

Barclays PLC FY 2017 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 our full year earnings presentation.

Slide 3: Diversified Transatlantic Consumer and Wholesale bank

2017 was a year of considerable strategic progress for Barclays.

On the 1st of June we completed the sell down of our shareholding in Barclays Africa, to a level which will permit regulatory deconsolidation.

We closed Barclays' Non-Core unit, 6 months ahead of time, on the 1st of July. Over a 3 year period, our Non-Core team eliminated some £95 billion of Risk Weighted Assets, sold more than 20 businesses and exited operations in a dozen countries. This all realised savings of over £2 billion.

Between Africa, Non-Core and other restructuring, our overall payroll is now down some 56,000 people since I joined the firm a little over two years ago.

We have also established our Service Company - which employs 52,000 out of our total headcount of 80,000. The ServCo delivers a unified approach to our core business processes such as operations, technology and functional services.

By December we largely completed the work to build our UK Ring Fenced bank, which is expected to be fully up and running 6 weeks from now.

Taken together, these accomplishments mean that we have completed our restructuring of Barclays, and strategically recast the company as a diversified Transatlantic Consumer and Wholesale bank.

The benefits of all these actions in terms of cost efficiencies, balance sheet strength, and improvements in operational effectiveness, are already being felt throughout the bank.

While we've got some way to go in terms of delivering acceptable returns at a Group level, I am encouraged by how we're executing on the plans we've laid out, and momentum is building.

Slide 4: Operational highlights: improved profitability in 2017

Our Group PBT increased by 10% year on year, driven in large part by a reduction in Non-Core losses.

Group ROTE, excluding material items, improved to 5.6%.

In Barclays UK, profitability held up, as we saw good progress in mortgages, deposit growth, and mobile banking.

Our Consumer, Cards and Payments business in Barclays International continued to produce very strong income, as well as managing well its risk.

In the 4th quarter our CIB performed fairly well relative to the market, with our Fixed Income and Currency trading comparing favourably against peers in that period.

As we are only 7 weeks into the first quarter of 2018, it is too early to offer formal guidance for the quarter. But we are pleased with the start to the year, and in particular in the Markets business of our Corporate and Investment Bank, where income so far is tracking above the level of the corresponding period in 2017. And that's in both dollar terms and sterling terms.

Perhaps most importantly of all, we enter 2018 in a strong capital position.

This morning we have printed a CET1 capital ratio of 13.3% for the year ending December 2017. And this was despite a 20 basis points headwind in the fourth Quarter from the revaluation of US Deferred Tax Assets, and a roughly 10 basis points charge for some litigation and conduct matters. This level of capital is comfortably within our end state target range of around 13%, and it means that Barclays today is in a position to generate excess capital through profits. And our capacity to do so will increase over time.

We have a portfolio of profitable businesses, producing significant earnings, and we have plans and investments in place to grow those earnings over time - plans which I covered in my remarks at our third quarter results.

Slide 5: Now focused on profitability and returning capital to shareholders

At that time we set ambitious but attainable targets for Group returns of greater than 9% in 2019, and of greater than 10% in 2020. These are based on a CET1 ratio of around 13%, and exclude litigation and conduct.

We gave related guidance for Group costs in 2019 of between 13.6 and 13.9 billion pounds, also excluding litigation and conduct.

We remain confident in our ability to achieve those returns targets and my team and I are resolutely focused on execution against our strategy of being a diversified transatlantic bank.

It is worth emphasising in this context that Barclays today generates around 40% of our profits in the United States. We will consequently benefit materially from the recent corporate tax cut in the U.S.

Tushar will cover the positive impact of this on the Group's Effective Tax Rate in his remarks. But the effect of this change, plus the opportunity in time to retire historically expensive financing from the 08/09 financial crisis, will act as a tailwind for earnings this year and in subsequent years to come.

I do acknowledge that we still have a small number of significant legacy conduct issues left to address, and these will need to be dealt with for sure in due course.

Nevertheless, the confidence I have in the quality of each of our businesses, in the execution of our strategy, and in the strong and sustainable capital generation capability within this Group, is reflected in the policy for capital returns I have set out this morning.

Core to that policy is this management team's commitment to prioritise the return of capital to shareholders, beginning this year. In the first demonstration of that commitment, this morning we have announced that we plan to pay a dividend for 2018 of 6.5 pence, which is more than double the level paid in 2016 and '17, and restores the dividend to that which we paid to shareholders in 2015.

While this is an important first step, it still represents a fairly modest proportion of the projected earnings for Barclays as we deliver on our strategy. It is our firm intent, over time, to return a greater proportion of those earnings to shareholders.

With this in mind, we plan to supplement the ways in which we distribute excess returns, beyond the annual dividend, and this will include the use of share buybacks.

It has been some 20 years since Barclays last used share buybacks as a means of delivering value to investors, but we expect this to be an important part of the capital return mix going forward.

So, we finished 2017 in a good position strategically. And, for the first time in five years, we start 2018 with a clean operating model.

We remain focused on improving returns across our business lines; on managing costs; and on executing on our strategy. And I'm encouraged by the progress that I'm seeing.

We are feeling increasingly confident about the capacity of this bank to generate excess capital going forward, and for our prospects of returning a greater proportion of that excess capital to shareholders through dividends, and other means of distribution.

So now let me hand over to Tushar to take you through the numbers in detail, after which we'll be happy to take questions.

Slide 6: Tushar Morzaria, Barclays Group Finance Director

Thanks, Jes, and good morning to everyone.

Our Results Announcement this morning contains detailed commentary on our financial performance for the full year 2017. I'll refer briefly to the full year, but spend most of the time on the Q4 financials.

In order to help you better understand the performance and trends, we've again produced a slide showing material items and other items of interest, which is in the appendix to the pack.

The Q4 PBT is fairly clean, with some additional litigation and conduct, principally in relation to FX matters. The main one-off I'm calling out this quarter is in the tax line, the DTA write-down that we flagged in December following the US tax changes.

In the Q4 cost line we have the positive effect from non-recurrence of the compensation changes that we announced last year, and that's a delta of around £370m.

Slide 7: FY17 Group highlights

Starting with a few words on the full year.

As Jes mentioned, 2017 was a year of strong progress in implementing our strategy.

The sell-down of BAGL to 14.9% was completed ahead of schedule. Although this resulted in one-off losses of £2.5bn through the discontinued line, it has brought us significant capital benefits, with around 60 bps accretion to the CET1 ratio across the year, and around 10 to come when we achieve full regulatory deconsolidation, expected later this year.

The Non-Core segment was closed on 1 July, so the 2017 results include Non-Core as a segment for H1 only, with the former Non-Core reflected in the other segments in Q3 and Q4, while 2016 included a full year of losses from the Non-Core segment. The segment loss before tax was reduced by £2.1bn to £0.6bn.

That of course somewhat overstates the underlying P&L effect of the Non-Core rundown, but does indicate the scale of benefit from our actions, allowing us to report a 10% increase in PBT to £3.5bn for the full year, with positive jaws, despite our investment programme.

Excluding the Africa one-off, the DTA write-down, and litigation and conduct, Group RoTE was 5.6%.

Our profit generation and strategic actions contributed to the 90bps accretion in our CET1 ratio, to end the year at 13.3%. This is at our target level of around 13%, which means we can increase our focus on actions to improve RoTE, and returns to shareholders, as Jes mentioned.

Switching focus to Q4, I'll cover the highlights for each business on the following slides, and there are more detailed slides for each business in the appendix.

Slide 8: Q4 17 Group highlights

The capital ratio accretion I referred to was also evident in Q4, with CET1 increasing from 13.1 to 13.3%, despite the headwinds from the net DTA write-down and litigation and conduct charges.

The initial effect of US tax reform is negative, but it's a significant positive for us going forward, and we are now guiding to a reduced group effective tax rate in 2018 and future years, expected to be in the mid 20's.

Overall, income was up 1%, despite a headwind from the 7% year on year depreciation of the dollar.

Q4 was another tough quarter in the markets for the CIB, with low volatility affecting the FICC and Equity businesses, but we were pleased with our performance relative to peers.

We had positive jaws, with a 6% reduction in Group costs, excluding litigation and conduct.

The impairment performance reflected the prudent risk management we have talked about many times in the past, with a 12% reduction year on year, despite a single name charge relating to a UK corporate.

This resulted in a Group loan loss rate of 56bps.

TNAV reduced in Q4 by five pence to 276p, driven by the DTA write-down.

Looking at the individual businesses now, starting with Barclays UK.

Slide 9: Q4 17 Barclays UK results

BUK reported broadly stable income, up 2%. Within that, Personal was up significantly from Q3, while Barclaycard was down by a similar amount. And both of these deltas were driven by one-off effects, Effect Interest Rate updates in Personal and remediation in Barclaycard.

We've maintained pricing discipline, with underlying NIM broadly stable on Q3, and slightly up on last year, adjusting for the ESHLA effect.

The one-offs had a slight beneficial effect on Q4 NIM, and the asset pricing environment remains very competitive, so, looking forward, I would expect a margin in the 320s for 2018.

With regard to balances, apart from the transfer of ESHLA loans from Non-Core in Q3, I would highlight growth of £1.4bn in the mortgage book in Q4, to add to the £2bn of growth in Q3. And deposits also continued to grow.

Digital engagement among our customers has reached record levels, with over 10 million digitally active customers. And that's up 7% year on year.

Risk appetite remained tightly controlled, and we saw a slight improvement in arrears rates in cards, while impairment was up just £4m and the LLR down slightly.

We continued to spend on the implementation of the UK ring-fence, which is on track for launch in April, and spending increased on cyber-resilience and digital.

We also had a charge in Q4 for branch optimisation.

Our aim remains to take the BUK Cost:Income ratio below 50%, as cost efficiencies come through over time.

Turning now to Barclays International.

Slide 10: Q4 17 Barclays International results

Overall BI's income and profits were down, as CIB's performance was affected by low volatility and client activity, compared to a strong Q4 last year.

The depreciation of the US Dollar was a material headwind, and remains so in the first few weeks of this year.

You can see from the chart on the right that the BI income is fairly evenly balanced across Banking, Markets and CCP. Overall, roughly half is in US dollars.

Impairment reduced by 9%, despite that single name charge in CIB.

Looking now in more detail at the BI businesses.

Slide 11: Q4 17 Barclays International: Corporate & Investment Bank results

Total income for CIB was down 11% to £2.3bn, driven by continuing low volatility, which, as in Q3, affected the FICC and Equity businesses. The year-on-year comparison was adversely affected by the dollar depreciation, but this had a beneficial effect on costs in Sterling.

Looking at the income trends by product, we've combined Credit and Macro to give a FICC number, for ease of comparison with peers. The breakdown is in the appendix, but from Q1 we will move to in line with peers, and report just the FICC line. FICC income was down 21% in sterling terms, or 14% translated into dollars.

Credit was up year on year with improved performance in Munis, while Macro was down sharply, particularly in Rates, reflecting record low levels of volatility, while last year's Q4 benefited from some pick-up following the US election.

Equities was down 12%, or 4% in dollar terms.

There was some negative income in Markets in Q4 from the former Non-Core assets, but not significant enough to call out as a major driver in the quarter.

Banking fee performance reflected a strong print in DCM, and was up 2% in dollar terms, against a strong Q4 2016.

Corporate lending was down with lending balances reduced, as we reallocated RWAs within the CIB, while Transaction Banking was broadly flat.

Costs were £2.4bn, up 4%, including a provision of £240m for matters relating to FX.

We are investing in the business in targeted areas, and continuing with the reallocation of RWAs from the Corporate loan book into higher returning areas.

Moving on to CCP.

Slide 12: Q4 17 Barclays International: Consumer, Cards & Payments

Net loans and advances in US cards grew by 5% year on year in dollar terms, and 12% excluding the effect of the sale of higher-risk assets, we announced in Q1.

The American Airlines and JetBlue portfolios have been growing well in the last couple of quarters, and the initial take up of the Uber card since launch in November has been encouraging. We also achieved 10% growth in the German card and loan portfolio.

The overall income growth of 1% year on year reflected good underlying growth in cards, partly offset by the effect of the repositioning of the US cards portfolio towards a lower risk mix, including the sale of those high-yielding assets in Q1.

We saw record volumes of payments processed in the Merchant Acquiring business, which also completed the migration of customers to the new merchant acquiring platform.

The impairment charge is down 23% reflecting the repositioning towards a lower risk mix.

We've seen some increase in underlying impairment year-on-year, but delinquencies are flat, including benefit from the US asset sale, although slightly up on Q3.

We are not concerned by this, but continue to monitor credit conditions carefully.

Costs increased by 10% principally reflecting business growth and investment.

On an underlying basis, CCP had modest positive jaws.

Turning now to Head Office...

Slide 13: Head Office

As you know Head Office, by its nature, does fluctuate from quarter to quarter, and you can see this from the chart of the last five quarters.

In Q4, there's negative income from the net impact of Treasury operations, caused by a number of factors, many of them technical, such as hedge accounting and currency translation losses on capital repatriation.

The quarterly income is, and will remain, difficult to forecast precisely, as some factors may be positive or negative from quarter to quarter, but we will be reflecting some of the cost of legacy capital instruments in Head Office from Q1.

So we are likely to have some recurring negative income going forward, whilst these instruments remain outstanding.

You can clearly see the increased level of costs in Head Office since the absorption of some of the residual Non-Core, such as the back book of Italian mortgages. Over time we expect these to reduce gradually.

Overall the loss before tax was £365m, compared to a profit of £162m in Q4 last year, and I would just remind you that last year included a translation gain on the sale of Southern European cards, through the Other Net Income line.

Head Office RWAs were down significantly, principally reflecting the proportional consolidation of Africa.

Slide 14: Operating costs

Before I go into capital, I just want to say a few words about our cost trajectory.

I've shown on this slide the 5% reduction in our cost base, excluding litigation and conduct, from 2016 to 2017. The biggest driver of the lower costs was the reduction in, and closure of Non-Core.

Litigation and conduct was also down slightly year on year.

Elsewhere we have been investing in growth areas and to generate cost efficiencies for future years.

The 2017 total of £14.2bn is in line with the guidance we gave at Q3, and reflected continued investment through Q4, which included cost efficiency measures such as the branch optimisation I mentioned in BUK.

We've issued guidance for 2019 costs, excluding litigation and conduct, in the range £13.6 – 13.9 bn, which is expected to deliver a Group cost:income ratio of below 60%, and that still holds.

We haven't given guidance for 2018. We do expect savings from lower SRP costs, as we complete the UK ring-fencing in H1, and lower costs for restructuring and Non-Core. But we also have targeted investment spend throughout the year, and some of the cost efficiencies won't come through until later years.

So, as I've said before, in 2018 we won't simply step down to the 2019 level.

Moving on to our capital position...

Slide 15: Capital strength

In Q4 we saw our CET1 ratio grow from 13.1 to 13.3%, which remains at our end-state target of around 13%. I'm particularly pleased with this, given Q4 seasonal effects on underlying profit contribution, and headwinds from the DTA write down, of 20bps, and further litigation and conduct of 11bps.

We generated 24 bps from Africa, including the appreciation of our residual holding, which is treated as an AFS asset. We still expect a further 10bps or so from full reg deconsolidation, by the end of this year.

In terms of headwinds, we still have some residual litigation and conduct to resolve.

However, we remain comfortable that our capital flight path from here will satisfy our regulatory requirements, and generate capacity for attractive capital returns to shareholders.

Our intention to increase the 2018 dividend to 6.5p, subject to the usual regulatory approvals, and stress test outcomes, is a clear statement of intent in this regard.

Our average UK leverage ratio ended the year at 4.9%, well above our required level.

Before I conclude, a couple of points of topical interest.

Slide 16: Impacts of US tax reform and IFRS9

Following the US tax reforms approved in December, we announced the DTA reduction, and that we expected a positive impact on our US earnings. We flagged some uncertainty as to whether the potential adverse impact of the so-called BEAT provisions would materially erode this positive impact. Now that we've had time to assess the effect of the legislation, we're confident that the tax cuts will materially reduce our US effective tax rate. Although there remain a number of uncertainties, in particular around the BEAT provisions, we are now in a position to guide to a Group ETR in the mid-20s for 2018 and for future periods. You will see this coming through with effect from Q1.

Next a few words on IFRS9. At Q3 we announced our preliminary estimate of the effect of implementation of IFRS9 on both TNAV and the CET1 ratio. Since then we have continued to refine our models and methodologies, resulting in an increase in the impairment stock on 1 January 2018 of £2.8bn, the upper end of the range we indicated.

Meanwhile reduction in the US tax rates has two effects. The downside is that it reduces the value of the tax shield on this increase but it also lowers the tax on our US profits going forward. The TNAV effect as at 1 January is now around £2.2bn, or 13 pence per share. The other effect is that the US DTA write-down takes our timing-difference DTAs well below the threshold at which we would incur a capital deduction.

The overall result is that the estimated fully-loaded impact of implementation on our CET1 ratio, without transition, has reduced, from the 40 bps we estimated at Q3 to 34 bps.

With transition, we would expect the ultimate end [state] effect to amount to a few basis points below this. There is a slide in the appendix showing the component parts in more detail.

As we said in Q3, the effect of implementation does not have a major impact on the way we think about our capital flightpath.

Slide 17: Focused on profitability and returning capital to shareholders

So, to re-cap - capital has strengthened further in Q4, and we are confident that the outlook for our capital flightpath will allow us to deliver attractive returns of capital to shareholders. We have therefore announced our intention to pay a dividend of 6.5p for 2018, subject to the usual approvals. Our strong capital position also allows us to focus management efforts increasingly on improving return on equity across the Group.

We have made progress in a number of businesses, including increased digital engagement in BUK, underlying growth in US cards, and resilient performance across the CIB Markets and Banking businesses.

It's too early in the year to comment on the 2018 outlook, but I would just make three observations:

- The recent depreciation of the dollar is currently a headwind in terms of Sterling results,
- while the lower tax rate we are guiding to now is a tailwind.
- In terms of trading, we've mentioned that income in the CIB Markets businesses is up year to date, compared to the corresponding period last year, both in Dollars and in Sterling, but of course it's still early days, so we're not guiding on the quarter.

This, together with strict cost control across the Group, moving the Group cost: income ratio to below 60%, are the key elements in delivering our RoTE targets of >9% in 2019 and >10% in 2020.

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