

Barclays PLC Full Year 2016 Results**Fixed Income Investor Call****Tushar Morzaria, Barclays Group Finance Director****Dan Hodge, Group Treasurer****Slide 2: Tushar Morzaria introduction**

Good afternoon everyone and welcome to our Full Year 2016 Results, Fixed Income Call

I'm joined today by Dan Hodge, our Group Treasurer

Let me start with slide 3 and make a few comments on our strategic progress and full year results

Slide 3: Strong evidence of strategic progress in 2016

This morning, Jes Staley, our Group CEO, outlined the progress we made against our strategic objectives and I will briefly summarise the key points

Firstly, our Core businesses of Barclays UK and Barclays International performed well in 2016, showing great resilience in an eventful year. Profit before Tax, excluding notable items, increased 4% to £6.4 billion, generating a Return on Tangible Equity of 9.4% for the year, on an average tangible equity base which was £4.1 billion higher. We reduced the cost-income ratio to 61% and we continue to focus on achieving a cost to income ratio of less than 60% for the Group

Secondly, we continued our successful run down of Non-Core selling a suite of retail, cards, insurance and wealth operations, and our index business, whilst reducing legacy derivatives and closing offices in nine countries. This reduced RWAs by £22 billion in the year, to £32 billion at year end, achieved in a way which preserved value and released equity to the rest of the Group

The full year Non-Core loss before tax excluding notable items, increased from £1.7 billion to £2.8 billion as we accelerated the run-down. Given this accelerated progress, we announced today our intention to close this unit six months early on 30th June this year with residual RWAs around £25bn at that time. Overall, we expect the capital tied up in these low yielding assets to be a single digit percentage of the Group's capital and we are guiding to a loss before tax in the region of £1 billion in 2017, weighted towards H1

Thirdly, we made significant, further progress in preparing for the regulatory de-consolidation of Barclays Africa. Since the sale of the initial 12.2% stake in May, we have focussed on agreeing the separation arrangements with local management. We reached agreement of the terms in Q4 and now await approval from the relevant regulators of our separation plan so we can further reduce our holding. We expect a CET1 ratio increase of over 75 basis points upon regulatory deconsolidation, including separation costs based on year end share price and currency translation. This represents a major milestone in the simplification of Barclays allowing us to focus even more on driving operational efficiencies and generating attractive returns for the Group

Looking at the businesses in more detail now on slide 4

Slide 4: Strong Core business performance in 2016

For Barclays UK, we reported an underlying RoTE of 19.3% with an underlying cost income ratio of 53% for the year

Net Interest Income accounted for over 80% of the income of Barclays UK and we maintained a strong pricing discipline in a low rate environment delivering a relatively stable full year NIM of 362 basis points. Assuming an unchanged Bank of England base rate we expect Full Year 2017 NIM to be in the range of 350 to 360 basis points

For Barclays International, we reported an underlying RoTE of 8% with income up 21% in CC&P and 6% in CIB

Since the Brexit vote, we have been closely monitoring all leading indicators – and have not seen significant signs of credit stress in the UK

We maintained a conservative risk appetite and remain comfortable with our risk positioning and the underlying impairment trends we are seeing

So to recap: we continue to make good progress in delivering the plan we announced last March. The Core is performing well and the Non-Core run-down is ahead of plan. Our risk position is conservative and we are now fully focussed on driving operational efficiencies and enhancing Group returns

With that, I'll turn over to Dan who will talk about the progress we have made on our balance sheet and structural reform this year

Slide 5: Dan Hodge introduction

Thank you Tushar

In 2016, we further strengthened our balance sheet, ending the year in a robust position with strong and stable capital, funding and liquidity ratios. We are well positioned for structural reform as we enter the final stages of our restructuring and begin a period of normalisation for Barclays

Our CET1 ratio grew by 100 basis points to 12.4% over the year and we made further, significant progress on our HoldCo transition. We issued 12.1 billion sterling equivalent

in total, driving a Moody's rating upgrade, whilst repurchasing and redeeming 7.4 billion of securities. These included the redemption of preference shares totalling 1.9 billion US Dollars, reducing expenses by close to 140 million Dollars per annum

We've also continued to deliver on structural reform. Our IHC became operational, we submitted our draft banking license application for our UK ring-fenced bank and we made changes to the organisational design of the Group, re-positioning the entity which will become our Group Service Company

In terms of the regulatory change agenda, the November Bank of England Policy Statement on MREL and the draft CRD 5 package provided insight into potential future requirements. Whilst additional clarification is required on a number of points, we welcome the increased stabilisation of the regulatory backdrop and longer implementation timeframes

Looking forward to the rest of this year, strategy execution remains our foremost priority. Closing Non-Core and progressing the sell-down of Barclays Africa will remain key. We will also continue to execute our structural reform agenda and plan for the various potential outcomes of the Brexit negotiations

We feel confident in our ability to complete the delivery of the strategic priorities we have set out

Turning now to capital and leverage on slide 6

Slide 6: Strong CET1 and leverage ratio progression

Slide 6 shows that our full year CET1 ratio improved by 100 basis points over the year to 12.4%, driven by strong profit generation of 2.1 billion after notable items. Q4 accretion was significant at 80 basis points, driven by lower RWAs primarily from further Non-Core run-down as well as the reversal of the Q3 defined benefit pension scheme deficit move

Our leverage ratio was up 10 basis points on the year to 4.6%, as the 5.8 billion increase in Tier 1 capital more than offset an almost 100 billion increase in leverage exposure

The increase in leverage exposure was mostly driven by FX. The remainder arose from an increase in the liquidity pool, and lending growth, partially offset by Non-Core reductions

Whilst progress may not always be linear, we remain confident in the trajectory of our leverage ratio as we continue to accrete capital and remain disciplined in balance sheet usage

Turning now to slide 7 and our future CET1 ratio expectation

Slide 7: Managing evolving future minimum CET1 levels

Our approach to capital planning remains unchanged: We continue to manage our CET1 ratio as a function of expected future minimum requirements and CRD 4 buffers plus a prudent management buffer which also reflects stress tests. As you would expect, we constantly monitor the regulatory backdrop and factor this into our capital planning

We were pleased with the reduction in our G-SIB buffer from 2% to 1.5% and we are now positioned comfortably within that G-SIB bucket

We have also been informed by the PRA of both our Pillar 2A and our PRA buffer for 2017

Our 2017 Pillar 2A requirement is 4%, an increase of 10 basis points from the prior year's 3.9%, of which at least 2.3% is required to be met with CET1 capital

Whilst the PRA buffer is confidential, as a matter of policy, it is informed by the most recent Bank of England stress test, albeit there is no mechanical link between stress test results and the setting of the PRA buffer

Stress testing remains a key component of our capital management. The 2016 Bank of England test was particularly severe, stressing our key markets and geographies simultaneously and resulting in a draw-down of 4.5% from our 2015 year-end balance sheet

Taking into account these results, we have increased our expected end-state management buffer from a range of 100 to 150 basis points to a range of 150 to 200 basis points, effectively absorbing the G-SIB buffer reduction. The top end of this new range would result in a buffer of 4.5% over Bank of England stress test hurdles in end-state, reflecting the latest draw-down

Thus the fully phased-in regulatory CET1 requirements as we know them today of 10.8%, plus our recalibrated management buffer, would - at the upper end of the buffer range - place our end-state target capital ratio at 12.8% - so close to 13%

At 12.4% for full year 2016, we are currently near this expected end-state. Notwithstanding our BAGL plans, we continue to be conservative in our capital planning as the regulatory landscape stabilises and we deal with headwinds, such as remaining legacy conduct and litigation and evolving accounting and regulatory developments, including IFRS9

IFRS9 is still scheduled to be implemented from January 2018, and we expect to begin parallel reporting later this year. The capital impact will depend in large part on the timing and extent of any regulatory overlays. Meanwhile, we are taking a conservative approach in preparing our businesses for potential outcomes

There are two other phases of regulatory reform which are expected to be implemented over a longer time horizon than previously proposed:

Firstly, CRR2/CRD 5 legislation including the Fundamental Review of the Trading Book and binding leverage requirements, which we do not anticipate coming into effect until after 2020. Secondly, Basel 4 - expected to include Credit Risk and Operational Risk RWA proposals amongst others - which would be implemented sometime after that

In terms of RWA trajectory, the regulatory de-consolidation of BAGL and further run-down of Non-Core if achieved as planned, would lower RWAs to around 320 billion sterling. Any business growth and recalibration from future regulatory changes would then increase RWAs above this level. However, the key measure for capital is the CET1 ratio itself, which we will continue to manage as a primary measure above RWAs

Let's now turn to MREL on slide 8

Slide 8: Manageable MREL requirements through proactive issuance

During 2016, we issued 12.1 billion sterling equivalent of HoldCo senior debt and capital comprising 9.3 billion senior, 1.7 billion Tier 2 and 1.1 billion AT1, further progressing our MREL build

The strong progress on HoldCo issuance was also reflected in the December upgrade by Moody's of our senior HoldCo and OpCo ratings. In common with a number of UK banks, negative outlooks from both Moody's and S&P remain however, driven primarily by agency views around Brexit

We are also pleased to have issued around 4.7 billion sterling equivalent in January this year, including our first callable HoldCo transactions. We are pursuing a prudent maturity profile for our HoldCo issuance - senior HoldCo issuance in 2016 had a weighted average maturity at issuance of 7.8 years

In 2016, we repurchased and redeemed OpCo capital and senior debt across a range of securities, totalling 7.4 billion sterling equivalent. You will also be aware of the Notice of

Redemption we issued on 9th February regarding our Series 3 US Dollar Preference Shares, with redemption scheduled for 15th March

These activities reflect the proactive approach we are taking to the HoldCo transition and MREL build as we maintain our focus on efficiently managing our funding costs

Indeed, at today's spreads, we expect the cost of wholesale funding for the Group to be broadly similar to today

There is however more to do and on this slide we show the HoldCo MREL position compared to expected, future requirements

We continue to expect the MREL requirements as at 1 January 2022 to be our binding constraint given that OpCo legacy capital is not expected to qualify from that time

At year end, our HoldCo MREL ratio was around 19.8%, compared to 24.2% on a transitional basis. Based on the November Bank of England Policy statement on MREL which envisages a phased approach to implementation, and prior to any management buffer, we currently expect a requirement to hold MREL equivalent of around 20% of RWAs by 1st January 2019, being twice Pillar 1 plus the Combined Buffer Requirement - or CBR

For 2020, we expect a requirement of around 24% as Pillar 2A is added. Based only on HoldCo securities as at year-end 2016 and assumptions as shown on this slide, this would result in around 20 billion sterling equivalent incremental HoldCo issuance over the transition period

For end-state, we expect a requirement of around 28% of RWAs, assuming a doubling of Pillar 2A. Again, based only on HoldCo securities, this would result in around 40 billion sterling incremental HoldCo issuance to be met over the forthcoming 5 year transition period

For Barclays, issuance remains largely a matter of refinancing legacy OpCo debt, given 28 billion sterling of OpCo capital and debt outstanding that matures or is callable by 1st January 2022

Importantly, the Bank of England has indicated that 2022 requirements are expected to be subject to general review prior to setting end-state requirements. The review will incorporate changes in the regulatory framework and UK banks' experience in issuing MREL. On an individual basis, the Bank of England may also make adjustments to the Pillar 2A recapitalisation amount prior to 2022 should feasible and credible changes to a bank's capital requirements following resolution be expected.

This year, we expect approximately 10 billion sterling equivalent of new HoldCo issuance in total. As mentioned, we have issued almost half of this already. We expect the balance of our 2017 issuance to be shared between senior, Tier 2 and AT1

Whilst we now have more clarity on potential end-state MREL requirements, finalisation at international and EU level is still required. So we expect to maintain optionality to flex both the timing and composition of our MREL build. Issuance volumes may not therefore be constant year on year

Overall, we are comfortable with our progress to date and our ability to satisfy our MREL requirements within the required timeframes

Notwithstanding the importance of our MREL build in our approach to wholesale funding, we expect secured funding to remain a modest but important component of our mix. For Barclays UK, our future ring-fenced bank, we will prepare to access short-term and secured funding markets following its establishment and will engage investors on this in due course

Turning now to our CRD 4 capital structure on slide 9

Slide 9: Evolving CRD IV capital structure transitioning to HoldCo over time

At full year, our consolidated total capital ratio was 19.6% on a transitional basis and 18.5% on a fully-loaded basis, both representing an increase of 80 basis points in Q4. These increases were driven mainly by CET1 ratio accretion

In terms of the composition of our total capital stack, we remain incentivised to hold at least 2.3% of RWAs in AT1, reflecting the Pillar 1 and Pillar 2A requirements permissible in this form. We will likely target a surplus to 2.3% to enable us to make efficient use of CET1, to maintain optionality to manage our call profile and to accommodate variability in RWAs over time. We therefore expect to remain a regular AT1 issuer

We note that the current draft CRD 5 regulations propose to introduce a preference for AT1 payments over dividends and variable remuneration were MDA restrictions to be triggered. For Barclays, this proposal, if implemented, would simply codify our existing intention to respect the creditor hierarchy

We expect to hold at least 3% of RWAs in Tier 2 format, reflecting Pillar 1 and Pillar 2A requirements. As usual we will determine the appropriate balance between senior and Tier 2, based on relative pricing and investor appetite

We note market commentary around instruments governed by non-EU law and without contractual bail-in acknowledgement clauses given that the current draft of the CRR2 proposal suggests such instruments may not be eligible as Tier 2 or MREL. If implemented as proposed, this could impact two of our legacy instruments - the 5.14% 2020 Tier 2 and the 7.625% 2022 Tier 2 CoCo. Of course, the future eligibility of these instruments will depend on the final wording and UK implementation of CRR 2 and we will monitor developments closely

Moving now to our strong liquidity and funding position on slide 10

Slide 10: High level of liquidity and conservative funding profile

We continue to maintain a very robust and well balanced liquidity and funding profile

At full year, our liquidity pool was 165 billion, an increase of 20 billion year on year. The Pillar 1 LCR was 131%, a surplus of 39 billion to 100%

The year on year increase in the liquidity pool reflects the depreciation of sterling against other major currencies as well as net increase in retail and commercial deposits and wholesale funding to support business growth

Our NSFR continues to exceed 100%, also well ahead of implementation timelines

Turning now to slide 11 and structural reform

Slide 11: Structural reform plan is on track achieving critical milestones as planned

We continued to execute against our structural reform objectives over 2016 and remain on track to deliver against our regulatory objectives well ahead of the January 2019 deadline

To successfully complete the programme, we now have two key operational deliverables. Taking these in chronological order:

Firstly, to build out Barclays Services Limited to become the Group Service Company, or ServCo, to meet operational continuity requirements; and

Secondly, to transfer the BUK businesses into the new ring-fenced bank entity

A key milestone of our first deliverable was met in November, with the transfer of our existing primary service entity to become a direct subsidiary of Barclays PLC in preparation for its build-out as a Group-wide ServCo. The ServCo will become the hub

of our shared operational architecture and the provider of ‘critical services’ to both BUK and BI post their separation

Locating our shared operational architecture in ServCo supports two key purposes: Firstly, it enhances financial stability for all our customers and clients by ensuring that critical services can continue to be provided irrespective of unforeseen stress events in either banking entity. Secondly, it provides an opportunity to drive significant efficiencies in client and customer service. In the model we envision, core functions for the entire Group will be standardised across the company, streamlining costs, driving high-quality analytics, and improving customer experience. The pivotal role that ServCo will play within the Group was also reflected in its recent rating of A- by S&P

In terms of the transfer of BUK businesses into the new ring-fenced banking entity – the second key deliverable - we submitted the draft banking licence application for this entity in September and we believe that we are well on track to receive the conditional licence in the first half of this year, subject to the on-going review of our regulators

Over the course of this year, we will continue to prepare our internal infrastructure to allow for a smooth execution of the legal separation and transfer of our BUK businesses into the entity that will become the ring-fenced bank. The last important step in becoming fully operational is to complete the legal entity separation through the court approved ring-fenced transfer scheme, RFTS. As part of the RFTS process, we need to review the impact of our ring-fencing plans on all our stakeholders and assess whether there has been any material adverse impact to them beyond what it is reasonably necessary for the purposes of ring-fencing. Our assessment is subject to review and challenge from the independent, court appointed, ‘skilled person’ – which helps ensure that stakeholder outcomes are the primary consideration in all of our execution plans

We expect to initiate the court process for this in Q4 of this year, with final execution planned for H1 2018

Successful execution of these actions, while minimising disruption to all our customers and clients, should support the continued delivery of fundamentally strong banking propositions that reflects the Group's strategy of being a transatlantic, consumer, corporate and investment bank

Our communications outreach programme to customers, clients and suppliers is well underway and the positive responses to date has confirmed the strength of our design

We remain confident in our ability to deliver against our objectives, and continue to make good progress with our regulators and the 'skilled person' in order to meet our timelines

We firmly believe that structural reform strongly supports Group strategy. Successful execution will deliver greater transparency, accountability and efficiency at an entity level, whilst maintaining the diversification benefits at BPLC that investors currently enjoy

Lastly, while you can form a good understanding of the financial profile of the respective entities based on the existing divisional business disclosures, we expect to provide more detail on the legal entity financials in due course

Slide 12: Focused on delivery

So, to summarise on slide 12: in 2016 we continued to deliver on the Group's strategy, simplifying our business and delivering strong Core returns

The momentum in our Core businesses facilitated further progress on our balance sheet, including the significant accretion of our CET1 ratio, taking us closer to our expected end-state. We pursued our MREL build with efficient issuance and liability management and we entered 2017 with a strong and stable balance sheet, well positioned for structural reform



Tushar, with that, I'd like to hand back to you

Slide13: Q&A

Thank you. I hope you have found this call helpful. Dan and I would now like to open the call to questions

Please go ahead.

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