

Barclays PLC FY 2021 Results**Fixed Income Conference Call Speech****Tushar Morzaria, Group Finance Director****Daniel Fairclough, Group Treasurer****Title slide: Barclays PLC Fixed Income Investor Call – FY 2021 Results Announcement**

1. Good afternoon everyone and welcome to the fixed income investor call for our full year 2021 results.
2. I'm joined today by Dan Fairclough, our Interim Group Treasurer.
3. Let me start with slide 3 and make some introductory comments on our full year performance and outlook before handing over to Dan.

Slide 3: FY21 Group highlights

4. 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.
5. Overall income was up 1% year-on-year, despite an 8% weakening in the average US dollar exchange rate.
6. Costs increased by £0.6bn to £14.4bn, as a result of an increase of £0.3bn in structural cost actions, and £0.2bn in performance costs. However, Base Costs, excluding these items, were flat at £12bn, in line with our guidance.

7. Following an impairment charge of £4.8bn in 2020, we had a net release of £0.7bn for the year, while maintaining strong coverage ratios, in line with or better than pre-pandemic levels.
8. This resulted in a PBT of £8.4bn, a significant increase on the 2020 profit of £3.1bn, and the EPS was 37.5p.
9. Overall we generated a statutory RoTE of 13.4% for the year.
10. Our capital generation has put us in a position to pay a total dividend of 6p 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.
11. We ended the year at a 15.1% CET1 ratio, or 14.8% adjusted for the proposed buyback, above our target range of 13-14%. Dan will talk about our capital position in more detail shortly.

Slide 4: 2022 outlook

12. Having achieved a 13.4% RoTE in 2021, going forward we're focused on delivering our target of double-digit RoTE on a sustainable basis.
13. We are seeing some recovery in lead indicators for consumer income and the CIB franchise continues to be well positioned, ... and believe our diversified income streams position us well to benefit from the economic recovery and rising interest rates.
14. Despite the impairment release, we have maintained strong coverage ratios, ... and we expect the impairment charge run rate to be below pre-pandemic levels in the coming quarters.
15. Although base costs in 2022 are expected to be modestly higher than in 2021, ... as a result of inflationary pressure, ... costs remain a critical focus, ... and we will be disciplined on performance costs, ... and the extent of further structural cost actions.
16. Overall we are well positioned to deliver sustainable double digit returns on tangible equity and make appropriate capital returns to shareholders, while maintaining a strong capital ratio.
17. And with that, I'll hand over to Dan for the balance sheet highlights

Slide 6: FY21 highlights

18. Thanks Tushar.
19. We ended the year with a robust position across all aspects of our balance sheet, as evidenced on the slide. Our CET1 ratio was 15.1%, the spot UK leverage ratio ended at 5.3% and MREL was 34.4% of RWAs, ahead of our end state requirements that came into effect at the beginning of the year. Liquidity continues to be strong with an LCR ratio of 168%.
20. I'll start with some comments on capital, on slide 7.

Slide 7: Year-end CET1 ratio of 15.1%

21. Our earnings in 2021 underscores the strong organic capital generation of the Group, but is slightly more elevated than a typical year.
22. RWAs grew by £8bn over the year driven by market risk model updates in Q4 and business growth in the CIB, and we absorbed previously flagged headwinds such as the reduction in IFRS9 transitional relief and pension contributions.
23. Our strong capital position enabled us to distribute 72bps of capital to shareholders over the year in a combination of dividends and buybacks, including the buyback announced today of up to £1bn or the equivalent of c.30bps.

Slide 8: Re-based CET1 ratio of c.14%

24. On slide 8, we thought it would be helpful to show the effects on the CET1 ratio of the share buyback and the regulatory changes which took effect from 1 January this year. The effect of the regulatory changes is c.80bps, similar to guidance we provided at Q3 results last year. The

combined impact of both of these items would take the CET1 ratio to c.14%, the top end of our target range of 13-14%.

25. We do not expect any further significant regulatory headwinds for the next couple of years.
26. Looking further out, we have provided an estimate of the initial quantitative impact from Basel 3.1, which is a 5-10% increase in Group RWAs from our end-2021 position.
27. As you will be aware, there is material uncertainty in the quantum and timing of the Basel 3.1 impact, particularly in the UK and it will be some time before the impacts can be assessed with accuracy. Alongside the rest of the UK sector, we are awaiting the consultation paper from the PRA on rule finalisation and timing of implementation. This is now expected in the second half of this year. We note that for the rest of Europe implementation was further delayed to 2025, and we await to see if this will be followed in the UK.

Slide 9: Prudently allocating capital while delivering attractive return of capital to shareholders

28. On slide 9, we have attempted to lay out at a high level our philosophy toward capital management and how we intend to allocate capital going forward.
29. As 2021 has proven, the Group is able to generate meaningful organic capital from earnings. Achieving our greater than 10% return on tangible equity target consistently would translate to c.150bps of annual capital ratio accretion.

This capital can then be used in three ways:

Firstly, and most importantly, to maintain a strong capital position, which is the foundation of our 13-14% CET1 ratio target;

Secondly, to selectively invest for growth in demand-led and capital light organic and inorganic opportunities;

And finally, to distribute an appropriate proportion to shareholders.

Slide 10: 13-14% target continues to provide appropriate headroom above evolving MDA hurdle

30. Holding an appropriate headroom above our MDA hurdle is a critical part of our capital management framework, and looking ahead, we are comfortable that the 13-14% target range accommodates for the regulatory measures that we see on the horizon.
31. At the end of the year, our buffer to the MDA hurdle of 11.1% was 400bps, or c.£ 13bn of capital.
32. With the Bank of England re-introducing the UK countercyclical buffer – or CCyB – from December 2022, the MDA hurdle will increase over time, as illustrated on the slide.
33. The UK CCyB translates at c.50% for the Group given our geographical exposure, therefore the 1% CCyB application in December 2022 becomes a c.50bps capital buffer, which would increase our MDA hurdle to 11.6%.
34. If the CCyB were to be increased further to 2% in Q2 2023, as the BoE has indicated it may, then this would result in a c.100bps total additional buffer for us, bringing the MDA hurdle to 12.1%.
35. However, as we experienced in both 2016 and 2020, the PRA moved swiftly to remove the CCyB in the event of a real or potential macroeconomic stress, and so we do view this element of our capital requirement as a stress buffer.
36. The PRA have also said that they intend to review their Pillar 2A methodologies in more detail by 2024, in light of changes in buffers and improvements in the way RWAs are measured following the finalisation of Basel 3.1. As such, we may well see some offset in our Pillar 2A requirement. This would be consistent with prior official sector comments on the adequate levels of capital in the UK banking system.
- All in all, we believe that the 13-14% target is calibrated to provide an appropriate headroom to the MDA hurdle, reflecting this evolving regulatory environment.

Slide 11: Capital structure well managed

37. Turning to the next slide – which illustrates the structure of our total capital stack.
38. We continue to run a robust AT1 level and maintain a conservative headroom over the regulatory minimum – our thoughts in this area are unchanged. The headroom primarily serves to manage any RWA and FX fluctuations.
39. In addition, as we have noted before, running at this AT1 level also supports leverage – and we continue to see attractive opportunities in parts of our Markets business, where returns on leverage balance sheet are in excess of the cost of AT1.
40. Finally, I would note that we do have a regular call profile of AT1 – for example the recently announced call of our \$1.5bn 7.875% Tier 1 bond two weeks ago. So we have the ability to manage this ratio dynamically if we choose. Of course, this is subject to market conditions and regulatory permission at the relevant time.
41. In Tier 2 capital, we aim to hold appropriate levels of Tier 2 to meet our total capital requirement.

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42. On legacy capital, we remain comfortable with our position, given it is a very small part of our capital stack and is not counted within our MREL position. We have around £1.7bn worth of legacy instruments which could exist beyond 2022. The vast majority of these instruments continue to qualify as own funds until 2025 or beyond.
43. Our approach remains unchanged, and the own funds eligibility aspect that I just mentioned is a component that informs our decision making on resolvability when assessing each instrument. This reflects the understanding that qualifying own funds securities remain in scope for regulatory stabilisation powers. We continue to assess our position and will consider each security on a case by case basis.

44. In addition, we have no legacy capital securities issued from our Group resolution entity, Barclays PLC. This is something we have mentioned previously and is important to us, as legacy capital will not impact the single point of entry resolution model.
45. We continue to be engaged with our regulators on legacy capital, which forms a part of our overall resolvability assessment framework, the summary of which is due for publication later this year alongside our peers.

Slide 12: MREL position well established

46. 2021 was a milestone year for MREL, as the transitional requirements have come to an end. We are pleased to have been compliant with our end state MREL requirements for some time – the culmination of a near decade long journey from when we started in 2013 with our first HoldCo issuance.
47. As you can see on slide 12, we have a prudent MREL position and are in excess of regulatory minimums.
48. For 2022, our MREL issuance requirements are expected to be around £9bn, lower than the c.£12bn of total redemptions of holding company and operating company term securities. Within this c.£9bn issuance plan, we expect to be active across all MREL debt classes as usual, in senior, in Tier 2 and AT1 formats.
49. We are pleased to have already kick started this plan with a €1.25bn senior transaction at the start of January, leaving us with around £8bn of MREL issuance still to do for the year.

Slide 13: Sustainable finance activities through Treasury

50. One of the three strategic priorities for the Group that Venkat laid out this morning was to support the transition to a low carbon economy.

51. This transition will involve a fundamental re-organisation of the global economy and Treasury is playing a critical role in supporting Barclays' initiatives in this space.
52. We are facilitating investment, including our own capital, into new green technologies and infrastructure projects that will build up low-carbon capacity and capability.
53. Within Treasury, our Sustainable Impact Capital Programme has a mandate to invest up to £175m of equity capital in sustainability-focused start-ups by 2025, helping to accelerate our clients' transition towards a low-carbon economy. The programme is seeking out and supporting clear, scalable propositions that deliver both environmental benefits and economic returns. £54m of our target has already been deployed, with £30m invested in the last year.
54. In terms of future fund raising, we have ambitions to continue to expand our environmental and social issuance. These include the continued building out of our green liability programmes and issuance on existing programmes, such as our green structured notes programme. We continue to develop the product offering, such as our green commercial paper programme launched this month.
55. We are also active as an investor, with £3.4bn of green bond assets held in our liquidity portfolio.

Slide 14: High quality liquidity position

56. On that note, let me now turn to slide 14 to talk about our liquidity position in more detail.
57. The liquidity pool of £291bn and our Pillar 1 LCR ratio of 168% represent a £116bn surplus above the minimum regulatory requirements.
58. You'll see that the LCR position has been stable throughout this year, maintaining a prudent balance between holding a healthy excess and deploying the liquidity to our businesses, enabling them to capitalise on prevailing market opportunities.
59. Maintaining this prudent liquidity position comes at a low cost to the Group in the current environment.
60. Let me now turn briefly to our funding profile on the next slide.

Slide 15: Conservative loan: deposit ratio

61. We continue to see the Group loan to deposit ratio trend lower. In 2019 it stood at 82%, and at year end it was 70%, with deposits across the Group of £519bn, up 25% over the past two years.
62. The deposit growth has been observed across the market, largely due to global monetary policy actions.
63. Looking forward, we believe that deposit trends will depend largely on the wider macroeconomic environment, and in the UK, determined by how rapidly the BoE unwinds QE.
64. The deposit book currently remains stable, but as you would expect, we continue to monitor it closely.
65. In our structural hedge programme, we identified further deposit balances suitable for hedging and grew the programme by £40bn last year. However, we retain a significant buffer of unhedged balances that we keep under review.

Slide 16: Strategic priority to maintain strong ratings

66. Before I conclude, let me spend a moment on credit ratings.
67. Improving our credit ratings profile continues to be a strategic priority for the Group.
68. We ended the year with positive outlooks for Barclays PLC with S&P and Moody's.
69. With S&P, we underwent a double revision in the space of four months, from negative to stable in February last year, followed by stable to positive in June.
70. With Moody's, the outlook was revised from stable to positive last November.
71. These were actions in recognition of strengths specific to our credit fundamentals, most notably in how we have demonstrated an improved and sustainable profitability level through the pandemic.

72. We will continue to seek active dialogue with the agencies to move forward with the positive momentum that we have.

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Slide 17: Daniel Fairclough

73. So to wrap up. We continue to manage the Group with a strong balance sheet, a prudently managed CET1 ratio and robust liquidity metrics.

74. Our diversified business model continues to deliver meaningful capital generation, giving us comfort in our 13-14% CET1 ratio target.

75. We also continue to approach our capital markets issuance in a responsible and measured way.

76. We look forward to engaging with all of you and the rest of our fixed income stakeholders over the coming months.

77. And with that, I'll hand back to Tushar

Slide 18: Q&A

78. Thank you Dan.

79. We would now like to open the call up to questions and I hope you have found this call helpful.

80. Operator, please go ahead.

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- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, CRD IV (as amended by CRD V applicable as at the reporting date) and CRR (as amended by CRR II applicable as at the reporting date) texts and any applicable delegated acts, implementing acts or technical standards and as such rules and regulations form part of UK law pursuant to the EU (Withdrawal) Act 2018, subject to the temporary transitional powers (TTP) available to UK regulators to delay or phase-in on-shoring changes to UK regulatory requirements between 31 December 2020 and 31 March 2022. Throughout the TTP period, the Bank of England and the PRA are expected to review the UK legislation framework and any disclosures made by the Group will be subject to any resulting guidance. All such regulatory requirements are subject to change. References herein to 'CRR as amended by CRR II' mean, unless otherwise specified, CRR as amended by CRR II, as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018 and as amended by the Financial Services Act 2021 and subject to the TTP, as at the applicable reporting date;
- 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;
- future regulatory capital, liquidity, funding and/or MREL, including forward-looking illustrations, are provided for illustrative purposes only and are not forecasts of Barclays' results of operations or capital position or otherwise. Illustrations regarding the capital flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change.

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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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