

Barclays PLC FY 2022 Results**Fixed Income Conference Call Speech****Anna Cross, Group Finance Director****Daniel Fairclough, Group Treasurer****Title slide: Barclays PLC Fixed Income Investor Call – FY 2022 Results Announcement**

Good afternoon everyone and welcome to the fixed income investor call for our 2022 results. I'm joined today by Dan Fairclough, our Group Treasurer. Let me begin with a brief overview of our performance over the last year before speaking to a few slides on the careful positioning of risk across our portfolios given the attention this topic naturally receives from our bondholders. I'll then hand over to Dan for his overview of our balance sheet.

Slide 3: Group RoTE of 10.4% with profit before impairment up 9%

So beginning with slide 3, as Venkat and I reported this morning, it was another year of delivery across our businesses, with a statutory Return on Tangible Equity of 10.4%. Income growth of 14% outweighed the 6% growth in operating costs, which exclude Bank Levy and Litigation & Conduct, or L&C.

Despite the increase of £1.2bn in L&C, profit before impairment was up 9%, with a statutory cost: income ratio of 67%. This earnings momentum and capital discipline is reflected in the year-end CET1 ratio of 13.9%. The impairment charge for the quarter was £0.5bn, and £1.2bn for the full year, with a Loan Loss Rate of 30bps. Turning to the next slide for more detail on impairment and the outlook

Slide 4: Impairment expected to normalise towards historical LLRs

The forecast baseline macroeconomic variables, or MEVs, we have used at full year for modelled impairment are worse than at Q3, and the start of the year. This increased modelled impairment by c.£0.3bn in the quarter, but we utilised part of the Post Model Adjustment for economic uncertainty, as planned, to offset this, leaving £0.3bn of the uncertainty PMA.

Our total impairment allowance at the year-end was £6.2bn, a slight decrease in the quarter from £6.4bn, but with strong coverage ratios across the portfolios. Given current economics, we would expect the LLR for FY23 to be in the 50-60bps range, closer to historical levels. This will be affected by product mix, including planned growth in US Cards, and by changes in the macro-economic outlook.

Slide 5: Consumer loan book resilient for economic uncertainty

On slide 5, we've updated here the metrics we shared at Q3 to illustrate consumer credit quality. In BUK our growth has been in mortgages, whilst UK cards has reduced by around 40% since 2019. We continue to see high levels of repayment in UK cards and arrears rates remain stable and low.

Customer behaviour and the risk performance confirm that the quality of the cards book overall has improved and this is reflected in some reduction in coverage, but the ratio is still 7.6% in UK cards, with 19.2% coverage of Stage 2 balances. We've grown US cards, but have maintained strong coverage levels, with 8.1% overall, and 33.6% Stage 2 coverage.

Slide 6: Disciplined approach to risk in the CIB

A few comments now on our wholesale risk management. As we have grown share in CIB, we have managed risk carefully. Whilst RWAs in the CIB have grown, the increase year-on-year has been the

result of the stronger US\$ and regulatory changes. There was actually a slight decrease from other business-related factors.

We also kept tight control on leverage, with leverage exposure for the Group down year on year, despite FX and the growth in Financing. Looking at the wholesale lending risk, CIB loans to customers and banks at amortised cost grew by £18bn last year, or £15bn excluding FX, Most of this increase is in lower risk areas of corporate lending, and we've increased the first-loss credit protection.

Commercial Real Estate lending as a sector is facing some headwinds in respect of valuation and liquidity. Total CRE loans across the group are £16.6bn, down year-on-year and just 4% of our total loan book. It is an area where we have taken a cautious approach, with UK exposures broadly static for a number of years, and well collateralised.

Another topical area is leveraged lending commitments. We have actively managed down pipeline over the last couple of quarters, halving our syndicate commitments, and have taken some marks on remaining positions in the Corporate Lending income line. In summary we feel confident in our risk management across our lending portfolios and trading businesses and remain very focused in readiness for potential deterioration in the macroeconomic environment.

And with that, I'll hand over to Dan for the balance sheet highlights

Slide 8: FY22 highlights

Thanks Anna. We ended the year with strong balance sheet metrics leaving us well positioned for the year ahead – our CET1 ratio was 13.9%, the MREL ratio was 33.5% and the LCR was 165%. On all these metrics we are holding prudent headrooms above minimum requirements.

Slide 9: Disciplined capital management

Beginning with capital on slide 9. By delivering our target RoTE, we accreted c.150bps of capital over the year, with 31bps generated in Q4. Over the quarter we used capital to invest in the business, to manage the impact of the unwind of prior pension arrangements and to accrete the CET1 ratio. We closed the quarter at 13.9%, the top end of our CET1 target range.

This morning we announced a full year dividend of 5p, taking the total for 2022 to 7.25p which is up 20% from the prior year. In addition, we announced a share buyback of £500m taking the total buyback for the year to £1bn. Looking ahead at the first quarter, we expect RWAs to grow as we take advantage of current business opportunities which is likely to result in a moderation of the CET1 ratio. This is a typical capital trajectory for us in the first quarter of the year.

On the slide we highlight some other moving parts this quarter, including the announced share buyback, the reduction of IFRS9 transitional relief and the completion of the Kensington acquisition. Taking into account these items, the ratio would reduce by c.40bps, or to 13.5%. Turning to the next slide on our capital targets.

Slide 10: CET1 ratio within 13-14% target range and above requirements

We continue to have our longstanding capital target of 13-14% and we believe this puts us in a strong position versus our requirements. This slide shows the impact of the reintroduction in December of the UK countercyclical buffer, or CCyB, which translated into a c.40bps requirement. Currently the FPC expects to increase the UK CCyB a further percentage point to 2% in July which will result, all other things being equal, to another c.40bps increase to our requirements. As mentioned before, these changes have been fully factored into our capital target range. Turning now to pensions.

Slide 11: Prior capital drag from pensions eliminated

The primary defined benefit scheme – the UK Retirement Fund or UKRF – maintains a balanced portfolio following the completion of a multi-year de-risking plan. Its strong funding position and well matched profile helped it to withstand the headwinds in the Gilt market in September and October last year.

As communicated throughout 2022, we accelerated £1.25bn of deficit reduction contributions in Q4 as a result of the unwind of prior pension arrangements. This had a c.30bps impact in the quarter and was absorbed within our capital plan. We are also pleased to have now concluded the triennial actuarial valuation of the UKRF, with a £2bn funding surplus.

As a result of this, we have agreed with the Pension Trustee that we do not need to make any further deficit contributions which reduces a previously flagged capital drag in 2023 of c.£300m. This robust position has also helped to simplify our future capital planning.

Slide 12: Basel 3.1 day one impact: lower end of prior 5-10% RWA guidance

Turning to Basel 3.1. We welcomed the consultation paper published by the PRA in November, which helped the industry to have better visibility of the potential impacts. Following further analysis, we have revised our estimated day 1 impact of the changes to the lower end of our prior 5-10% of RWA guidance, pre-mitigation.

There remains a lot of work to do on the implementation and we will have more information on the estimated impact in due course, and in particular following the QIS exercise in Q2 and upon publication of the PRA's final rule set. The consultation process concludes at the end of this quarter, and we will continue to discuss with the PRA during this period areas that we think should be amended, particularly taking into account the equivalent European proposals and those now expected from the US in April.

In the CP, we noted the comment that a review of the pillar 2A framework is scheduled to take place by 2024 to ensure that the additional risks captured in pillar 1 are not double counted in the existing pillar 2A framework. This is very important and we think particularly relevant for a number of areas in the proposals, such as operational risk.

Slide 13: Capital structure well managed

Turning to the next slide – which illustrates the structure of our total capital stack. Our total capital position of 20.8% continues to provide a prudent headroom of 410bps above the regulatory minimum. You can see on the slide that we hold 3.9% of RWAs in AT1 format, which increased from the prior quarter of 3.8% due, in part, to the recovery of Sterling.

The position incorporates headroom to the 2.3% regulatory prescribed level, as we explicitly run a buffer for RWA and FX fluctuations. We also choose to hold some of our total capital requirements in AT1 rather than Tier 2 form given the relative economics and the additional leverage benefit that AT1 provides over Tier 2. We deploy this into liquid balance sheet opportunities in our Markets business and monitor the economics carefully to ensure this remains commercially attractive.

We also show on the slide the call profile of our HoldCo issued capital instruments. We continue to evaluate all calls using a range of economic factors including the direct and indirect P&L implications from refinancing and the impact on our broader wholesale funding stack. On legacy capital, we remain very comfortable with our current position and approach, as presented to the Bank of England in our resolvability plans. Over 2022 we have reduced legacy securities by £2.4bn, which leaves only £1.5bn notional remaining; of which £1.4bn continues to qualify as regulatory capital.

Slide 14: MREL position well established

Moving onto the wider MREL funding stack. As you can see on the slide, we continue to run a prudent MREL position in excess of requirements. This was supported by c.£15bn of MREL issuance in 2022. This elevated funding level was due to two primary factors. Firstly, the sharp rises in interest rates during the year meant the book values of our MREL stack decreased. This move did contain some offsets over the year given FX moves, as we are a large USD issuer. Secondly, the positive market conditions in the second half of the year presented us with the opportunity to de-risk our issuance plan for this year with some pre-funding.

From where we stand today, our MREL funding plan for the remainder of 2023 is c.£10bn, and as usual we expect to seek issuance opportunities across senior, Tier 2 and AT1 in a range of currencies.

Slide 15: Strong liquidity position and deposit base

Let me turn to slide 15 to talk about our liquidity position in more detail. The liquidity pool of £318bn and our Pillar 1 LCR of 165% represent a £117bn surplus to minimum requirements.

We have also disclosed our Net Stable Funding Ratio, which was 137% and well above the 100% requirement. This reflects the longstanding prudent approach we take in managing our funding profile, with access to a diverse range of stable funding sources. This of course includes our deposits, which grew c.£20bn over the year.

In the last quarter deposit balances reduced by £16bn due to seasonal fluctuations in corporate deposits, however, removing the seasonality, the underlying total deposit volumes are stable. We continue to monitor deposit balances closely as an important indicator of potential consumer stress, but we are not currently observing evidence of this.

Slide 16: Interest rates tailwind likely to continue into FY23

Turning to slide 16. The structural hedge programme continues to be a key provider of net interest benefit to the Group and has grown by £35bn over the year, albeit it reduced modestly in Q4. As the interest rate sensitivity chart shows, the programme is a major contributor to income benefit from rising rates particularly in the outer years – and the Q4 hedge contribution has almost doubled year on year. The reinvestment rates on the hedge are still well above the average rate and the maturing rate, and therefore we expect a significant further tailwind from rate rises even if the hedge size reduces further due to product switching dynamics.

Slide 17: Strategic priority to maintain strong ratings

Turning to credit ratings on slide 17, improving our credit ratings continues to be a key strategic priority, and we maintain an active dialogue with all the agencies. Through this engagement, we were delighted that Moody's placed Barclays PLC on Review for Upgrade at the end of the year. Per their stated timelines, we expect another rating committee soon to conclude the result of the review. Converting our positive outlook with S&P to an upgrade continues to be a priority too.

We note that whilst the group is on Review for Upgrade with Moody's, our main subsidiary – Barclays Bank PLC which accounts for 80% of the group's balance sheet – is on negative outlook which has caused some confusion in the market. The negative outlook reflects a sector wide action by Moody's following the UK sovereign rating's outlook being placed on negative, and UK operating subsidiaries with a notch of government support were mechanistically also placed on negative

We would highlight Moody's own published comment on the specific case of Barclays, which notes that should the group be upgraded following the Review for Upgrade, it would be expected for this to neutralise the negative outlook for Barclays Bank PLC.

Slide 18: Sustainable Impact Capital's upsized target to £500m

Let me finish with an update on the sustainable impact capital portfolio – this programme is housed in Treasury within the Principal Investments business, where the growth stage equity investing and portfolio management capability sits.



This is a global mandate to invest in climate tech start-ups and in December we announced that we were significantly increasing our commitment, from £175m by 2025 to £500m by 2027. The portfolio currently stands at £89m.

We seek to invest in start-ups that are enabling transition within carbon intensive sectors, particularly where we have meaningful client exposure such as energy and power, real estate and transport – this synergistic approach in turn helps us support clients as they transition to a low carbon economy through introductions to innovative technologies.

Slide 19: Daniel Fairclough

And so to summarise, we were pleased to deliver strong and stable metrics across our balance sheet, and we continued to support the Group's execution of our strategy as we navigate a challenging macroeconomic backdrop. And with that, I'll hand back to Anna

Slide 20: Q&A

Thank you Dan. We would now like to open the call up to questions and I hope you have found this call helpful. Operator, please go ahead.