Barclays PLC Q4 2021 Results

Analyst and Investor Conference Call Speech

C.S. Venkatakrishnan, Barclays Group Chief Executive Officer

Tushar Morzaria, Barclays Group Finance Director

Slide 2: C.S. Venkatakrishnan, Barclays Group Chief Executive

Good morning everybody.

This is my first earnings call as Chief Executive of Barclays. It is a great honour to follow a three-century long line of stewards of this company.

While I am new in this job, I have been at Barclays for a number of years.

I was part of the management team that developed the strategy we set out in 2016 and I am delighted that we are seeing the benefits of that strategy in the results we are about to discuss.

Slide 3: FY21: Record profit before tax and increased capital returns

It has been a strong Full Year performance for the Group.

In 2016, we set out to build a bank capable of delivering double-digit returns through the cycle.

Last year in 2021, we delivered a Group Return on Tangible Equity of 13.4%.

This included double-digit returns in all three of our major lines of business: Barclays UK, the Consumer, Cards and Payments business, and the Corporate and Investment Bank.

The Group also delivered a record Profit Before Tax in 2021 of £8.4bn.

This profit included record levels of profitability in the CIB, strong cost discipline, a net credit impairment release of around £650m, and we acknowledge that the economic outlook remains uncertain, but this is reflected in the robust coverage ratios we retain.

We also remained well capitalised, with a CET1 ratio of 15.1% at year-end.

And this performance has enabled us to announce the return of over £2.5bn of excess capital to shareholders in respect of 2021 – this is the equivalent of a total payout of 15p per share.

Slide 4: Barclays' diversified strategy is delivering

The Group has demonstrated significant progress since 2015.

We delivered a greater than 10% RoTE in 2021. And the objective now is to sustain this performance, delivering double-digit returns on a consistent basis. Tushar will say more about this shortly on the factors that give us confidence in achieving this.

We continued to focus on managing costs. Our cost-to-income ratio is 66%, down from over 80% in 2015.

In part, this improvement was driven by lower litigation and conduct charges and a substantial portion of our material financial crisis related legacy matters are behind us.

It is also a result of strong cost control, evidenced by base costs remaining flat year-on-year at £12bn. We will continue to emphasise cost discipline, creating efficiency savings which we will use to invest for growth and drive higher returns.

We have also managed our capital resources prudently, steadily improving our CET1 ratio since the end of 2015.

Our strong organic capital generation, including over 200bps from earnings, has enabled us to increase capital distributions to shareholders in 2021.

Barclays remains in a strong capital position, and distributions to shareholders remains a key priority for management and the Board.

To that end, we were pleased to be able to announce a further buyback of up to £1bn with our results today. This is in addition to the £500m buyback we announced with our interim results, and supplements the 6p total dividend for 2021.

Slide 5: The real economy backdrop is supportive of Barclays' corporate and consumer businesses

We recognise that the economic environment remains uncertain. However, Barclays is relatively well positioned against this backdrop.

We are materially geared to rising rates at both the short end and the long end of the yield curve. This means that we benefit from rises in the base rate, as well as the steepening of the yield curve via our structural interest rate hedge. We estimate that each 25bps upward parallel shift of the yield curve would add about £500m to annual net interest income by year 3.

In addition, consumer spending levels in the UK and US have been improving, which is a good lead indicator of interest earning unsecured balance growth to come.

Our latest spend trends data in the UK showed that debit and credit card spend for January 2022 was up 7.4% vs January 2020 pre-pandemic. In the US, January 2022 purchases were broadly flat compared to January 2020 as the economy has continued to recover.

Although inflation is a tailwind to nominal GDP, it is a headwind to costs. We have a number of active cost efficiency programmes to mitigate the impact of inflation, while continuing to invest for the medium term.

At the same time, unemployment in the UK and US remains at low levels. Unsecured lending balances are reducing and the macroeconomic outlook appears to be improving. We expect this to mean that the quarterly run rate for impairment is likely to be below pre-pandemic levels.

These are positive signs, although we of course recognise that a robust recovery is not assured.

Slide 6: How Barclays will continue to deliver value

Our universal banking model is key to our strategy. We are a large consumer bank, managing an excellent credit card franchise, as well as a leading corporate bank and one of the largest global investment banks. Each is a successful business in its own right, but together they comprise a resilient and balanced Group.

For instance, in 2020 and 2021, we had strong profitability in the Corporate and Investment Bank, helping us withstand a downturn in our consumer businesses.

Now, as the broader economy continues to recover, we expect to see an improved performance in our consumer businesses, whilst sustaining the robust performance of the Corporate and Investment Bank.

In order to grow the Group and to sustain returns above our target, we emphasise three priorities. I will outline these on the next few slides.

Slide 7: Our strategic priorities to grow are underpinned by structural market and societal trends

Our priorities should enable us to take advantage of some of the long-term changes taking place in financial services.

Digitisation is one of the most important of these trends. Digitisation continues to liberate finance. It provides our customers and clients with cheaper and better products and services, a better user experience, and a more seamless and efficient way of interaction. This is typified by the upward trends in the number of customers who want to engage with us digitally.

In the UK, our mobile banking customers continue to grow year-on-year. We now have over 10 million people registered on our app, with around 11,000 more added each week. At the same time, branch visits continue to fall. The pandemic has accelerated this transition.

Within wholesale banking, we continue to observe growth in both the public and private global capital markets.

And combining the total market capitalisation of issued securities around the world, the value of equities and bonds outstanding has grown by over 50% in the last three years.

But as these public markets have grown, so too have the private ones. Since 2018, the total assets under management in the private markets have grown more than 60%, from $6.0trn to $9.8trn. The largest Private Equity and private Credit funds dominate these markets and they are among our biggest clients.

Finally, as our third priority, we recognise the scale of opportunity in climate-related financing.

It is difficult to be precise about the magnitude of this opportunity, much as it would have been difficult to predict the value of the internet revolution in the mid-1990s. Estimates of the additional investment required to finance the transition are at least $3-5 trillion every year for the next 30 years. This could be a new industrial revolution.

Slide 8: Deliver next-generation, digitised consumer financial services

So let me briefly take each of our strategic priorities in turn.

First is the delivery of next-generation, digitised consumer financial services. We see the dominant business challenge for the next decade as continuing to transform Barclays to deliver products digitally.

Across Barclays UK and our Consumer, Cards and Payments business, we will continue to invest in our digital capabilities. This is a means of delivering better products and services, more efficiently, and with higher profitability.

Within Barclays UK, we will continue to enable customers to transact and interact digitally. Our aim is to increase digitally enabled customer journeys – products and services that can be completed online – from 70% to 80% by the end of this year.

We are also observing a steady increase in the use of more flexible and accessible ways to transact outside a branch. For example, the number of smart ATMs we operate in the UK will grow from 25 at the end of 2021 to 376 by the end of 2022.

However, as we observe these trends, it remains central to our strategy that we adjust our footprint without neglecting the needs of society. We are one of the driving forces behind the current initiatives to share banking infrastructure in order to continue access to cash and access to banking.

We will continue to build out more cost effective infrastructure, significantly increasing our utilisation of cloud computing. This will have meaningful benefits for our cost base.

We will utilise consumer data more effectively. And by doing so, we can better understand customers' needs, build a more competitive offering and simplify our products and services. And we will look to reduce the number of products we offer by around a third over the next four years, targeting gains in service quality, simplicity and efficiency.

We will also aim to continue to realise value in our payments platform, including the synergies with the banking franchises across our Group.

We have a significant opportunity to grow our payments business. We have around 360,000 payment services relationships with UK SMEs, but over one million business banking customers, so we have the ability to grow this cohort.

As Barclays owns its own merchant acquiring operations, we have a much more integrated relationship with corporates in the UK and Europe. This gives us the ability to scale up our e-commerce offering, which is a very fast growing part of the payments complex.

Having had a relatively conservative posture during the pandemic, we think now is a good time to build unsecured consumer lending in both the UK and the US. We intend to drive this growth through corporate partnerships, particularly in the US, which is the biggest global credit card market.

The prime example of this is our relationship with Gap, which will commence in Q2 of this year. This partnership will not only enable us to diversify our US cards offering into retail, from airlines, but will also broaden our product suite with the introduction of white-label store cards.

We also have very significant point of sale finance partnerships in regulated instalment lending. This includes our partnerships with recognisable brands like Apple in the UK and Amazon in the UK and Germany, both of which we intend to grow.

Slide 9: Deliver sustainable growth in the CIB

In the CIB, we want to deliver sustainable growth and returns, improving our ability to serve clients across our markets as the capital markets themselves expand. This growth in the private and public capital market is at the core of our strategy.

We are the sixth ranked global investment bank, and the top ranked non-US player. This provides us with a strong foundation on which to continue to capitalise on this structural trend and to build a more diversified business.

Over the past three years, we have improved our ranking, benefitting from the investments which we have made in our people and technology. At the same time, some of our European peers have been exiting capital markets businesses.

We have benefitted from the high levels of client and market activity during the pandemic. And, while we recognise that the capital markets business is cyclical, the franchise is well positioned to benefit during periods of heightened volatility.

We see opportunities therefore to sustain and grow our share of industry fee pools, helping to protect earnings during weaker periods in the cycle and delivering strong returns.

To that end, we have taken steps to diversify our income across the Corporate and Investment Bank.

For example, you have heard us talk previously about investing in talent to grow our Equity Capital Markets business and expand our banking coverage in sectors like Technology. As a result, our global ECM fee share has grown 70bps since 2018. Similarly our global Technology fee share has grown 50bps since 2018.

In Global Markets, you have heard us talk about the growth in our Prime business. In three years, our client balances have grown by some 50%. This is a testament to our focus on strengthening and broadening our client offering, and the strategic investments we have made in our platforms.

Reflecting the growth we have seen in key areas of our franchise, I was delighted to see Barclays win two awards last week – first Risk Magazine named us Prime Broker of the Year, and second IFR named us as the Equity Derivatives House of the Year.

Overall, financing income at Barclays has grown by approximately 40% since 2018. This provides more stable, annuity-type income, smoothing our income mix across the Global Markets businesses.

In the Corporate Bank, we have been working to improve our returns for several years, focusing on deepening our client relationships and broadening our product capabilities.

Here too, we have invested to diversify our income streams. We have had success growing the number of clients we have in Europe, and growing fee based income in Transaction Banking in total by 7% year-on-year to around £600m.

Slide 10: Capture opportunities as we transition to a low-carbon economy

Our third strategic priority is to capture opportunities and help our clients as the world transitions to a low-carbon economy.

As this fundamental re-organisation of the global economy takes place, affecting every business in every sector, Barclays is positioned to benefit from playing a constructive role.

This means being the trusted partner for our customers and clients as they transition, advising and supporting them to adapt their business models and in fact their individual lifestyles.

It requires us to support our clients – from governments and global corporations to SMEs – as they adapt to make their businesses more sustainable.

We are already using our balance sheet, investment banking and capital markets expertise to help deliver this advice and finance. For example, we have facilitated £62bn of Green Finance since 2018 through landmark deals. This includes serving as the joint lead on 7 out of 8 inaugural green bonds issued by European sovereigns since 2017.

However, there is much more we can do to take advantage of the market opportunity. We are continuing to expand our sustainable finance offering through our specialist teams. And we are integrating sustainability across our service offerings.

We will continue to innovate to develop banking products that help consumers and small businesses make greener choices. For example, in 2018 Barclays was one of the first major UK banks to launch a green mortgage product. To date we have completed over £1bn in

Green Home Mortgages and we have recently launched a Green Buy-to-Let Mortgage product.

We will also keep investing our own equity capital in the young companies that are inventing the low-carbon emission technologies of tomorrow.

Slide 11: Our Purpose underpins the strong progress we delivered against our ESG strategy in 2021

Our focus on climate is an example and a clear demonstration of our Purpose and values. These were enshrined over 300 years ago by our Quaker founders, and they include integrity, community and stewardship.

We have made significant progress against our Environmental, Social and Governance agenda in 2021, underpinned by this Purpose. This agenda will continue to be a major focus for Barclays in 2022, including offering shareholders a 'Say on Climate' at this year's Annual General Meeting.

Slide 12: Prudently allocating capital while delivering attractive return of capital to shareholders

Finally, let me briefly talk about our philosophy towards capital management.

As 2021 has proven, the Group is able to generate meaningful organic capital from earnings. Achieving a greater than 10% return on tangible equity consistently would translate to c.150bps of annual capital ratio accretion.

This capital can then be used to do three things.

First, to return an attractive amount to shareholders, which I stress remains a key priority for me, for our management team and our Board.

Second, to invest for growth, targeting demand-led and capital light opportunities to drive higher returns.

And finally, maintaining a strong capital position, which is the foundation of our 13-14% CET1 ratio target range.

Slide 13: Record FY21 profitability, increased capital distributions

I will shortly hand over to Tushar to take you through our numbers. But let me close by saying how pleased I am with our performance this year.

Our strategy is delivering, we have set out clear strategic priorities, and I am excited about the sustainable path to growth for Barclays.

I am confident this positions us to be able to deliver greater than 10% ROTE on a consistent basis.

Before I end, I want to express my gratitude, on behalf of all my colleagues at the bank, to Tushar Morzaria for eight plus years of outstanding service to Barclays as our Group Finance Director.

In his first year on the job, in 2013, we had reported a PBT of £2.9bn, an ROTE of 1.2% and a CET1 ratio of 9.1%, after a £6bn rights issue. Look how different we are now.

This cleaner, leaner, profitable Barclays of today owes much to Tushar's broad vision and deep execution capabilities.

I have personally known Tushar for a decade and a half and have always valued his counsel and friendship. I am reconciling myself to his wanting a change, but I am delighted he will stay at Barclays as Chairman of the Financial Institutions Group of the Investment Bank, and be of value to our clients and to us.

It is testament to Tushar's vision and leadership that he identified and prepared Anna Cross to be his successor. I have worked closely with Anna for six years and am delighted that she is our new Group Finance Director.

She is intimately familiar with the strategy of the bank and all aspects of our financials, having been controller of the bank as well as CFO of our retail operations. Anna is moulded from the distinguished Scottish tradition in global banking and will steward our finances and strategy with prudence, diligence, discipline and rigour.

So thanks Tushar for everything, welcome Anna and congratulations, and over to you Tushar for your valedictory address.

Slide 14: Tushar Morzaria, Barclays Group Finance Director

Thanks, Venkat.

While it may be the right time for me to be moving on, I can't think of a better team, in both you and Anna, to be stewarding and driving Barclays forward for many years to come.

Moving onto the numbers.

Slide 15: FY21 Group highlights

As usual I'll start with a summary of our full year performance, and then go into more detail on Q4.

Through the year the strength of the CIB has continued to offset the effects of the pandemic on our consumer businesses, where we are now seeing initial signs of recovery.

Overall income was up 1% year-on-year, despite an 8% weakening in the average US dollar exchange rate.

Costs increased by £0.6bn to £14.4bn, and I'll say more on the cost trajectory shortly.

Following an impairment charge of £4.8bn in 2020, we had a net release of £0.7bn for the year. However, we maintained strong coverage ratios, in line with or higher than pre-pandemic levels in key portfolios.

This resulted in a PBT of £8.4bn, a significant increase on the 2020 profit of £3.1bn.

The EPS was 37.5p and we generated an RoTE of 13.4%.

TNAV increased by 23p over the year to reach 292p.

Our capital generation has put us in a position to pay a full-year dividend of 4p per share, making 6p in total for the year, and launch a further share buyback of up to £1bn, following on from the £500m buyback executed in the second half of 2021.

That takes total capital return to 15p per share equivalent in relation to 2021, and of course we also completed a £700m buyback in April in relation to 2020.

We ended the year at a 15.1% CET1 ratio, or 14.8% adjusted for the announced buyback, well above our target range of 13-14%.

A few words on income, cost and impairment trends, before I look at Q4.

Slide 16: Income: ongoing benefits from business diversification enabling increased revenue YoY

We've mentioned the benefit of diversification throughout the pandemic, and we again delivered resilient Group income performance in 2021, up 1% on 2020, despite the US Dollar headwind.

We reported a 3% increase in BUK income, with growth in mortgages and non-recurrence of COVID-related customer support actions, partially offset by lower unsecured lending balances.

CCP income was down 3% year-on-year, reflecting lower average US card balances, increased customer acquisition costs and the weaker US dollar. But income from payments and the private bank increased year-on-year.

CIB income was down just 1% on the very strong 2020 print, despite the dollar headwind, with the strength in the fee businesses and Equities, offsetting weaker FICC performance.

Slide 17: Mortgage growth continues, well positioned for rising rates and optimistic about recovery in unsecured lending

We've summarised here some of the trends that are driving income across the lending businesses, which underpin our confidence in income growth going forward.

We have a continuing tailwind in secured lending volumes in the UK, adding almost £10bn in mortgage balances year-on-year.

On unsecured lending, we have been consistently cautious throughout 2020 and 2021, but we are now seeing the first signs of recovery and are optimistic about the prospects of a return to balance growth.

The rising rate environment is a significant positive for us, through the effect of higher long rates on the roll of the structural hedge, in addition to the effect on deposit margins of recent base rate rises and potential further increases.

The table on the right of the slide shows an illustrative example for a 25bps parallel shift upward in the current yield curve.

And the movement in the yield curve means that we now expect the roll of the structural hedge to be a tailwind in 2022.

Just to remind you that the income benefit from a 25bps increase in rates is spread across the group, with around two-thirds now expected to benefit Barclays UK.

Looking now at costs.

Slide 18: Costs: FY21 increase driven by higher structural cost actions and performance costs, with flat base costs

Base costs, which exclude structural cost actions and performance costs, were flat at £12bn for 2021, in line with our previous guidance.

Overall costs increased by £0.6bn to £14.4bn, as a result of the increase of £0.3bn in structural cost actions, and £0.2bn in performance costs.

Slide 19: FY21 structural cost actions predominantly related to BUK transformation spend and real estate charge

Looking first at structural costs, the full year total of £0.6bn included the real estate charge we took in Q2 and £0.3bn in Q4, largely related to the transformation spend in BUK which we flagged at Q3, and which will start to bring savings from 2023.

We will evaluate further structural cost actions for the current year, but I wouldn't expect a charge as large as 2021.

Slide 20: FY22 base costs expected to be modestly higher than the £12.0bn due to inflationary pressures and planned investment spend

We do face some inflation on costs, but we expect only a modest increase in base costs from the level of £12bn, while continuing to make investments, funded from cost efficiencies.

It's too early to give overall cost guidance, but I'm broadly comfortable with where the cost consensus currently is, in the £14.3-14.4bn range.

Moving on to impairment.

Slide 21: Impairment: FY21 net release of £0.7bn, reflecting lower unsecured lending balances and a net release in the CIB

We reported a net release for the Group of £0.7bn for the year, with a charge in CCP, more than offset by net releases in BUK and CIB.

This compares to the charge of £4.8bn taken in 2020.

On the right you can see that the 2020 charge comprised roughly half Stage 3 impairment on loans in default, and half Stage 1 and Stage 2 impairment.

In 2021 we had a charge of £0.7bn in Stage 3 impairment, but a release of £1.3bn on Stage 1 and Stage 2 balances, as macro-economic forecasts have proved less severe than when the 2020 provision was taken, and there has been a sizeable paydown in unsecured balances.

We've included in the appendix an updated slide on the Macroeconomic Variables and Post-Model Adjustments, and you'll note that we're still holding £1.5bn in management adjustments.

But I think the best way to think about our current impairment provisioning is by looking at coverage ratios, which we've shown on the next slide.

Slide 22: Dec-21 coverage ratios remain strong

Despite the release in 2021, we still have strong coverage ratios.

The area I want to focus on is the coverage of the unsecured book.

Here the overall coverage ratio is still 8.8%, above the pre-pandemic level and coverage on Stage 2 balances, most of which are not past due, is still 30%, compared to the end-2019 level of 18.7%.

Within this, coverage ratios for credit cards are still higher than the unsecured average, and 30 and 90-day arrears figures are well down year-on-year.

With these levels of coverage, and the expected modest organic growth in unsecured balances, we expect the quarterly impairment charge to remain below historical pre-pandemic levels in the coming quarters.

Turning now to Q4 performance,

Slide 23: Q421 Group highlights

Income was up 4% year-on-year to £5.2bn, with growth in BUK and CCP, and CIB income stable.

Costs were down 3% year-on-year, delivering positive jaws.

We had a small impairment release, compared to a charge of £0.5bn for Q4 2020.

As a result, profit before tax was £1.5bn for Q4, up from £0.6bn the previous year.

The attributable profit for the quarter was £1.1bn, generating an EPS of 6.6p and an RoTE of 9.3%.

I would remind you again that these are all statutory numbers, and take into account a litigation and conduct charge of £46m.

TNAV per share increased by 5p to 292p in the quarter, reflecting the 6.6p of EPS.

Looking now at the business results for Q4 in more detail, starting with BUK,

Slide 24: Q421 Barclays UK

Income increased 4% year-on-year, with the continuing strong performance in mortgages.

Balances again grew, with a net increase of £0.7bn in Q4, making total mortgage book growth of almost £10bn year-on-year.

The mortgage market is always very competitive although there are some signs of pricing firming up.

As we showed on the earlier slide, credit card balances were broadly flat on Q3 at £9.5bn, but still down 15% on the end of 2020 and 40% on 2019.

Although Omicron-related restrictions dampened spending in December and January, we now expect the spend recovery to generate some growth in unsecured lending balances through the rest of this year.

NIM for the quarter was 249bps, flat on Q3, but we expect improvement in NIM during the current year, on the back of rate rises.

The extent of this improvement will depend on the timing and number of rate rises and the long end of the curve, as well as product mix and pricing.

There are a lot of variables, but at this stage we're guiding to a NIM for 2022 in the range 260 to 270 bps. That's using an assumption that the UK base rate reaches 1% by the end of the year, although you'll note the futures market is currently pricing in higher rates.

The increase in non-interest income compared to Q3 of c.£50m reflected higher debt sales.

Costs increased 5%, reflecting £196m of structural cost actions designed to deliver efficiency savings over time, a significant increase on Q4 2020.

We expect the main savings from these measures to start coming in from 2023.

There was an impairment release for the quarter of £59m, compared to the charge of £0.2bn for Q4 2020, but coverage ratios, particularly in cards, look strong, as I mentioned earlier.

Customer deposits increased by a further £4bn in the quarter, and the RoTE was 16.8 %.

Turning now to Barclays International.

Slide 25: Q421 Barclays International

BI income increased 1% year-on-year to £3.5bn, while costs were marginally down.

The impairment charge was £23m, resulting in an RoTE of 10.4%.

I'll go into more detail on the next two slides, beginning with the CIB.

Slide 26: Q421 Barclays International: Corporate & Investment Bank

Income was broadly flat, demonstrating the benefit of diversification within the CIB, with a weaker performance in Markets largely offset by growth in investment banking fees.

Q4 costs decreased by 7%, delivering positive jaws, and a cost:income ratio of 65%.

As I've mentioned in previous quarters, the increase in the variable compensation accrual was skewed towards Q1 in 2021, in line with performance.

There was a £73m net impairment release, compared to a small charge for 2020.

Overall the CIB generated an RoTE for the quarter of 10.2%.

Looking at income in a bit more detail, Global Markets decreased 23% overall in sterling.

Both FICC and Equities were down, but Equities by just 8%, and prime balances continued to grow.

Overall, given the performance through the year, and the investments made in various areas, we remain positive about the development of our Markets franchises.

Investment banking fees reached a record level for a fourth quarter at £956m, up 27% year-on-year.

We saw strong increases across all three fee lines, with Equity Capital Markets, one of the areas we've invested in, the stand out performer.

I'm not going to make any specific comment on January trading, but I would observe that while volatile markets may affect the timing of primary deal flows, they may be favourable for secondary markets businesses.

Corporate lending income was down slightly at £176m, with loan demand remaining muted.

Transaction banking income on the other hand was up 32%, at £453m.

Turning now to Consumer Cards & Payments.

Slide 27: Q421 Barclays International: Consumer, Cards & Payments

Income in CCP increased 4% to £0.9bn, reflecting growth in payments and the private bank, partially offset by lower income from US cards.

In US cards we saw a continuing recovery in balances, adding $1.1bn in the quarter to reach $22.2bn. That's 6% growth year-on-year and 5% growth on Q3.

However, the income effect is dampened by the J-curve investment in that balance growth, particularly on customer acquisition in the growing portfolios, like American Airlines and JetBlue.

We are still experiencing high payment rates in line with the market, but we are confident of delivering balance and revenue growth in 2022, both organically and with the acquisition of the Gap portfolio, which comes towards the end of Q2, with the back book currently expected to be around $3.5bn.

Payments income was up 29% year-on-year, and close to the Q3 level, despite Omicron-related restrictions in December.

Private bank income increased 15% year-on-year, as client balances continued to grow.

Investment and higher marketing spend was reflected in an increase of 13% in CCP costs.

The impairment charge was £96m, well down year-on-year, and the RoTE was 11.7%.

Turning now to Head Office.

Slide 28: Q421 Head Office

The negative income of £49m was a bit better than the £75m underlying run rate I've mentioned before.

Costs of £155m were higher than our usual run rate, and included some further costs related to discontinued software assets. These are included in our Base Costs rather than called out as Structural Cost Actions.

The loss before tax for the quarter was £198m.

Before I move onto capital, a quick summary of our liquidity and funding on the next slide.

Slide 29: High quality and robust liquidity and funding positions

We remain highly liquid and well-funded, with a Liquidity Coverage Ratio of 168% and a Loan:Deposit Ratio of 70%.

Moving onto capital.

Slide 30: Year-end CET1 ratio of 15.1%

The CET1 ratio ended the year at 15.1%, well above our target range of 13-14%.

During the quarter the ratio declined slightly from 15.4%, with profits broadly offset by the expected RWA growth which we flagged at the Q3 results.

However, across the year the ratio was flat, despite £1bn of dividends paid and accrued and £1.2bn for the share buybacks executed during the year, a total of 72bps return of capital.

Going forward, the organic capital generation from profits in 2021 is a good illustration of our ability to return capital to shareholders, and we've announced a further buyback of up to £1bn to follow these results.

We've shown the effect of this proposed buyback and the Q1 regulatory headwinds on the next slide.

Slide 31: Re-based CET1 ratio of c.14%

The announced buyback would reduce the year-end ratio of 15.1% by about 30bps.

We've previously identified various regulatory changes coming in this quarter, most notably the reversal of the software amortisation benefit of 35bps.

In total, these are expected to have an effect of 80bps, similar to what we showed at Q3.

So that would take the ratio to around the top end of our target range.

With these changes behind us, we wouldn't expect to be calling out further material regulatory headwinds over the next couple of years.

Looking further out, we are mindful of the eventual introduction of Basel 3.1. We await more detail on implementation, including timing, but our best estimate currently is that this could add 5-10% to Group RWAs at the point of implementation, based on the 2021 level.

And we'll be monitoring closely to what extent the effect will be partially mitigated by changes in Pillar 2A requirements, as flagged by the BoE.

We will factor Basel changes into our usage of capital as we get closer to implementation, but we think this is very manageable.

I'm not going to forecast the precise flightpath of the capital ratio from quarter to quarter, but going forward, we are confident that the balance between profitability and investment in growth will leave us with net capital generation to support attractive distributions to shareholders over time, and be comfortably within our CET1 target range.

As I've said before the board considers capital distributions regularly through the year, it isn't just a matter for an annual discussion, as you saw in 2021.

Slide 32: 13-14% CET1 ratio target continues to provide appropriate headroom above evolving MDA hurdle

That target range gives us appropriate headroom above our MDA hurdle, which is currently 11.1%.

The chart shows how the MDA hurdle is expected to evolve for the countercyclical buffer increases indicated by the Bank of England, to reach 11.6% by year end, and potentially 12.1% in Q2 2023.

We have obviously taken this into account in setting our target range.

Finally on leverage, our year-end spot leverage ratio was 5.3%, similar to the end of 2020 and the average UK leverage was 4.9%.

Before concluding, I just want to say a few words about the flightpath for our RoTE.

Slide 33: Barclays is well-positioned to deliver sustainable dought digit returns

We're delighted to have hit our RoTE target of over 10% in 2021, but we are conscious that the 13.4% benefits from a net impairment release, so it's understandable that the market wants to assess how sustainable a double digit RoTE is.

I'm not going to give an RoTE forecast for 2022, but I wanted to talk through some of the factors that give us confidence this is achievable, as we pursue the strategic priorities Venkat referenced.

On the left-hand side we've adjusted the reported return to eliminate some of the effect of low impairment.

You could do this in a number of ways, but this illustration reverses out the macroeconomic release on modelled impairment. Together with removing the effect of the 2021 deferred tax asset re-measurement in the UK, this would move the RoTE to around 10%.

Looking forward over the next couple of years, we have some identifiable tailwinds and headwinds.

On the income front, we expect a significant tailwind from rate rises, plus some recovery in unsecured balances, and growth in payments income, including transaction banking.

Among the headwinds, I would call out some further increase in impairment as balances recover, but as I mentioned we expect the charge to remain below pre-pandemic levels for some time.

On the tax front, there will be a negative from the UK DTA re-measurement in Q1 reflecting the reduction in the bank tax surcharge from 2023.

Longer term, there's a slight increase in the UK tax rate for banks from 2023, but the position on potential increases in US tax rates is now less clear.

Other factors to consider are the cost trajectory, and the direction of CIB income and performance costs.

We can influence the cost trajectory, according to the environment and our priorities, in particular the extent to which cost efficiencies are invested in growth initiatives, and the level of any further structural cost spend.

The investment bank performance is hard to forecast. The market consensus is for some reduction in the income wallet this year. However, there are positive structural trends from the size of capital markets, and we have made progress in strengthening our franchise in a number of areas, such as Equity Prime and Securitised Products.

So overall we feel that we are well positioned to achieve double digit returns on a sustainable basis.

Slide 34: Outlook

To re-cap,

We reported statutory earnings per share of 37.5p for 2021, and generated a 13.4% RoTE, and we're focused on delivering our target of double-digit RoTE on a sustainable basis going forward.

We are seeing some recovery in lead indicators for consumer income, and believe our diversified income streams position us well to benefit from the economic recovery and rising interest rates.

We reported an impairment release of £0.7bn, but have maintained strong coverage ratios, and we expect the run rate for impairment to be below the pre-pandemic levels over the coming quarters.

We have delivered costs in line with guidance for 2021.

Although base costs in 2022 are expected to be modestly higher, as a result of inflationary pressure, costs remain a critical focus, and we will be disciplined on performance costs, and on the extent of further structural cost actions.

We executed two buybacks totalling £1.2bn during 2021, and have announced a further buyback of up to £1bn with these results, in addition to the total dividend of 6p per share.

Our capital ratio is strong and we remain confident of delivering attractive capital returns to shareholders, while also investing for future growth.

Thank you, and we will now take your questions, and as usual I would ask that you limit yourself to two per person so we get a chance to get around to everyone.

Important Notice

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- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into account a number of factors as described in the policy, along with international developments. The Pillar 2A requirement is also subject to at least annual review;
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Annual Report on Form 20-F for the fiscal year ended 31 December 2021), which are available on the SEC's website at www.sec.gov.

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Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Non-IFRS performance measures are defined and reconciliations are available on our results announcement for the period ended 31 December 2021.