



# Barclays PLC Fixed Income Investor Call

2013 Full Year Results

11 February 2014

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Tushar Morzaria

Barclays Group Finance Director

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# Full year 2013 results

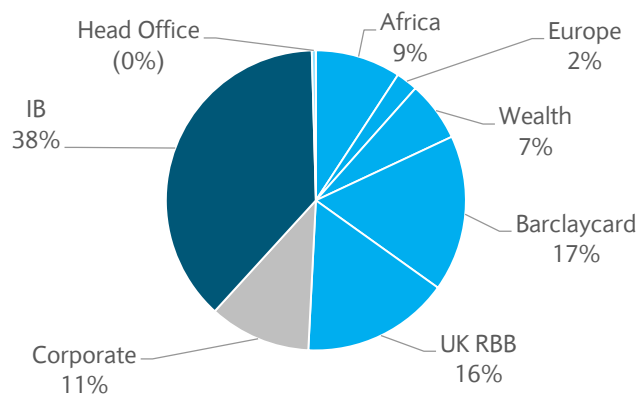
A resilient outcome highlighting the strength of our core franchises and the benefits of earnings diversity of the Group

Year ended – December (£m)	2012	2013
Total income net of insurance claims	29,361	28,155
Impairment charges	(3,340)	(3,071)
Net operating income	26,021	25,084
Operating expenses (excluding costs to achieve Transform)	(18,562)	(18,684)
Costs to achieve Transform	-	(1,209)
Adjusted profit before tax	7,599	5,167
Statutory profit before tax	797	2,868

## Key highlights

- Adjusted PBT of £5.2bn reflects resilient outcome in light of business investment, regulatory and litigation spend
- Income of £28.2bn driven by momentum in traditional consumer business
- 8% year on year reduction in impairment demonstrates continued strong credit risk control
- Operating expenses of £18.7bn include additional litigation provisions in Q4 2013.

## Group adjusted income of £28.2bn



## A balanced business model

- UK RBB: well positioned for economic recovery; growing faster than the market
- Barclaycard: sustained growth diversified by product and geography with well managed risk
- Africa: turnaround programme launched in 2013
- Corporate: strengthened UK performance; shifting from turnaround to growth
- IB: rebalancing income towards less capital intensive businesses; showing improving returns
- Wealth & Europe: being repositioned and restructured for sustainable growth and returns.

# Balance sheet

Materially de-levered and de-risked the balance sheet, while reducing reliance on short-term wholesale funding

Selected balance sheet metrics (£bn)	Dec-11	Dec-12	Dec-13
Total assets (IFRS)	1,562	1,488	1,312
CRD IV leverage exposure	-	1,559 <sup>1</sup>	1,377
Wholesale funding	265	240	186
Loan to Deposit Ratio	118%	110%	101%
CRD IV fully loaded CET1 capital <sup>2</sup>	-	38 <sup>3</sup>	40
CRD IV risk weighted assets <sup>2</sup>	-	468	436
CRD IV fully loaded CET1 ratio <sup>2</sup>	-	8.2%	9.3%

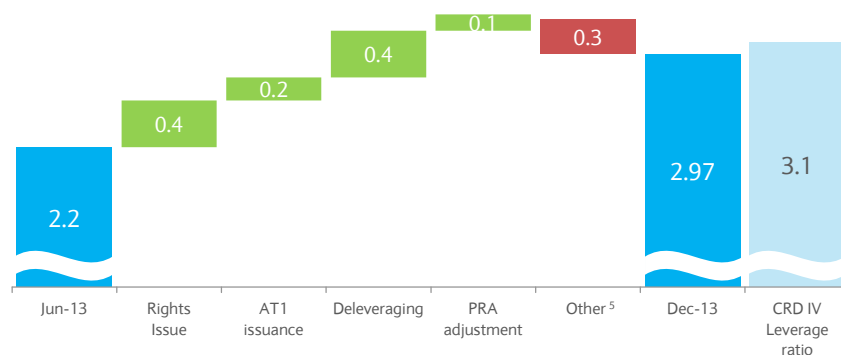
## Strengthening of fundamentals

- Efficient balance sheet management leading to lower asset base
- More stable funding profile with greater deposit taking and reduced reliance on wholesale funding
- Robust liquidity pool, in excess of modelled stressed outflows and regulatory requirements
- Capital position significantly improved over time despite stricter capital definition
- We continue to be in excess of minimum capital and liquidity CRD IV requirements<sup>6</sup>.

## Leverage update

- Significant improvement in our leverage ratio since June 2013, as we deliver our plan:
  - Completed £5.8bn rights issue in October
  - Issued £2.1bn equiv. of CRD IV and PRA qualifying AT1 capital
  - Decreased leverage exposure by £196bn (c.£140bn excluding FX)
  - Reduced PRA adjustment by £1.9bn to £2.2bn as PVA now incorporated in our CRD IV capital
  - Other including attributable earnings impacted by regulatory and litigation costs.
- Plan to reach PRA leverage ratio of 3.5% by December 2015, with leverage exposure below £1,300bn, and in the 3.5-4% range beyond that.

## Estimated<sup>4</sup> fully loaded PRA leverage ratio (%)



<sup>1,2,3,4,5,6</sup> Please see slide 12



Dan Hodge

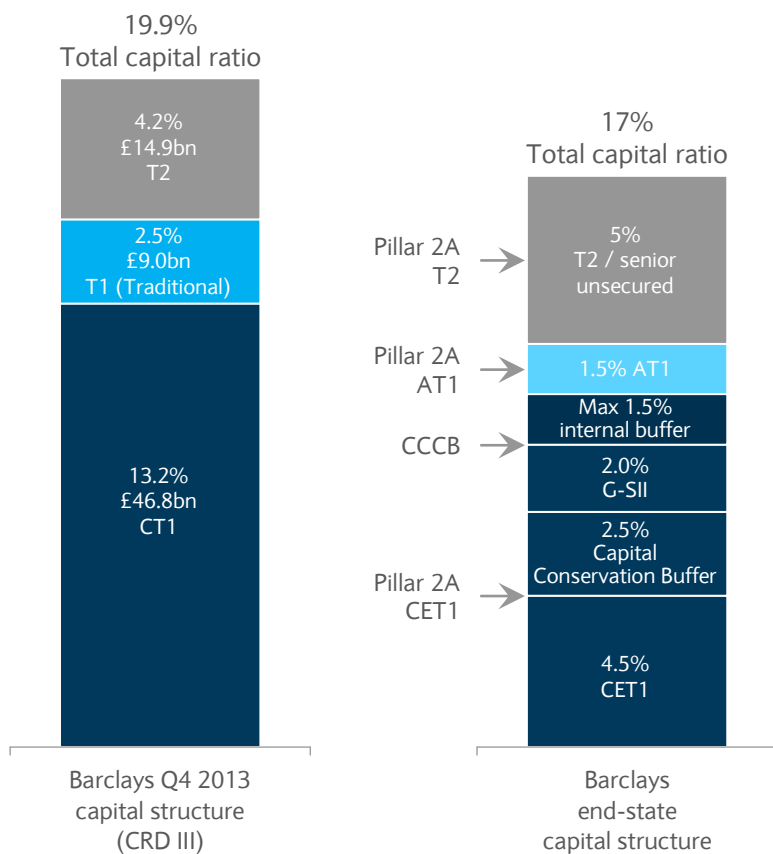
Barclays Group Co-Treasurer

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# Capital

We continue to transition towards our end-state capital structure, including strengthening our CET1 position and successfully issuing contingent capital

## Evolution of capital structure



## CRD IV fully loaded capital position

- We expect fully loaded CET1 ratio to reach 10.5% and RWAs to be at £440bn in 2015
- As at 31 December 2013, CRD IV fully loaded CET1 ratio stood at 9.3%, well in excess of the 3.5% minimum CET1 requirement
- In 2013, we started building our CRD IV-compliant AT1 layer, via the issuance of £2.1bn securities (c.50bps of RWAs)
- Fully loaded CRD IV total capital ratio stood at 14.1%, as we transition towards our end-state capital structure
- End-state capital structure assumes PLAC of 17% as per ICB's recommendation; final requirements subject to PRA discretion.

## Pillar 2A guidance

- As per PS7/13<sup>7</sup>, PRA expects UK banks to meet Pillar 2A by 1 January 2015, with
  - at least 56% CET1
  - no more than 44% in AT1
  - at most 25% in T2 capital.
- Individual capital guidance determining Pillar 2A will be set and communicated at least annually, and will vary accordingly
- 2.5% Barclays Pillar 2A for 2014<sup>8</sup>:
  - CET1 of 1.4% (assuming 56%)
  - AT1 of 0.5% (assuming 19%)
  - T2 of 0.6% (assuming 25%).

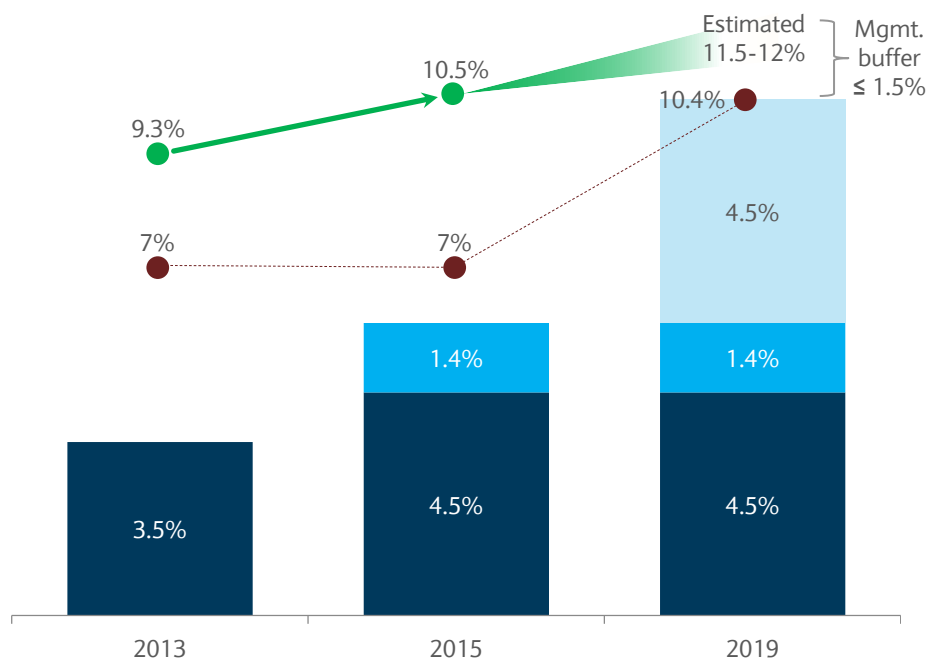
<sup>7,8</sup> Please see slide 12

# Progressive implementation of CET1 requirements

Our capital plans incorporate the progressive implementation of CRD IV and seek to maintain a maximum 1.5% internal buffer, recalibrated annually on a prudent basis

## Regulatory targets, excluding internal buffer

- CRD IV minimum CET1 requirement
- Pillar 2A met with CET1 capital (varies annually)
- Fully loaded combined buffer requirement, excluding CCCB
- ➔ Barclays fully loaded CRD IV CET1 ratio progression
- PRA regulatory target<sup>9</sup>



<sup>9,10,11</sup> Please see slide 12

## Key assumptions in this illustration

- CET1 minimum requirements per PRA implementation of CRR
- Pillar 2A met with CET1 capital for 2014 is 1.4% of RWAs; while subject to at least annual review, we hold it constant in 2019 for illustration purposes
- Combined buffer requirement (and associated rules for mandatory distribution restrictions), consisting of 2.5% capital conservation buffer and 2% G-SII buffer, transitions in from 1 January 2016 at 25% per annum
- In 2019, we have assumed that the PRA buffer will be less than 4.5% combined buffer requirement; however, this may not be the case
- Countercyclical, other systemic and sectoral buffers are currently assumed to be zero<sup>10</sup>
- Internal management buffer, currently 1.5%, will be recalibrated over time and may be less than 1.5% by 2019.

NOTE: during 2014, the PRA will refresh its "PRA buffer" following its stress testing exercise. In 2015, the combined CRD IV minimum requirements, Pillar 2A and PRA buffer may be greater than 7.0%.

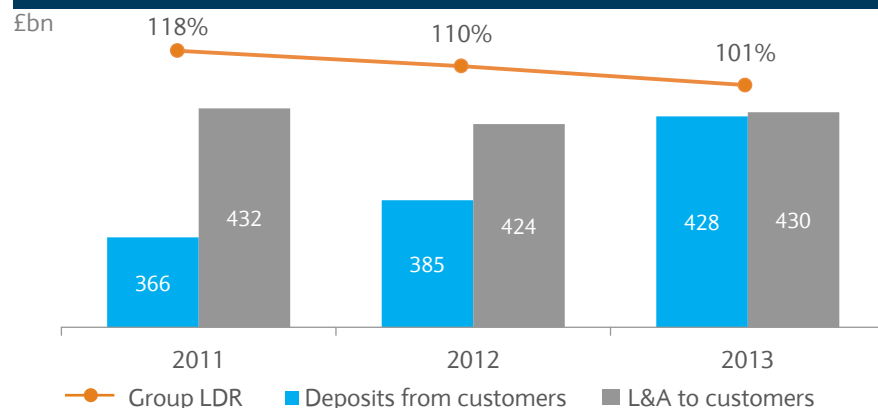
## Contingent capital buffers as at 31 December 2013

- AT1 contingent capital:
  - Distance to trigger: c.230bps or £10.0bn
  - CRD IV restrictions on discretionary distribution applicable from 1 January 2016 and based on transitional CET1 requirements.
- T2 contingent capital:
  - Distance to trigger: c.620bps or £22.0bn<sup>11</sup>.

# Funding

We maintain access to stable and diverse sources of funding, across customer deposits and wholesale debt, providing protection against fluctuations in supply and demand

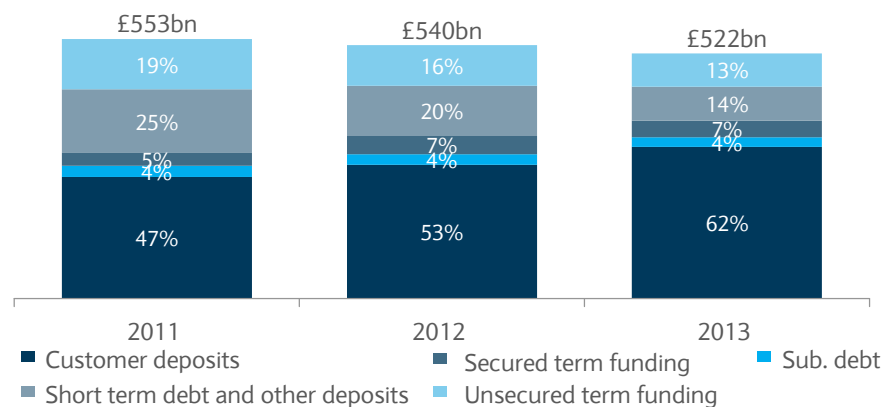
## Significant increase in deposit funding



## Key messages

- Group Loan to Deposit Ratio (LDR) improved to 101%, as at 31 December 2013
- LDR improvement in 2013 driven by strong growth in customer deposits and continued reduction in Exit Quadrant assets, offset by a 1.5% increase in net lending to customers
- Reduced reliance on wholesale funding, combined with increased deposit taking, results in a more stable funding profile.

## 2011-2013 total funding (excl. ABSA)



## 2014 funding plan

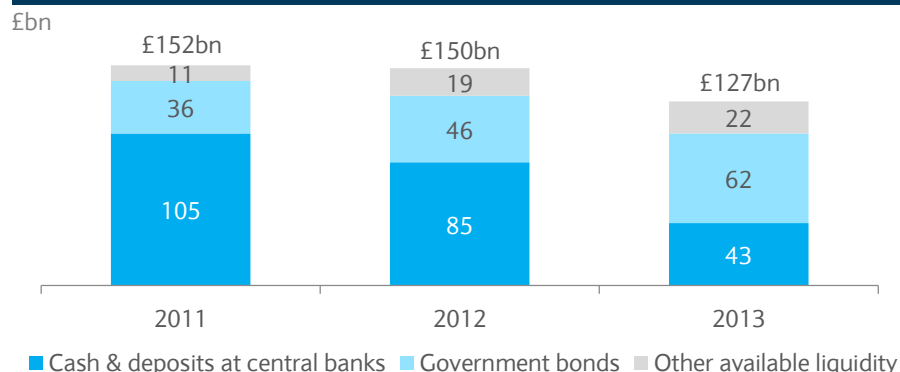
- £24bn of term debt maturing in 2014 and a further £22bn maturing in 2015
- We intend to maintain access to diverse wholesale funding, through different products, currencies, maturities and channels
- We expect to issue a more normalised amount of £10-15bn in a mix of both public and private senior unsecured and secured transactions and subordinated debt
- We will continue to opportunistically access the market
- Secured debt issuance from established platforms expected to continue supporting unsecured issuances, contributing to the stability and diversity of our funding base.



# Liquidity

We maintain a robust position, efficiently managing high quality liquidity pool, in excess of internal and regulatory requirements

## High quality liquidity pool



## Key messages

- Liquidity pool decreased £23bn to £127bn, to support our leverage plan and right-sizing of liquidity surplus, while maintaining compliance with internal and regulatory requirements
- Quality of the pool remains robust despite optimisation of its composition:
  - 83% held in cash, deposits with central banks and high quality government bonds
  - Over 85% of government bonds are securities issued by UK, US, Japanese, French, German, Swiss and Dutch sovereigns.
- Throughout the year, we maintained a buffer in excess of our internal 30-day Barclays-specific stress test, which is our most stringent requirement
- Even though not a regulatory requirement, our liquidity pool exceeds wholesale debt maturing in less than a year
- Additional significant sources of contingent funding in the form of high quality assets pre-positioned with central banks globally.

## Surplus to 30-day Barclays-specific LRA

	2011	2012	2013
LRA	107%	129%	104%
Buffer	£10bn	£34bn	£5bn

## Estimated<sup>12</sup> Basel III liquidity ratios

Metric	Ratio	Surplus above 100%	Expected 100% requirement date
LCR	102%	£2bn	1 January 2018
NSFR	110%	£40bn	1 January 2018

## Basel III liquidity metrics

- Estimated LCR was 102%, representing a £2bn surplus over 100% ratio, that is expected to be required in January 2018
- Estimated Basel III NSFR was 110%, already in compliance with the expected 2018 requirement.

<sup>12</sup> Please see slide 12

# Regulation

Clarity emerging but a number of key regulatory requirements remain outstanding

- Continue to adapt to regulatory change, anticipate requirements and plan for multiple outcomes as uncertainties remain:
  - 2013 Banking Reform Act leading us to review our ring-fencing plans and consider implications for all stakeholders
  - Remain engaged with FED as it finalises Section 165, continue to believe that we have multiple options to adjust US business
  - Continue to make good progress on no-regrets actions relating to broader structural reform debate.
- Remain confident in our ability to adapt to change and manage the implications for all our stakeholders.

# Summary

## Business model

- A major global financial services provider with strong customer focus and client franchise
- Diversified businesses, in multiple geographies, delivering resilient underlying earnings.

## Leverage

- Significant improvement in our leverage position during second half of 2013, owing to £5.8bn rights issue, £2.1bn AT1 capital issuance and reduced leverage exposure
- We will continue to manage the business to deliver strong leverage position, with the aim to maintain a 3.5-4.0% CRD IV fully loaded ratio beyond 2015.

## Capital

- Strengthened capital position with plan to deliver fully loaded CRD IV CET1 ratio of 10.5% in 2015
- Making good progress in delivering RWA optimisation plans, to offset the impact of new regulation and grow selected businesses.

## Liquidity & funding

- Diversified funding base, combining customer deposits and wholesale funding, in multiple currencies and different maturities
- Sound liquidity position, already compliant with anticipated CRD IV requirements (LCR and NSFR).

## Regulation

- Strengthening financial position and processes to maximise business stability and continuity
- Proactive and practical approach to managing regulatory changes, including structural reform.

# Glossary

Acronyms	
ATI	Additional Tier 1
CBR	Combined Buffer Requirement
CCCB	Counter Cyclical Buffer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CT1	Core Tier 1
EBA	European Banking Authority
G-SII	Global – Systemically Important Institutions
ICB	Independent Commission on Banking
LCR	Liquidity Coverage Ratio
LRA	Liquidity Risk Appetite
NSFR	Net Stable Funding Ratio
PLAC	Primary Loss Absorbing Capacity
PRA	Prudential Regulation Authority
PVA	Prudential Valuation Adjustment
RWA	Risk Weighted Asset
T1	Tier 1
T2	Tier 2

Footnotes	
1.	£1,559bn was the CRD IV leverage exposure as at 30 June 2013
2.	December 2013 estimates based on our interpretation of the final CRD IV text and latest EBA technical standards. December 2012 estimates based on our interpretation of the draft July 2011 CRD IV rules including assumptions agreed with the PRA as at December 2012
3.	December 2012 based on fully loaded CET1 capital as at 31 December 2012 adjusted for IFRS 10 and IAS 19
4.	Estimated PRA leverage ratio based on PRA adjusted fully loaded CET1 capital and CRD IV and PRA qualifying T1 capital over PRA adjusted leverage exposure as defined in the PRA supervisory statement SS3/13
5.	Comprise movements in fully loaded T1 capital, excluding the £5.8bn rights issue and £2.1bn AT1 capital
6.	Based on current interpretation of CRD IV text
7.	The PRA intends to consult on its Pillar 2 proposal during 2014. The EBA is also developing guidelines on Pillar 2 capital which are likely to affect how the PRA approaches Pillar 2
8.	The Pillar 2 requirement is a point in time assessment made at least annually, by the PRA, to reflect idiosyncratic risks not fully covered under Pillar 1. It is expected to vary over time in accordance with individual capital guidance. The PRA has stated (in CP5/13) that capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting buffers
9.	Being the higher of 7% PRA expectation and CRD IV capital requirements
10.	These buffers could be applied at the Group level, or at a legal entity, sub-consolidated or portfolio level
11.	The 7% trigger for the T2 contingent convertible notes is based on Barclays PLC's consolidated Basel 2.5 CT1 ratio before 1 January 2014 (CRD IV adoption date) and on the transitional CET1 ratio (as per FSA's press release of 26 October 2012) thereafter. As at 31 December 2013, we estimated the transitional CET1 ratio to be 11.3%, translating into a c.430bps buffer (or c.£18.9bn) buffer above the 7% trigger
12.	The methodology for estimating the LCR and the NSFR is based on an interpretation of the Basel standards published in January 2013 and January 2014 respectively and includes a number of assumptions which are subject to change prior to the implementation of the CRD IV liquidity requirements.

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Q&A

# Disclaimer

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