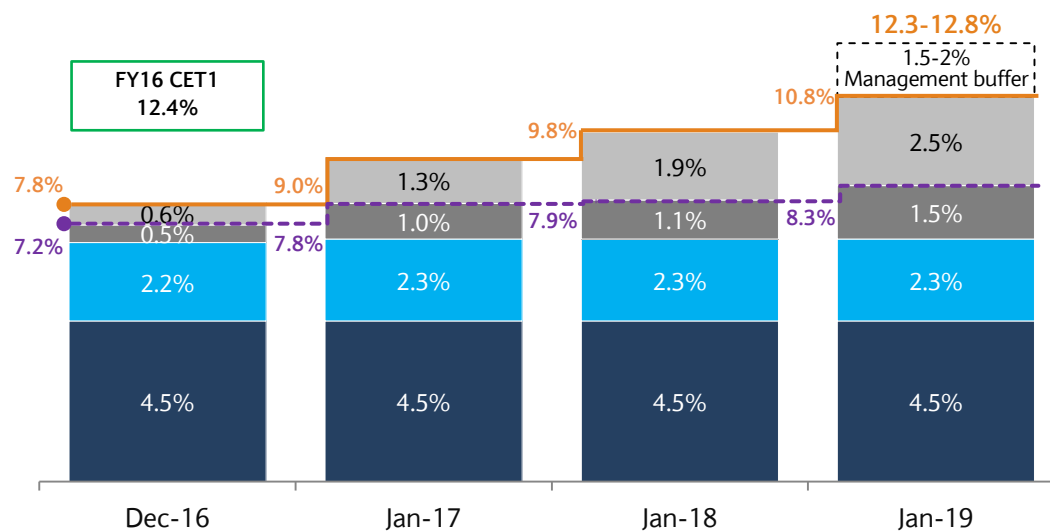
## Term vanilla senior unsecured debt maturities



# Managing capital position above mandatory distribution restrictions and stress test hurdles<sup>33</sup>

## Barclays' expected MDA thresholds and systemic reference points for 2017 BoE stress test<sup>9</sup>

- Minimum CRD IV CET1 requirement
- 2017 Pillar 2A CET1 requirement<sup>7</sup>
- G-SIB buffer
- Capital Conservation Buffer (CCB)
- Mandatory distribution restrictions hurdle<sup>8</sup>
- BoE stress test systemic reference point for 2017 tests<sup>9</sup>



- Maintained robust capital buffers to mandatory distribution restrictions hurdle at Dec-16<sup>36</sup>:
  - Buffer to AT1 Trigger Event: c.5.4% or c.£20bn
  - Buffer to MDAs: c.4.6% or c.£17bn

### Distribution restrictions and management

- Maintaining a CET1 ratio comfortably above mandatory distribution threshold remains a critical management objective
- Distribution restrictions<sup>8</sup> apply if an institution fails to meet the combined buffer requirement (CBR)<sup>34</sup> at which point the MDA is calculated on a reducing scale
- Currently, Barclays targets to hold an internal management buffer of 1.5-2% above regulatory CET1 levels providing a prudent buffer above MDA restriction levels
- Barclays recovery plan actions are calibrated to take effect ahead of breaching the CBR
- It is the Board's current intention that, whenever exercising its discretion to declare dividends on ordinary shares or to cancel interest on AT1 securities, it will take into account the relative ranking of these instruments in its capital structure<sup>35</sup>
- In addition, we note that under CRD IV MDA restrictions, PRA has broad powers to require the issuer to limit or cancel interest on the securities

### Stress tests

- Barclays' end state stress buffer is expected to be c.4-4.5% when including the management buffer, incorporating 2016 BoE stress test results, providing ample headroom should future stress losses be higher than the average experienced to date
- The stressed capital ratio for each year over the stress test horizon will be measured against the respective applicable stress test systemic reference point
- For the 2017 BoE stress tests, the stress test systemic reference point will include the minimum CRD IV CET1 requirement, P2A, and a phased-in G-SIB buffer

# Footnotes

<sup>1</sup> FY16 RoTEs excluding notable items | <sup>2</sup> All financial metrics are FY16 excluding notable items. Deltas represent the year-on-year change | <sup>3</sup> Based on Barclays' interpretation of the current CRD IV text and EBA technical standard | <sup>4</sup> Assuming 31 December 2016 GBPZAR FX rate of 16.78 and BAGL share price of 168.69. Aggregate effect following regulatory deconsolidation and projected separation costs, including £765m phased contributions and contribution to a new Black Economic Empowerment scheme. Implementation of Barclays' intentions is subject to, amongst other things, regulatory approval. The realisation of these plans and their intended benefits is subject to significant execution risks, including in relation to market factors, and there can be no assurance the intended benefits will be achieved on any proposed timetable or at all | <sup>5</sup> The leverage ratio has been calculated in accordance with the requirements of CRR which was amended effective from Jan 2015. The leverage calculation uses the end-point CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure for the denominator. This is broadly consistent with the BCBS 270 definition, which was the basis of Dec-14 comparatives. Dec-13 not comparable to the estimates as of Dec-14 onwards due to different basis of preparation | <sup>6</sup> This illustration is based on Barclays' interpretation of current CRD IV requirements as implemented in the UK, which are subject to change including as a result of proposals published by the European Commission during 2016, and is not a forecast of Barclays' results of operations or capital position or otherwise. This illustration is also based on certain assumptions, which cannot be assured and are subject to change, including: holding constant the P2A at 2017 level despite it being subject to at least annual review; and assumed CRD IV buffers, which are subject to change | <sup>7</sup> Point in time assessment made at least annually by the PRA to reflect idiosyncratic risks not fully captured under Pillar 1. The 2017 total Pillar 2A requirement of c.4.0% is split as follows: 2.3% in CET1 form (56% of total requirement), 0.8% in AT1 form (19% of total requirement), and 1.0% in T2 form (25% of total requirement) | <sup>8</sup> CRD IV rules on mandatory distribution restrictions applied from 1 January 2016 onwards based on transitional CET1 requirements. As per CRD Art. 141, and subject to any changes under the proposed CRR2, restrictions on discretionary distributions would apply in case of a breach of the CBR as defined in CRD Art 128(6) | <sup>9</sup> Based on Barclays' understanding of "The Bank of England's approach to stress testing the UK banking system" published in October 2015, which is subject to change, and "Stress testing the UK banking system: key elements of the 2016 stress test", published March 2016. Stress test hurdle rates for 2017 tests comprise the minimum CRD IV CET1 requirement and the CET1 component of Pillar 2A. For G-SIBs, the 'systemic reference point' also includes the applicable phased-in G-SIB buffer. Thereafter, the hurdle rates are subject to changes in Pillar 2A which is a point in time assessment updated at least annually | <sup>10</sup> Indication based on capital buffers that can be used in stress tests. This should not be interpreted as an indication of Barclays' 2017 PRA buffer which remains confidential between the BoE and the respective banks it regulates | <sup>11</sup> Market derived average stress-loss of past three years based on applicable year-end CET1 ratios against low-point stress outcomes | <sup>12</sup> Barclays actual final MREL requirements are still subject to change including as a result of final international guidance from the FSB, for example on internal TLAC, and implementation of the final European requirements both of which may impact the BoE's position on MREL and the bank specific MREL requirements which the BoE are yet to confirm to Barclays. Based on Barclays' understanding of the Bank of England's policy statement on "The minimum requirement for own funds and eligible liabilities (MREL) – buffers and Threshold Conditions" (PS30/16) published on 8 November 2016. Barclays has not received the bank specific MREL requirement from the Bank of England | <sup>13</sup> Issuance plan subject to, amongst other things, market conditions and regulatory requirements which are subject to change and may differ from current expectations | <sup>14</sup> Represents the difference between the applicable future expected requirement, subject to assumptions described on the slide, and the 31 December 2016 HoldCo MREL position. Actual issuance may differ | <sup>15</sup> Aggregated Tier 1 and Tier 2 capital instruments, and public and private senior unsecured debt, excluding structured notes | <sup>16</sup> Based on Barclays' understanding of current regulatory requirements which are subject to change including as a result of the finalisation of the European Commission's CRD V package of reforms | <sup>17</sup> BoE position on MREL and therefore the extent to which these instruments may qualify as MREL is subject to finalisation of the requirements at an international and European level | <sup>18</sup> LCR based on the CRD IV rules as implemented by the European Commission delegated act | <sup>19</sup> Excludes AT1 capital and preference shares | <sup>20</sup> Loan: deposit ratio for Barclays UK, Barclays International and Non-Core, excluding investment banking businesses | <sup>21</sup> Dec-13 and Dec-14 RWAs are on a pre-restatement basis. Dec-15 onward are on a post-restatement basis i.e. inclusive of c.£8bn of RWAs added to Non-Core in Q116 | <sup>22</sup> Subject to regulatory approval | <sup>24</sup> Total operating expenses, excluding conduct and litigation, and other notable items | <sup>25</sup> Africa Banking treated as a discontinued operation | <sup>26</sup> Excluding notable items | <sup>27</sup> Derivative counterparty rating | <sup>28</sup> Counterparty rating assessment | <sup>29</sup> Illustration of Barclays business divisions in preparation for regulatory ring-fencing. Plans are subject to internal and regulatory approvals and may change | <sup>30</sup> Rated "A-" (negative outlook) by S&P, in line with the Group Credit Profile | <sup>31</sup> Nominal basis will not reconcile with the regulatory basis due to regulatory adjustments. Excludes BAGL | <sup>32</sup> Comprises all outstanding Barclays Bank PLC issued public and private term vanilla senior unsecured debt, regardless of residual maturity. This excludes £30.8bn of notes issued under the structured notes programmes | <sup>33</sup> Based on CRD IV as currently in force and implemented in the UK and subject to change as a result of future regulatory requirements including, amongst others, the impact of the EC's draft CRD V package of proposals | <sup>34</sup> As per CRD Art. 128(6): total CET1 capital required to meet the requirement for the CCB, as well as an institution specific countercyclical buffer (CCCB), G-SIB buffer, O-SII buffer and systemic risk buffer as applicable. For Barclays this is currently the 2.5% CCB and 1.5% G-SIB buffer while the CCCB and other systemic risk and sectoral buffers are assumed to be zero | <sup>35</sup> While the Board currently has discretion to depart from this policy, we note that the EC's current proposal in the draft of CRD V would codify these existing intentions if implemented as currently proposed | <sup>36</sup> Buffer calculation assumes the 1 January 2016 MDA restriction level of 7.8% against 31 December 2016 capital position (FL CET1 ratio of 12.4% and RWAs £366bn) |

# Disclaimer

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## Important Notice

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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. Examples of forward-looking statements include, among others, statements or guidance regarding the Group's future financial position, income growth, assets, impairment charges, provisions, notable items, business strategy, structural reform, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, rundown of assets and businesses within Barclays Non-Core, sell down of the Group's interest in Barclays Africa Group Limited, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards, 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, future levels of notable items, 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 (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implications of the results of the 23 June 2016 referendum in the United Kingdom and the disruption that may result in the UK and globally from the withdrawal of the United Kingdom from the European Union; the implementation of the strategic cost programme; 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 future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and 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 2016), which are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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