Barclays Global Financial Services Conferece

9 September 2019

Transcript – Fireside Chat with Jes Staley, Group Chief Executive Officer

(amended in places to improve accuracy and readability)

Jason Goldberg, Barclays

Thank you for attending our 17th Annual Global Financial Services Conference. There are more people in this room now than we had this morning, so for those I don't know or haven't met, I'm Jason Goldberg. I cover the US large-cap bank stocks here at Barclays. I'm told we have over 200 companies here. This is the largest financial services sell-side conference ever, so thank you for turning up and helping make this a success so far. To maximize our time this afternoon, I'll save a lot of thank-yous that go into making this conference a success until Wednesday, and leave time for today's lunch keynote speaker.

In Barclays we have a perfect company for keynote presentations at a global financial services conference, as it is a transatlantic consumer, corporate, and investment bank with a global reach. With us today is Jes Staley, Group CEO of Barclays. Jes has been at Barclays and in this role for about 3 years and 3 quarters, and I can personally attest to the positive impact he's had on the organisation, particularly not in the smoothest of macro times.

Jes Staley, Group Chief Executive Officer

Before you start, if I can just say this is a record attendance for any financial services conference, and that's very much a function of Jason. There's nothing better than being a financial institution and hosting the best financial services conference in the industry, so congratulations, Jason.

The other thing I want to say is that almost everyone in this room is our client, and we've made it a cornerstone of our strategy to be one of the more successful bulge bracket investment banks anchored in New York and London. And you are very much a part of that foundation. The business you do with us every single day leads us to the strategic goal that we set out for ourselves in March 2016, so it's an honour to be here with all of you. You're extremely important to Barclays, we appreciate your support, and we're glad we can bring everyone together in a conference as successful as this one.

Jason Goldberg

This morning in this room, we kicked off with former Dallas Fed Chair Richard Fisher, and he clearly talked to the uncertain macro backdrop that we're seeing globally. How are you thinking about Barclays today as you approach some of your key milestones, with the RoTE targets of greater than 9%[1] this year and greater than 10% next year?

Jes Staley

We feel very confident in our profit target for this year of 9% or better. For the first 6 months, we delivered 9.4%, and in 5 of the last 6 [quarters], we've delivered over 9%, so it's not a big leap to basically repeat what we've been delivering. There are a lot of macroeconomic headwinds and tailwinds. Part of our diversified model is to be both in the UK and outside of the UK, and [around] 40% of our revenues are US dollar based. When Sterling weakens like this, given our cost and revenue mix, that's a [tailwind] for us. If you drop the USD:GBP exchange rate by 10 points, e.g. from 1.20 to 1.10, that adds about £250m to £300m of additional PBT for the bank [on an annualised basis]. With the diversified model, macro trends will both help us and hurt us.

There are some new things happening, particularly in Europe, that I think we all have to be very mindful of. If we had been in this room 10 years ago and we had one of those polls that Jason does that said if we had 10-year growth rate in the economy of the US and Europe, and if 10 years from now we had the lowest unemployment rate virtually in the history of the United States and in the history of the UK, where would the 10-year rate be? I bet almost all of us would have had up on the poll somewhere between 4% and 6% - but at a minimum, I think we would have had a 4% handle. And now we have $20 trillion of sovereign debt with an absolute negative interest rate. The UK 10-year gilt is trading at under 50 basis points. In the US, as Richard Fisher talked about, we're cutting interest rates. So there is a phenomenon where the markets do not feel a sense of concern around inflation and wage pressure. For us in the banking industry, particularly for those banks that are in absolute negative markets in Europe, it's a real challenge to run a bank facing virtually flat interest rates. We're all going to feel that. And then the challenge sort of doubles down when you have a flat yield curve.

The flip side – and I think we'll see that in the UK – is I think that people are warming to the fact that the response to drive economic recovery when you're near or at zero interest rates is not monetary, but rather, it's fiscal. And really, what happened in the United States that drove economic growth for the last number of years was the fact that the US government became far less worried, given where interest rates were, about running a fiscal deficit.

There are two countries that I think are very focused on fiscal deficits, despite having the lowest interest rates in the market, one being Germany, which is a really big issue, but also the UK. Now, the UK's deficit to GDP is about 1%, one of the lowest of any G20 countries. And as I said, our 10-year gilt is below 50 basis points. I would argue that if you can borrow on a real basis at negative interest rates, you should be far less worried about your fiscal deficit and far more focused on your fiscal policy to drive economic growth. From the conversations that we've had, I think that's one of the things that is embraced by the current Chancellor in the UK, and by the current Prime Minister. So as we look at the issue of Brexit, I think we feel that there are some macro challenges in front of us because of the interest rates, but there are also some macro advantages for us in terms of currency – and if the British government is about to apply

[1] All RoTE references are excluding litigation and conduct, with RoTE targets based on a Group CET1 ratio of c.13%

a fiscal stimulus. And as everyone noticed in the United States, the most powerful way for a fiscal stimulus to immediately turbocharge an economy is through tax cuts, so I would watch that.

Jason Goldberg

You made a comment about Barclays' diversified model. Could you maybe just talk to why you think this is so important in the current macro environment?

Jes Staley

We've all gone through a lot of financial markets' ups and downs, and our views of the markets are very much embedded in the history that we've lived through. To my mind, one of the biggest lessons from 2008/2009 was the countercyclicality between a wholesale bank and a consumer bank. If you think back, in 2008, the investment bank lost some $24 billion at JP Morgan – the worst performance ever in their investment bank, but the bank made money every quarter because the consumer bank actually had quite a profitable year in 2008. In 2009, JP Morgan's credit card business and home equity loan business lost $30 billion, but the bank made money every quarter because the investment bank had a record year.

One of the few other banks that went through the financial crisis in 2008/2009 making money every single quarter was Barclays – for exactly the same reason – the countercyclicality through an economic cycle of a wholesale business vs. a consumer business. We've spent the last couple of years trying to defend a wholesale business, while the consumer business was enjoying the lowest unemployment rate in the UK and the US. If there is an economic slowdown – not that I'm hoping for one – it will be nice to watch the wholesale business perform relative to the consumer business and change the nature of the discussion. The economic cycles will be there, they will come back – we haven't solved that, and as you go through those economic cycles, I think the diversification of our model and being a universal bank will show its cards.

Jason Goldberg

One of the topics we didn't get really to touch on this morning is Brexit. Could you maybe share with us your best guess for what happens next? How is Barclays prepared and how is Barclays UK positioned? And then maybe you could talk about the impact on the UK in terms of the potential of economic downturn, lower rates, increasing competitive pressures from traditional and emerging competitors.

Jes Staley

Well, Brexit, more than anything else, is challenging the political structure of the UK. It's a parliamentary government without a constitution, there are a lot of rules being written, and obviously the inability to come to a consensus following the referendum vote is really challenging the political institutions of the United Kingdom. And I think you've seen in a lot of other countries political institutions are under challenge, so elections are very difficult to predict. But for sure, I think everyone is arriving at a level of frustration at the political uncertainty in the UK, which is not healthy.

In terms of the economic impact, personally I think it has pretty much been felt. We have a much lower Sterling, so on a purchasing power basis, everyone in the UK is less well off because of the uncertainty. We have had slower economic growth than some of the countries that you would compare us to. The Bank of England came out with a number saying they think that the amount of new investment in the UK is 11% lower over the last 3 years than it otherwise would have been. It's very hard to prove it's counterfactual, but I think we've felt a lot of the economic challenge of this uncertainty that we've been living through today.

I personally think that there will be a medium and long-term impact between no-deal and a deal, and you can debate that. But I think as you transition either through a deal or transition through a no-deal, the short-term impact is not going to be as dramatic as some people are talking about – much like the short-term economic impact of the referendum vote was not what people expected. It was not the Armageddon.

The services industry – like Barclays – is 100% ready, whether it's a no-deal, deal, soft Brexit or hard Brexit. In Barclays, we have recapitalised our bank in Dublin in Ireland. By the end of this year, we'll be the largest bank in Ireland. We've taken all of our branches across Europe and we have relicensed them to be branches of the bank in Ireland, as opposed to branches of the bank in Great Britain. We have moved all the people that we're going to move. We have staffed all the desks. We've built all the models that we need to build. We're in a very good place with our regulators. And almost all of our clients that need to migrate to deal with us in the European context have migrated. As October 31st comes and goes it will have almost zero impact on Barclays. And I think most of the services industry is in very similar shape.

In terms of the goods and the supply chain, what people don't know is that the UK has a huge deficit there. The United Kingdom imports many more goods than they export. There are 100,000 companies in France that export products every day to the United Kingdom. I don't think they're going to shut the border. The uncertainty has created lack of investment, et cetera, but I think through a transition period, trade deals will be reached and they'll find a mutually beneficial outcome. In the long run, we will see, I think the real issue is not between a soft Brexit and hard Brexit. I think it's very likely that there will be a general election sometime between now and the first quarter – unless somehow it gets pushed towards a new referendum. Personally I think a new referendum would be quite a challenge. But I think what everybody wants is to get the uncertainty behind us. We're ready as a bank. We think most of our clients are ready, and I think we do have to get on with it.

Jason Goldberg

In your answer to my diversification question, I heard a hint of optimism around the Corporate & Investment bank. What makes you confident about the outlook for the CIB industry, given the challenges that many have faced generating returns above cost of capital, particularly some of the smaller players? And what specific actions are you taking to improve our returns?

Jes Staley

To me, the primary regulatory response to the financial crisis was to rely less on bank balance sheets and what's called maturity transformation to generate economic growth than we did historically. If you look at Europe and the United States, the amount of bank balance sheets financing businesses has actually declined in absolute terms over the last decade since the financial crisis. On the flip side, what has replaced that is a belief that the capital markets do not impose a maturity transformation risk that bank balance sheets do, and therefore, let's rely on the capital markets in order to fund economic growth. And indeed, over the last decade, the capital markets have roughly doubled in size. So from the most macro level, if you want to be involved in financing economic growth in a developed market, I think you have to recognise that the regulatory stack is now built behind growing the capital markets and putting a limit on the growth of bank balance sheets. That's the first reason why staying in the capital markets as a bulge bracket bank is so important, given we want to stay close to our existing client base. Now you also have the influence of technology, and I think there is a race between the buy-side wanting to decrease their cost of transacting, with the sell-side providing technology solutions that end up preserving the margins of the intermediaries, but at the same time helping the cost base for the buy-side. I think we're on that journey, and clearly that is something to watch.

The second thing is capacity leaving the market. There are a lot of major players that have essentially decided to leave as an intermediary in the capital markets. There is an FT article the other day talking about that, titled "Will Barclays be the last man standing?". There is capacity leaving, and hopefully that is reflected in the economics for those that have decided to stick it out.

There are other things that are going on in the regulatory framework. Regulators love securities financing. So whether it's prime credit or prime equities, the calculation of risk-weighted assets for a broker-dealer extending credit to a buy-side firm collateralised by liquid securities is one of the most attractive risk-weights in the industry. I think prime services is a lot of what's driving those banks that are improving their profitability. In some banks, it's 30% to 40% of their markets revenues.

The final point for me is that if you think about this as a long-term trend line, don't underestimate how dramatic the financial crisis was for the financial industry, and how extraordinary the re-regulation of the industry has been. If you just take Barclays as an example – 10 years ago our CET1 ratio against the risk of the bank was 4%. Our CET1 ratio now is effectively 14%[2]. The calculation of a risk-weighted asset 10 years ago – a AAA security's risk-weight was zero; the risk-weighted assets of a 30-year interest rate swap, with an acceptable ISDA, was zero. Now we turn on the lights and we have operational risk-weighted assets. If you take those two adjustments – CET1 capital and the calibration of risk – c.20% of the capital of Barclays is held against an operational risk, which is not an asset. One thing I will guarantee you is that the return on tangible equity of c.20% of our capital is zero. Roughly back then, on a pro forma basis, Barclays' CIB was generating, let's say, 15% to 16% RoTE. You make the adjustment to capital, the exact same business with the exact same revenues would generate over 60% [RoTE] today. So that's the trend line that's happening. I think if you missed that trend line, by the time it catches up with you, you will have regretted that move.

So one of the challenges is that we've essentially taken the profitability of Barclays in the last three years from 5% to 9%, and against a much higher capital base. The first half of this year, on a statutory basis, was the most profitable first 6 months of Barclays in [nearly] a decade. There's an adjustment that we're currently discussing with the PRA, but we would have landed at the mid-year at a 14%[1] [CET1 ratio], the highest capital ratio this bank has had. We've tripled our dividend in 3 years. That's the highest dividend that this bank has paid in over 10 years. We've gone through a massive restructuring. We have 56,000 less people. We're out of the continent of Africa. We've sold 22 businesses. It's just a huge change, and it's one of the most profitable 6 months this bank has ever had, and our stock is 50% of book.

We like the universal banking model; we like the trajectory of the Corporate & Investment Bank. One of the things particular to Barclays that we have a real focus on – one the most unprofitable things we do at the bank is to extend an undrawn revolving line of credit, and our problem was that we had too many companies that we were extending undrawn revolvers to who weren't doing corollary transaction business with us, which led to us having a return on risk-weighted assets which was unacceptably low. Before we got here, that really wasn't a focus of the bank. It's a laser focus now, and we have made significant progress over the last couple of years of improving the rate of return on our risk-weighted assets by driving transactional business, payments, foreign exchange, trade financing, et cetera, to support where we were extending undrawn lines of credit. And over a 2-year period – and we're well on track – we expect to double the return on risk-weighted assets that we're generating for our largest

[2] If our operational risk-weighted assets were accounted for in line with our UK peers. As at 30 June 2019, CET1 ratio was 13.4%

clients. [We expect] that in turn to deliver a double-digit return comfortably from our corporate bank. Things like that are the progression, and I think that we're in a good place.

Jason Goldberg

One of the concerns I hear from global financial services investors is the lower-for-longer rate outlook globally. How big of a challenge is that for Barclays?

Jes Staley

It's a challenge for all of us, but particularly for those countries like Japan and Europe that seem to have lower, lower, lower for longer. But that being said, we have a great franchise in the UK around secured consumer lending and unsecured consumer lending. And our [Barclays UK] net interest margin ("NIM") is c.300 basis points. I think I'd put that up against almost any bank. And what we've been doing since the referendum vote is that we've rebalanced our mix of unsecured to secured [lending] in order to reduce potential risk of our UK consumer credit book. With interest rates coming down, and as we go through this uncertainty, the position of the UK consumer is actually quite good, and our impairment numbers are quite solid. We may very well begin to rebalance [our mix of] secured to unsecured to reflect the lower interest rates. That gives us the ability to preserve a degree of NIM, so you do have leverage that you can push to manage through that.

The bigger challenge, I think, is less in the net interest margin as much as managing your overall liquidity. Managing your liquidity in a cash environment where you've got to leave a certain amount of cash and hold government securities is tough when rates are getting lower. But again, for us, that's why we like having such a significant part of our balance sheet in the [US]. I'd much rather have 140 basis points in the US than negative 70 in Germany.

Jason Goldberg

One of the things you've been clear on is cost control and the ability to manage expenses to make sure Barclays achieves its RoTE objectives. Can you maybe talk to your outlook on costs? When you were here two years ago, you spent a bit of time talking about the services company, which we now call BX. What role does that play?

Jes Staley

So on the cost side, we said in March 2016, "We have to restructure the bank, reorganise the bank, deal with conduct and litigation issues." At some point we need to get to the topic du jour of PPI. And so we embarked upon a journey. We created our service company, which has about 55,000 of our 85,000 employees. We created what are called transaction cycles, which are processes that cut across all of our lines of businesses but are similar processes – like fraud.

If you look at the numbers for the last 3 years, we have improved our RoTE roughly from 5% to 9%. Roughly half of that has come from a £1.5 billion decrease in our run-rate expenses, and half of it has come from about £1.5 billion increase in revenues. We're investing in technology and people, et cetera. So roughly a 50/50 mix has let us take our cost: income ratio from 72% down to 63%. And if you look at that cost: income ratio and compare it with American banks, with European banks, with big banks, with small banks, that's a pretty good number. As I look forward to driving to [greater than] 10% RoTE, maintaining cost control is important, but we as a management team are ever more thinking about how we're going to drive revenues. We're going to create new sources of revenues, we're going to improve our market share, our business mix, the efficiency of our capital use. We don't want to drop down our costs by another £1.5 billion. If you go back to 2 years ago, or even a year ago, most of our expenses were obligatory. We had to set up the ring-fence bank in the UK; we had to set up the IHC in the United States; that cost [c.£1 billion]. We had to set up the bank in Dublin for Brexit; that cost money. We had to do a lot of things around the stability of our tech stack so that we didn't go offline with any degree of regularity. Most of that is behind us. We have significantly decreased what we call the run-the-bank expense.

What we are doing, now that we find our cost income ratio in a more comfortable place, is to grow the bank – to increase technology spend to invest in new algorithms and new trading platforms, and technology to dramatically advance the client onboarding process. If you wanted to join our merchant acquiring platform a year ago, it would have taken you 5 weeks to get onboard. We're now down to one day, and we want to get down to minutes if we're going to compete with the fintechs. That allows us to add new small businesses that we wouldn't have gotten before. A new online company is not going to wait for 5 weeks to get their online payment services done. So we are investing to grow the business. We are digitising the bank. We now have 8 million consumers that are banking with us through their mobile banking app exclusively – that's growing around [80,000 per month]. We now have Open Banking in the UK, so through APIs, we can download all your financial information in your Lloyds account and in your Royal Bank of Scotland account 3 times a day. So much so, if you think about the value proposition of this bank, 5 years ago it was to get an 18-year-old to walk into a branch, open a checking account, and manage their financial life through that checking account. Now, let's get the 18-year-old to go online and download the Barclays App and manage their financial life through that, irrespective of whether the checking account is Lloyds or Barclays. There's a massive difference between those two value propositions. The average customer walks into a bank branch once every 5 weeks, and they walk in and you have really no idea who they are, what they want to do – you really don't know until they click on. You may have an idea once they tell you who they are and what they're thinking about. You may have some system that tells a teller what's going on. The average consumer on the mobile banking App goes on our site, or on our App, every day. When they go on the App, we know exactly who they are, we know exactly what they've been doing, we have a pretty good idea what they're joining us for. And so the whole value proposition changes dramatically.

That's spending on technology to grow the bank. That's what's so transformational about this versus three years ago, when it was spending money to ring-fence the bank to be compliant with new British regulations. When you do that spend for the ring-fenced bank, you have no choice. It's got to be done by Easter 2018 or the British government's going to come down on you. Now we have a new version of the mobile app that you can download once every 7 days. We can roll that back to once every 8 days if we want to. It's a discretionary spend. So when we look at that [less than] £13.6bn[3] spend target, a lot of it is discretionary, which we can dial up or dial down based on the performance of the bank. And then for all those investment bankers here, we spent £600 million in 2016 and 2017 in order to bring forward the vesting of our bonus pool, so we can correlate our quarterly revenues with our quarterly compensation costs.

And I think just like an asset management business, you have to be able to regulate or manage your compensation expense with how you're doing in terms of alpha generation, et cetera, or your AUM numbers, in order to have a more stabilised profit stream. And the same thing with the investment bank. And we believe that we can calibrate our bonus pool on an on-time basis commensurate or correlated with our revenues.

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[3] Group cost guidance for 2019, based on an fx rate of 1.27 (USD/GBP) and subject to foreign currency movements

We feel much more in control of the bank's cost base. As we look at that cost: income ratio, the solution now is not to continue this climb to knock down expenses, but rather to continue this new investment opportunity to grow revenues, and that's what's driving our belief that we'll get to 10% despite interest rates, and we'll continue to advance thereon.

Jason Goldberg

You touched on it for a second, but maybe we could delve more into payments. It's definitely a big focus of the investors that are here. Could you talk to some of the changes to how consumer banking and payments is led at Barclays? You made some changes there earlier in the year. And maybe you could talk a bit about your view of the opportunities that Barclays has, and just how you think about a bank-owned payment business can succeed against some of these pure-play companies.

Jes Staley

Before I get to payments, because I keep forgetting to – we did an RNS a little bit ago, for those who didn't see it, announcing our PPI expense range for the third quarter on the back of August, which was the last month for PPI claims in the United Kingdom. We predicted that our claims would fall somewhere between £1.2 billion and £1.6 billion. PPI ended at the end of August. What I would say is it's probably about 40 to 50 basis points of CET1 ratio. Remember, we closed the interims at 13.4% with our target at c.13%, and so we're very comfortable that with the current dividend policy in place, we [expect to be] at our end state capital CET1 ratio [of c.13% at year-end], despite what we saw with PPI today. So I just wanted to get that all out and clear.

So payments, I think, is the battlefield of finance for the next decade, and the players are clearly not just the banks. It is the vertical that the fintech players are most interested in. It is ultimately where the big tech players are going to get closer and closer to, whether it's Amazon, whether it's Facebook, creating a cryptocurrency for Facebook. It's very important for, I think, a successful bank to maintain and manage the position we have across payments.

In the UK, a very big deal now is the degree of authentication that a consumer has to go through to allow a digital payment. We think we have certain competitive advantages because of our technology stack, and what we're doing in this around the ability to authenticate who is making a payment. That's a big deal vis a vis fraud in the UK. We now have a payments platform that we think is [an advantage] if and when we wanted to partner with a big tech company. So there are possibilities there. And we have this platform idea where we have 8 million consumers banking with us on the Barclays App, growing at the rate it's growing. 36% of all merchandise sales in the UK goes across our merchant acquiring business, so can we take the relationship we have with our merchants on that App, and combine it with the interest and desires of our consumers and create a platform that is around that payment space which gives us a sustainable [advantage]? There is no bank that has a merchant acquiring business like ours. There is no merchant acquiring business that has a mobile App like we do. So payments is a very big deal; I think it's the battleground of finance for the next decade. But I feel very confident about where we sit.

Jason Goldberg

Jes, while the audience is thinking of questions, let’s maybe shift gears and talk about the regulatory environment. How do you see that evolving from here for Barclays?

Jes Staley

We have said almost since day 1 of ‘Brexit’ that what we need to be focused on is to maintain competitiveness with the US. Given our business model, one of the reasons why Brexit didn't really worry me vis a vis a bank in the UK, or a bank like us, is that we are less a function of equivalency with Brussels, and much more important for us is, equivalency with Washington and the New York Fed.

I think that the regulatory invasion of finance was very much needed. I think we need to appreciate the fact that a lot of what we were doing in the banking industry created enormous economic destruction, and a more proximate relationship between the regulators and those that are regulated was very much necessary. I think what you're seeing in the US is sort of a recalibration, I think, from Randy Quarles to the Secretary of Treasury. They are, at the margins, trying to recalibrate the regulatory environment in the US, and I think that's a healthy thing. I don't think you can throw out things like the Volcker Rule. I don't believe you can just swing the pendulum back to any significant degree, but some recalibration is right. And I think the Europeans are catching up to that as well.

We have a great regulatory relationship with the Bank of England, the PRA and the FCA. They have been very constructive with us in terms of helping us think about our controls strategically and operationally in order to manage the bank better. However, going back to your issue about payments and big tech and fintech, there are costs of being a massively regulated financial institution. One thing that will stop Amazon at the door is that it does not want to become a G-SIFI. So regulation is both a challenge, but to a certain extent is also walling off the banking industry. It shouldn't be done too much, because we don't want to be insulated to that degree, but I think a lot of progress has been made around regulation.

Going back to where I started, we have significantly and dramatically improved the profitability of this bank under much higher capital levels and much stronger risk-weight calibrations. And I think that trend is going to continue. If we're at a 9% RoTE, we don't have a strategic challenge. We want to execute better, and we will do that. But this is a really profitable bank, after years of massive reorganisation and the re-regulation of the industry. And I feel really good about where we are. I feel really good about where the industry's going to be. And we talk about this in our risk committee and with our regulators, I think the next financial crisis will most likely emanate outside of the banking industry, and that's something for all of us to think about.

Jason Goldberg

Any questions from the audience?

Audience

[I'd be interested to hear about your plans for your US cards business and where you think you can take market share.]

Jes Staley

I think there's been a little bit of push and a pause. What is working very well for us is the co-brand card space. And strategically, what we have done when we co-brand with an American Airlines or an Uber, or a JetBlue, what co-brand means for us is not to have both brands on the front of the card. A co-brand for us means it's an American Airlines card; it's an Uber card. Because we don't have a sizeable Barclays [own brand] card, we're not in competition with those people that we co-brand with [in contrast to some of our peers].

That strategic pivot is a very valuable asset as we build the co-brand space. What we're basically saying is we want to build our unsecured consumer loan book in the United States not off the Barclays brand, which would be extremely expensive to create on a national scale, but on the brand of American Airlines. So we have 11 million consumers in the United States that use a Barclays credit card today, in part because of the loyalty with another brand. And we want to continue to drive that, and I think you'll see a lot of things happening in that space.

What that has meant is that we have slowed down the building of a Barclays-branded digital consumer bank [in the US], not because we don't think that we can get there technically, given what we have in the UK, but whether we want to spend the marketing dollars to do that at scale. And that's a question we're dealing with now. But we love the US consumer business.

One thing I would say is that I think almost every credit card company in the world is thinking about is point-of-sale financing and installment lending. One of the things that we're learning from millennials – whether they're here in the US or in the UK or Germany for that matter, and we are the largest credit card provider in Germany – is that millennials are somewhat reluctant to pay the high interest rates of a revolving line of credit for them. They don't really like paying cash. They love paying over installments. Right now, we are the bank behind one out of every four iPhones sold in the United Kingdom, and that's because you get to buy your iPhone over installments. That's a very attractive product for that client segment [and] I think you'll see credit cards increasingly looking at the installment loan market.

Jason Goldberg

Please join me in thanking Jes for his time today.

Important Notice

others, holding constant the Pillar 2A requirement at the 2018 level despite it being subject to at least annual review and assumed CRD IV buffers, which are also subject to change

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Barclays Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards including evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions; the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Barclays Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; instability as a result of the exit by the United Kingdom from the European Union and the disruption that may subsequently result in the UK and globally; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Group's control. As a result, the Barclays Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Barclays Group's forward-looking statements. Additional risks and factors which may impact the Barclays Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2018), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.