

## **Barclays PLC Q1 2016 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 this 2016 Q1 Earnings Call.

Before I hand over to Tushar to take you through the numbers in depth I wanted to offer a few brief thoughts on how I see the quarter, and in particular what early progress it represents against our strategy.

This morning we have reported the first set of results as a transatlantic consumer, corporate and investment bank operating under our new configuration of Barclays UK and Barclays Corporate & International.

What they show is that Barclays' Core business is performing well, particularly given the current environment.

Our Core Return on Tangible Equity is 9.9%.

Barclays UK posted an impressive 20.5% return for the first quarter, and there are businesses - such as Consumer, Cards & Payments in Barclays Corporate & International - which are exhibiting strong growth.

The aggregate performance we are producing today in Barclays' Core continues to show the potential power of the Group once it is unshackled from the drag of Non-Core, which is what we said on March 1st.

Our Corporate and Investment bank did a very good job on the revenue line in the

Quarter. In fact I think we had one of the best performances in the industry year on

year. But returns are still not where we want them to be, and we need to do more

on costs in particular to address this - which we will.

One typical cost lever to use is to adjust variable compensation to reflect weaker

revenues. And on this point let me be very clear: while our Corporate & Investment

Bank did well on the revenue side relative to the industry, we will adjust bonuses

for 2016 appropriately, given that our year over year revenues were down, and

mindful of the fact that the industry more widely has made dramatic cuts to

performance accruals in the 1st Quarter.

Turning to Non-Core, here, our progress year to date is impressive.

We announced in January our decision to exit Investment Banking in nine

countries. This will dramatically simplify our business, reducing cost, and focusing

our geographical footprint. This work is expensive and complex to do, but the

execution of those exits is close to being complete.

We have also signed an agreement with JP Morgan to govern the transfer of a sub-

set of our legacy Non-Core derivatives portfolio. This is one of the biggest novation

trades that I know of.

Earlier this month we completed the sale of Barclays' Retail, Wealth and SME

banking businesses in Portugal, resulting in a £1.8 billion reduction in Risk

Weighted Assets and taking around £70 million of annualised costs permanently

out of the business.

Other announced sales - including the Italian branch network and the Index

business – remain on track to be completed in 2016.

And beyond this, in the last few weeks we've announced further significant steps

forward, to simplify our business, and cut the Non-Core drag:

First – very importantly, the sale of our Asia Wealth business to Bank of Singapore,

a subsidiary of the OCBC. This transaction will result in an annual cost reduction of

roughly £120 million, a decline in FTE headcount of just over 400, and a projected

post-tax gain on sale of around £150 million.

And second, announced just this morning, we have entered into exclusive

discussions with AnaCap Financial Group for the proposed purchase of our French

Retail Banking network. If a transaction were to be agreed, it would effectively

complete our exit from branch based retail banking in Continental Europe in just

under two years.

Taken together, this is very tangible progress towards the day when our Group

returns converge with our Core returns, as we targeted on March 1st. It means less

cost in Barclays, and it means capital is freed up to be re-deployed against growth

opportunities.

This first quarter performance is what I meant when I talked on March 1st about

accelerating Non-Core run down, and I am determined to keep up the pace.

Importantly, the direction of travel on cost in the Group continues to be downward.

We are on track to meet our 2016 guidance for the Core business cost of £12.8

billion, and we have an eye on our longer term target of a Group cost to income

ratio below 60%.

It is also worth noting in relation to cost, that since I was appointed CEO, our non-

African headcount across Core and Non-Core is down by nearly 9%, equating to

some 8,600 roles. We will see the benefit of this reduction in future quarters.

On Africa, we continue to explore opportunities to reduce our shareholding to a

level that achieves regulatory deconsolidation, including capital market sales and

strategic options, and we are pleased with the level of indicative interest in what is

a high quality business.

Barclays Africa remains an important partner, and we are working closely with

local management, including planning for the operational separation of the two

businesses in a way that will preserve value for shareholders in both Groups.

We are very pleased with how the Barclays Africa Group stock has recently

performed.

So in summary, I'd describe this quarter as representing good early progress

against our plan.

As a shareholder myself, as well as the CEO, I'm impatient to drive and accelerate

this process. But, while we've certainly got more to do on CIB returns and on cost,

there are real highlights in these numbers in terms of the RoTE in Core and the very

strong progress in Non-Core rundown.

Let me pass you over to Tushar now to run through the detail, and I'll look forward

to taking your questions with him shortly.

Slide 3: Tushar Morzaria, Barclays Group Finance Director

Thanks Jes.

Before I go through our financial performance, I'd like to remind you of our

decision to lead with a statutory view of our Group financial results as we are now

close to the end of our restructuring. You will be able to see the key notable items

in each period. However, when I run through the performance of our businesses I

will talk on an underlying basis.

The only notable item this quarter was a negative own credit move of £109 million.

The prior year had a number of items, which you can see in the Results

Announcement and the slide deck.

Also, because of our decision to reduce our stake in Barclays Africa Group Limited

to a level that achieves accounting and regulatory de-consolidation, we are now

presenting that business as a discontinued operation.

Tomorrow at our shareholder's general meeting we will be seeking approval from

our shareholders to sell down to a level that achieves accounting deconsolidation.

Slide 4: Financial Highlights

As Jes mentioned, we are pleased with the progress we have made this quarter in

Non-Core, following our one-time top up announced on the 1st of March.

Since then, you will have seen that we have also announced the sale of our Asian

wealth business.

Following completion of this exit, together with the completion of the Italian retail

business sale and the closure of the Portuguese retail business sale, we will reduce

Non-Core costs, and RWAs by a further estimated £3.4 billion on top of the £3

billion of reductions we achieved this quarter.

We will continue to run down the Non-Core in a capital accretive manner.

In this guarter our Core business delivered an underlying RoTE of 10.7%, with

strong performances from Barclays UK at 20.5% and Barclays Corporate &

International at 9.5%.

We are allocating the equity held against our Barclays Africa stake to the Head

Office in our Core. When we achieve regulatory deconsolidation, we will be able

use this capital to invest in businesses which generate attractive returns.

As we indicated on the 1st March, our CET1 ratio reduced modestly to 11.3%, as

profits generated during the period were offset by higher capital deductions – due

to an expected methodology change to PVA, and intangibles on the acquisition of

the JetBlue card portfolio. RWAs increased primarily due to FX, offset by RWA

efficiencies in the Corporate & Investment Bank.

We remain focused on capital accretion and will continue to grow our CET1 ratio

towards the end state of 100 to 150 basis points above our regulatory minimum.

We also remain on track to hit our Core cost target of £12.8 billion for this year -

with Q1 being impacted by FX moves, restructuring charges and structural reform

costs.

Nevertheless, neither Jes nor I are satisfied with the cost performance, and we will

continue to look at all levers to further reduce our cost base as we move towards

our Group target of a cost to income ratio of below 60% over time.

TNAV increased 11 pence to 286 pence, driven by reserve moves and profit

generated in the quarter.

Slide 5: Statutory Group Financials

Group statutory income fell by 11% to £5 billion, driven by Non-Core which

generated overall negative income in the first quarter of £242 million.

Core income fell 3%, but excluding notable items rose by 2%, driven by 24%

growth in our Consumer, Card & Payments business and resilient income

performance in CIB and favourable FX rates.

Statutory total expenses for the Group fell by 7% to £3.8 billion, although once

notable items are considered, costs rose by 8% largely caused by higher

restructuring charges in the Non-Core and the CIB, FX, structural reform

implementation costs and growth in our international cards business.

Impairment increased to £443 million, as we recognised higher charges of £57

million mostly relating to the oil and gas sector, resulting in an increase in the loan

loss rate to 40 basis points. Underlying impairment trends in the rest of the

business improved.

As a result, overall Group statutory profits before tax were 25% lower at £793

million, with attributable profits down 7% to £433 million, and an RoTE of 3.8%.

Turning now to the Core results.

Slide 6: Core: Underlying Return on Tangible Equity of 10.7%

Given the extent of notable items in 2015 across both Barclays UK and Barclays

Corporate & International, largely in the cost line, I will describe the year on year

moves on an underlying basis, excluding these items.

Profits in our Core businesses fell by around £160 million to £1.7 billion, with an

RoTE of 10.7%, on an average tangible equity base that was £3 billion higher, as

we returned capital from Non-Core.

As a reminder, we have allocated the equity from our Barclays Africa stake to Head

Office and are now allocating capital to businesses at 11.5%, up from 10.5% last

year.

Core income increased by 2%, with strong results from Consumer, Cards &

Payments and a resilient performance from our Corporate & Investment Bank.

Costs excluding notable items in our Core businesses rose by 6%, reflecting several

factors:

We continued to invest costs in our high returning cards business – particularly in

Consumer, Cards & Payments.

And with the exits of some of our Investment Banking businesses announced in

January, we incurred increased restructuring charges within the Core of £93

million.

Excluding these items, and a 5% strengthening in the US dollar year on year, Core

costs were broadly flat and we remain on track to hit our £12.8 billion Core cost

target for this year.

I want to emphasise that we are not satisfied with the Core cost base, and we are

pushing hard to explore all avenues to reduce costs further, particularly in the CIB.

Our strategic cost programme has, and will continue to, deliver structural cost

efficiencies across the Group.

The increased digitalisation and automation of processes, the simplification of

platforms, and the headcount reduction Jes has mentioned, are examples of the

actions we are taking to reduce costs.

Turning now to Barclays UK, which will become our ring-fenced bank ahead of the

January 2019 deadline.

Slide 7: Barclays UK - Return on Tangible Equity of 20.5%

Barclays UK is differentiated through scale and proven technology innovation.

With 24 million customers, it has a diversified and balanced portfolio of products -

personal banking, which includes mortgages, our market leading UK credit card

business and Wealth, Entrepreneurs and Business Banking.

The RoTE for Barclays UK in this quarter was 20.5%.

Total income was slightly down year on year as a consequence of the impact of the

EU interchange fee regulations as well as competitive dynamics in the mortgage

market.

Profits were down modestly to £704 million, largely caused by lower income, as

costs were stable year on year, and impairments fell with the loan loss rate down to

34 basis points.

Barclays UK's strategic focus on innovation and automation, and our market

leading position in digital banking, together with cost synergies from the addition

of our UK card business, will create meaningful opportunities for structural cost

reduction.

During the first quarter we have seen solid increases in balances in UK credit cards

and customer deposits, which you will see on the following slide.

Margins have increased slightly to 362 basis points despite competitive pressures

largely in mortgages, offset by some liability re-pricing, and leading to an increase

of 1% in NII.

We expect to be able to offset asset margin compression with an expansion in

liability margins, so that the Barclays UK margin should remain at around these

levels for the remainder of the year.

Having covered the strong financials of the business, I'd like to briefly touch on

some of the dynamics evident across the various products.

Slide 8: Barclays UK – Stable income on increased customer balances

As the UK's number one credit card issuer, we saw a 2% increase in our cards loans

and receivables, now standing at £16 billion. Given the final reduction in

interchange pricing which came into effect at the end of last year, we are seeing a

modest reduction in income this year.

In mortgages, we have grown our share of new flow this quarter to above 8%, with

the highest gross lending volumes since the third guarter of 2014, and with the

increasing use of digital channels we are seeing an improvement in volumes

through intermediaries.

We do, however, remain disciplined in our focus on returns, and have not chased

pricing or relaxed underwriting standards.

In the other significant components of personal banking – lending and deposits –

we continued to grow our share, with balances up in both, and margin expansion

on our liabilities.

Lastly income in Wealth, Entrepreneurs and Business Banking reduced modestly,

caused by lower equity markets resulting in reduced management fees.

Slide 9: Barclays UK: Digital is Barclays' biggest branch

You have seen this slide a few times before.

Our digital unsecured lending continues to expand, with a 25% annualised growth

year on year as we originated £500 million in Q1.

We are the largest unsecured personal loan provider in the market by lending

value, and with around half of these loans originated through digital channels at a

low 20s cost to income ratio, we are seeing immediate benefits to our bottom line.

Turning now to Barclays Corporate & International.

Slide 10: Barclays Corporate & International: RoTE of 9.5%

BC&I, which will become our non-ring fenced bank, has delivered a resilient

performance this quarter, in a challenging environment for investment banks,

showing the benefits of the business's diversification across wholesale banking and

consumer lending products, and the geographic markets in which we operate.

Income grew by 2%, driven by strong growth of 24% in Consumer, Cards &

Payments.

CIB delivered a resilient performance, with income down by just 4%, including

favourable FX moves.

Costs were up by 5% excluding notable items. Taking into account FX, costs were

up by 3%.

Total impairments for Barclays Corporate & International increased, largely caused

by limited single name exposures in CIB in the oil and gas sector, which were

within our risk appetite.

We remain comfortable with the guidance we gave at the full year regarding the

potential impact of oil prices on our oil and gas impairments this year.

Profit before tax was down by 13% to just over £1 billion.

RoTE for Barclays Corporate & International this quarter was 9.5%, with

attributable profit of £575 million.

Turning now to the Corporate & Investment Bank, which delivered an RoTE of

7.3%.

Slide 11: Corporate & Investment Bank: RoTE of 7.3%

Markets income fell by 4% to £1.4 billion caused by Macro and Equities, while our

flow focused Credit business had a strong performance with revenues up by 46%

to £322 million.

Macro reduced by 13% to £573 million on lower client trading volumes, primarily

driven by a decline in currency and rates products.

Equities fell by 13% to £513 million with lower levels of client activity in equity

derivatives in particular.

Banking income fell by 5% largely caused by a 12% decline in banking fee income.

Although market DCM issuance volumes were down year on year, we increased

our position in the Dealogic All International Bonds league table to #2, and finished

Q1 at #3 in Leveraged Finance and #1 in EMEA DCM.

Advisory income was strong. An example of the many deals we were involved in

this quarter was our role as Joint Lead Financial Advisor to the London Stock

Exchange on its merger with Deutsche Boerse, a landmark cross-border

transaction with a combined value of £21 billion. We have a longstanding advisory

relationship with the LSE and have acted as Joint Corporate Broker to them since

2011 and we were the Sole Sponsor on this transaction.

We also acted as Financial Advisor and provided committed acquisition financing

for Apollo Global Management on its \$12.4 billion acquisition of The ADT

Corporation.

These results and our improving market positions demonstrate that our Banking

franchise is in good shape.

Corporate lending income increased by 4% with strong growth in balances across

all markets and segments, in particular large corporates.

Lastly transactional banking fell by 1% to £408 million, although balances continue

to grow and we expect income to pick up again in Q2.

So... overall CIB income performance was resilient, with just a 4% decline, but we

did see negative jaws in the quarter, which we will be addressing.

I have already mentioned the increase in impairment to £95 million, which was

taken largely in relation to oil and gas clients.

Adjusting for FX, CIB costs rose by 3%. Excluding the £93 million increase in

restructuring charges, costs were down 2%.

As I said earlier – we are intently focused on improving CIB returns through more

efficient use of our balance sheet with clients, and looking at all levers to reduce

the cost base further, including compensation, and we will update you as we move

forward.

Lastly – we did experience an increase in CIB RWAs due to FX...however, this was

offset by efficient RWA management.

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Slide 12: Consumer, Card & Payment: RoTE of 23.4%

Consumer, Card & Payments is an exciting growth story for Barclays.

On an underlying basis profits doubled, with strong positive jaws, as income

increased by 24% to £917 million largely reflecting ongoing growth in our US and

German cards portfolios and the benefit of a stronger US Dollar and Euro.

In our Barclaycard US business we successfully completed the acquisition and

conversion of the JetBlue credit card portfolio and, in the short period since,

volumes of new accounts recruited are above initial expectations.

Costs rose by 3% as we grew our international cards, payments & merchant

acquiring businesses, and experienced a stronger US dollar.

Impairment reduced 3% to £174 million.

This financial performance delivered an RoTE of just over 23% in the first quarter.

Now turning to Non-Core where we have made encouraging progress on business

exits in particular.

Slide 13: Non-Core: Continued rundown momentum

Starting first with the P&L.

As expected, losses in the Non-Core increased to £815 million. This was driven

mostly by fair value moves of £374 million on the ESHLA portfolio as gilt asset

swap spreads widened further, reducing securities and loans income to a net

expense of £402 million.

Coupled with the further sell down of income generating businesses, most notably

in this quarter, Barclays Wealth America, the Non-Core had a negative income of

£242 million in the quarter.

Derivatives income was a negative £36 million reflecting various drivers including

funding costs and the rundown of the portfolio – you can use this as a reasonable

guide for our quarterly funding cost going forward.

We remain strongly focused on reducing costs in Non-Core, to reduce the drag on

Group returns.

Excluding the £182 million of restructuring charges, part of the £400 million we

guided to on the 1st March, operating expenses were down to £373 million as we

sold Barclays Wealth America.

As we saw in Q3 2015, RWAs decreased at a somewhat slower pace with a £3

billion reduction to £51 billion in the quarter, largely in Derivatives.

However, with the sale of the Portuguese retail business, which completed on the

1st April, and the other Non-Core sales that we are progressing, which we are

targeting for completion throughout the remainder of the year, RWAs are expected

to reduce by a further £3.4 billion.

And of course as these sales close, Non-Core costs will step down.

So, as you can see, there has been a lot of activity this quarter. We have said before

that the rundown profile will not always be linear, but we are very comfortable with

our progress and continue to expect to close Non-Core in 2017, reaffirming our

£20 billion RWA target.

I am also comfortable with the previous guidance I gave on 1st March regarding

income in Non-Core – while there will be some volatility quarter by quarter, you

can still use the Q4 run rate of just over £200 million as a guide for where 2016 will

end up overall, excluding fair value movements on ESHLA which are hard to

predict.

Slide 14: Non-Core: Rundown progression

We have shown this slide at every set of results and you can see the quarterly

moves in Non-Core RWAs, leverage, income and costs.

I have already covered costs and RWAs, so will make just a few comments on

income.

The negative income for securities and loans comprises primarily two key elements

- the funding costs and fair value moves in the ESHLA portfolio which is driven by

moves in the long-dated Sterling gilt asset swap spread. Securities and loans

funding costs are relatively stable, similar to those applying to the derivatives book,

and will reduce as we exit positions.

Now turning to our capital position, where we remain very comfortable with our

capital and leverage ratios.

Slide 15: Managing capital position for regulatory minimum levels

Our CET1 ratio reduced by 10 basis points to 11.3%, as £0.5 billion of profits

during the quarter was offset by an expected methodology change to PVA and

intangibles relating to the acquisition of the JetBlue cards portfolio.

While RWAs increased, this was largely due to FX, which was broadly offset by the

increase in the currency translation reserve.

Capital accretion remains important, and we are focused on building towards our

end state with a target of holding 100 to 150 basis points above minimum CET1

levels.

As I have been saying, the path to our end state may not be linear – though I do

expect the capital ratio to progress over the remainder of the year and show a year

on year increase.

And of course when we achieve regulatory deconsolidation of our stake in Barclays

Africa we will see meaningful benefits in our CET1 ratio.

The leverage ratio reduced by 20 basis points in the guarter to 4.3%, comfortably

above our minimums, driven by a seasonal increase in leverage exposure.

Our liquidity position remains robust with an LCR of 129%, and we've continued to

make good progress on our HoldCo issuance programme with £4.4 billion of senior

unsecured issuance year to date, whilst also optimising our total funding costs with

a liability management of both OpCo senior and sub-debt.

As you know, our TLAC and MREL requirements are largely met by re-financing

this OpCo debt at the Holding Company – which we do not expect to be more

expensive than the debt we are re-financing, based on current spreads.

Slide 16: Summary

So to re-cap.

We are on track with the plan we announced on the 1st March - with good

progress on Non-Core and a resilient Core delivering a double digit RoTE, and

capital will grow from here towards our end state target.

We are intently focused on costs and achieving a structurally lower cost base over

time, and we are on track to hit our £12.8 billion Core cost target for 2016.

Thank you.

Jes and I would be pleased to now answer your questions.



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