Barclays PLC Q1 2019 Results
25 April 2019

Results call Q&A transcript (amended in places to improve readability)

Joseph Dickerson, Jefferies

You delivered a good cost performance in the Investment Bank. My question is on the 11% increase in cost in the Consumer, Cards and Payments business. Presumably you are making some investments here? Is it to expand into new channels in the US? Is it merchant acquiring in Europe? It would be helpful to have some colour there.

In addition, it would also be very useful to hear what the new management’s plans are for the overall payments strategy at some point. Some sort of investor seminar would be very, very welcome by the investment community.

Tushar Morzaria, Group Finance Director

Yes, we will certainly take that feedback on board, and we’re very excited to have Ashok looking across the full spectrum of consumer banking and payments.

In terms of the cost increase in CCP – CCP is an important business for us in terms of continued investment to drive our profits. You’ll have seen attributable profits up close to 20% on a 20% higher capital base over the last 12 months, and the returns are compounding at about 15%. It’s a business we like the characteristics of. We continue to grow the cards business, we continue to grow in the US, and we’ve talked quite a bit about the airline portfolios in particular, and we are probably growing them quicker than other parts of the portfolio. That obviously has costs associated with it, such as account acquisition costs, which are upfront, before the revenues come in. As we continue that steep growth, you would expect to see that.

The other thing we like about the airlines portfolio is that the FICO scores are actually relatively high for that customer cohort. I know there are some concerns about how quickly you would like to grow an unsecured credit book this late on in the cycle, and I think that fits the risk characteristics well. We like the income growth and we like the risk characteristics that it brings as well.

We are continuing to invest in our Payments business as well, and as Ashok speaks more publicly about this, he will talk about some of the things we are very focused on there.

I would also just like to remind you that there is a bit of an FX component in there as well, so the 11% probably overstates the expense growth. There was a c.7% move in foreign exchange, so the real underlying is probably closer to mid-single-digit. Anyway, they’re costs that we like and we would want to continue to invest in that business to drive profits up.
Jes Staley, Group Chief Executive Officer

You will likely see us do something in terms of investor presentation around the global payments platform later this year.

Jonathan Pierce, Numis

My first question is more broadly on risk-weighted assets. Could you give us a bit more colour on some of the one-off RWA items that will come through in the next year? Obviously, we have seen IFRS 16 this morning, but I am thinking in particular about securitisation, CCR changes next year, mortgage risk weights etc. Alongside that, could you also give us a quick comment on the story around operational risk, which is still up at £57bn? Is there anything you can do there?

The second question is on CIB. It is difficult to get to what’s going on below the PBT line, because you don’t split out tax and coupons, but it looks like there was another tax credit in the first quarter helping the CIB RoTE number. Is that correct? Going forward, could I ask you to split out those below-the-line items please, if possible?

Tushar Morzaria, Group Finance Director

On your first question on RWAs, and guidance in terms of inflation coming through the pipe, we have nothing to call out at this stage. You mentioned mortgage risk weights, again, nothing I’d call out here. We will guide at the right time, but to contextualise this, as you’re probably aware, we run a “through-the-cycle” model and we have a 180-day default definition. We will be moving that to a 90-day default definition, but we’re already “through-the-cycle”.

When I look at mortgage risk weights, I think we are towards the upper end of our peer set, coupled with slightly lower loan-to-values than the average peer set, so there will be an impact and we will call that out nearer the time. It will hopefully impact us a little bit less than others. On securitisation, again there is nothing to call out at this stage, but we will keep you posted as the year goes through.

Op risk is an interesting question. It’s a bit of a bugbear of mine. As some of you may already be aware, we’ve had our operational risk-weighted assets in Pillar 1 stubbornly stuck at £56-57bn ever since I’ve been here, even though we’ve fairly materially reduced other risk-weighted assets and changed the composition of businesses over that time. Operational risk-weighted assets are at a very high level of Pillar 1. I imagine across the UK banking peer set, operational capital is no doubt appropriately calibrated, so it looks like we have a higher component in Pillar 1 versus Pillar 2, and you’ll appreciate that all that does is that it means your Pillar 1 reported capital ratio is reported at a lower level optically, even though your distance to MDA is consistent. On our numbers, if we were to have a Pillar 1 operational risk-weighted asset level consistent with UK peers, then our capital ratio would probably be over 14%. On the flip side, you’d probably increase Pillar 2, so I don’t think our distance to MDA would ever change, I think our MDA level would increase, but that may look a bit more similar to other UK peers. Hopefully we will make some progress in getting that recalibrated over time, but I don’t think that will happen in the near term.

Jes Staley, Group Chief Executive Officer

If you think strategically about the bank, going back a number of years, the operational risk-weighted assets were 14-15% of our total capital base. It is now up to 20%. When you think about the size and scale of the bank, if that op risk number isn’t going to move, shrinking the bank aggravates your problem, because the return on operational risk-weighted assets is zero.
Tushar Morzaria, Group Finance Director

The second question on the CIB, I think what you’re driving at is whether there is anything unusual in the tax line. There is nothing usual in there. We had a 17% effective tax rate for the Group. It’s a little bit confusing because we are under a different accounting standard to this time last year. We’ve applied IAS 12. It doesn’t make any difference to reported returns, but does affect the calculation of stated attributable profits, with the tax credits on AT1.

In new money, if you like, on a post-IAS 12 basis, I’d guide to an effective tax rate of somewhere around 20%. So for the rest of the year, you’d expect it to tick up. I think that’s just usual seasonality, but for your model, somewhere around 20% is probably a reasonable estimate.

Jonathan Pierce, Numis

In the CIB, it looks like if we take these coupons out and compare the number to the pre-tax number, the tax rate is sub 15%, it looks like it’s 10-13% in the first quarter. Are you suggesting that’s not the case?

Tushar Morzaria, Group Finance Director

No, I’m not calling out the actual tax rate in the CIB. As you said, that’s not disclosed so I won’t call it out on this call, but to help you on the overall dynamics of the Group, the Q1 tax rate of 17% is probably lower than you’d experience over the course of the full year. Obviously that will affect both the CIB and the other divisions. I think for the Group overall for the full year, we will be thinking about something around 20% on a post-IAS 12 basis.

Robin Down, HSBC

Following up on Jonathan’s questions on RWAs, I’m slightly surprised to see the seasonal uplift again in CIB RWAs in the first quarter, given the lower levels of activity more broadly in Q1. I am just wondering if the guidance of effectively flat CIB RWA for the full year still stands: that is, you expect this to unwind in Q2 and Q3?

The second question is a much broader question around consensus. You’re still sticking with a target of >9% RoTE for this year. I think the published consensus has 8.2%. When you look at the consensus P&L, is there anything that you think stands out, or looks materially different to what you would expect? The cost number seems to be broadly in the middle of the range, the impairment number feels like it’s roughly where previous steering has been, and the tax rate looks fairly reasonable. What is sticking out for you in terms of the gap between consensus and where you think you’ll turn out?

Tushar Morzaria, Group Finance Director

In terms of RWA seasonality, I think this year will probably feel like a typical year for us. We generally take a very deliberate small step back in capital in Q1, and then steadily accrete capital in Q2, Q3 and Q4. You can see that we’re pretty capital generative organically from profits. There were 39bps of profits in the first quarter alone. I think this year you’ll see a similar picture, so you’ve probably seen the low point of capital for the year, and I’d expect to see steady accretion from this point on.

In terms of the RWAs, we did deliberately increase the period-end RWA sequentially in the CIB – don’t forget it’s a little flattered by foreign exchange. The capital allocated to CIB is probably a better measure, because it takes everything into account – currency rates, all the deductions, and everything like that. It was actually slightly down year on year, and even headline RWAs in the CIB were slightly down year on year, so it was quite typical. Capital should progress upwards from this point on.
In terms of consensus, I won’t comment on any individual line items, but we feel pretty good with where our businesses are positioned. Going round the houses very briefly, looking at our UK business, you’d probably picked up on my scripted comments that I would expect it to have positive jaws over the year, though probably with negative jaws in the first half, negative jaws in Q2, but positive jaws on a full year basis. We are growing the balance sheet, and deposits have grown as well. Though we’re growing the secured book as opposed to the unsecured book, so you have a mix effect in the net interest margin which feeds into the top line, I would expect top line to improve alongside those full-year positive jaws.

Looking at CC&P, there’d probably be steady growth there. We’re growing mid-single digits on a USD basis, and I think with relatively decent risk characteristics, so we feel pretty good about the opportunities that are there.

In CIB, it’s obviously a little harder to have a crystal ball on the revenue environment, but I do think our Investment Bank fee number for the first quarter was a little bit low, and I think that’s the calendar effect. We’ve picked up market share, at least according to the Dealogic surveys, and I would expect Q2 fees to be higher than Q1, and our pipeline looks pretty strong.

In our sales and trading business, again it’s a little bit trickier to forecast. A lot of other commentators haven’t given any guidance on Q2, and I certainly won’t on this call, but they have talked about the quarter finishing stronger than it started, and many people have referenced that.

On the credit lending line, we called out a syndicate hedge loss, which was about £50m. Obviously, that wouldn’t be recurring. It may come back, it may stay where it is, but I wouldn’t annualise it.

The final thing I would say is on the impairment line. Credit conditions look pretty benign at the moment. I have been saying this for a little while, but as far out as we can see, the credit conditions look pretty good, both in the US and in the UK. We look at our watch list, our affordability metrics, indebtedness, delinquencies, spending patterns – it looks reasonable at the moment, so I think we’re ok at the moment in that regard.

On cost flex, we have talked about not having a crystal ball on the income environment, which is hard to predict. We will be able to flex our costs should the income environment turns out to be challenging. We would expect, and are prepared to go below our £13.6bn guidance if necessary. You’ve seen us take a lot of actions consistent with that in the first quarter.

Jes Staley, Group Chief Executive Officer

I would just echo that when you’re facing restructuring, like creating a ring-fenced bank, or adjusting your legal structure for Brexit, or writing a $2bn cheque to the US Justice Department, your ability to correlate your expenses with your revenues is less than what we have today, as the bank is now normalised. I’d say the main difference in the 9% and the 8.2% is our belief that we can align expenses more closely with revenues.

Obviously, we view the first quarter Investment Banking fees to not be a new normal, so we would expect a recovery there, but then we’ll also align expenses with revenues. We are quite comfortable with our 9% or better RoTE target.

Guy Stebbings, Exane BNP Paribas

Coming back to Barclays UK, loans and advances in Personal Banking dropped for the first time in eight quarters in Q1. I appreciate the lower pipeline for the quarter and the better flows in Q1 you mentioned, but equally, given the step-up in new mortgage lending volumes around a couple of years ago, I presume
your redemption profile is starting to build, and the market still feels pretty competitive. Should we expect the pace of growth to slow versus last year? If that’s the case, I’m trying to understand where the top line revenue growth is going to come from in Barclays UK, given the spread pressure we’re seeing across Personal, Barclcard and Business Banking in the first quarter. Or would you be comfortable with negligible top line growth if you delivered on positive jaws?

Secondly, on cost flexibility. If you decide it’s necessary to go below the £13.6bn cost target, could you take us through some of the specific actions that you’d be taking in order to deliver that, and at what point would you need to make that decision? I think you’ve referenced compensation costs and the ability to prioritise or delay investment spend, so should we think about this as predominantly flexing the bonus in the IB, or could there be an impact on the investment in payments, digital, etc.?

Tushar Morzaria, Group Finance Director

In terms of the balance sheet for Barclays UK, we had a little bit of a slowdown in mortgage growth at the tail end of last year. It was very deliberate as we felt our pricing was getting too tight, and so we stepped away from some of the products. That did mute balance sheet growth in Q4, and again in Q1. It did grow, but very modestly.

I would say application volumes are up considerably in Q1, and we have seen pricing improve, at least in the areas we’re most interested in. Therefore I would expect to see the top line grow as a consequence of that, as we go through the year. Obviously, as you’re probably aware, the first quarter has a lower number of days, so the NII line is a little bit lower compared to the other three quarters as a function of that.

You asked whether we would be comfortable with positive jaws with a negative top line. It’s not what I expect to see. I would expect to see positive jaws with an increased top line, given the pipeline of assets that we’ve got coming on and the net interest margins that we have there.

Jes Staley, Group Chief Executive Officer

On costs, as I sort of alluded to, now that we’ve completed the reorganisation and restructuring of the bank, the new reality is that we have a higher component of discretionary investment in that £13.6-£13.9bn cost line. The executives got together in October last year and approved what we call MGIs, or material growth initiatives. These are investment spends mostly around technology, from digitising, or further enhancing the mobile banking app, to increasing algorithms for electronic trading etc. We approved a budget for those, and began to execute it in October. We have the ability, through the Executive Committee, to pace that level of spend. We’re going to continue to invest in technology to allow the bank to grow. It’s critically important, and it was not properly attended to a number of years ago, but there is the ability to seek more efficiencies as we make those investments and to pace the speed at which you are making that investment.

Vis-à-vis the compensation line, as we said, we took a pretty substantial charge to net income in 2016-17, in order to better align variable compensation with the profitability coming out of the Investment Bank. Part of the answer to your question is that let’s see where any revenue shortfall comes from, if it’s coming from the Investment Banking line, I think you would look to rely more on the variable compensation as a management of cost, rather than the investment spend. We have both levers and we’re very comfortable in using them in order to deliver the profitability that we’re looking for.
Ed Firth, KBW

I just wondered if you could help me with the capital, or the tangible equity allocation for the CIB, because that seems to be going down in the quarter while risk-weighted assets are going up. Is that in some way related to the post/pre tax deduction? How does that actually work? Given the focus on this number, it is quite important that we understand the drivers.

Tushar Morzaria, Group Finance Director

On tangible equity, you’re absolutely right. We do it not just on a straight percentage of risk-weighted assets. We also take all of the deductions into account, for example Prudent Valuation Adjustment and various other things that you’re aware of. The risk-weighted asset headline moves can sometimes be inflated or deflated by foreign exchange as well. So the equity allocations are a much better gauge of where we’re allocating capital, and it’s pretty much on a consistent basis. I would say if you look on a year on year basis, so you get a trend view instead of an individual quarter view, you’ll see an increase in Barclays UK’s allocated capital, an increase in CCP’s allocated capital, and a flat to slightly down allocated capital in the CIB. That is how you would expect us to be operating, probably for a period of time. We do want to grow the consumer businesses and the capital in them modestly over time. They’re not very capital consumptive businesses. We won’t be looking to increase the CIB, if anything, it will probably flatten down with pressure.

Ed Firth, KBW

For this quarter, was it a PVA adjustment that changed it?

Tushar Morzaria, Group Finance Director

PVA may have been one of them, but there are other factors as well. I haven’t got the full menu in front of me.

Martin Leitgeb, Goldman Sachs

Could you provide a bit more colour in terms of how you’re thinking about capital allocation within the wider Group, and specifically to Barclays Bank and Barclays Bank UK, i.e. your non-ringfenced and ringfenced bank? I was just looking at the latest disclosed capital numbers, and it shows that the ringfenced bank is running at a somewhat higher capital level in terms of CET1 and leverage compared to the non-ringfenced bank. Is that something you think is likely to continue? Would you be able to provide us with the target capital levels you have for those entities?

Tushar Morzaria, Group Finance Director

In Barclays Bank PLC we’ve got a diversified, integrated bank with consumer as well as wholesale businesses. Barclays Bank UK PLC is our ringfenced bank. I think given the monoline nature of Barclays Bank UK PLC, it will probably run at a capital ratio that is higher than the more diversified bank. Obviously we set those capital levels as we would for the whole Group, whether it’s for our internal stress drawdowns or the individual buffers. You also have the domestic systemic buffer in Barclays Bank UK PLC, but not in Barclays Bank PLC. All those sorts of technical differences feed in. You’ll get those disclosures on a semi-annual basis, and you’re welcome to go through them at that time.

I think the most important thing to understand as a management matter is where we’d want to put capital to work, which is sort of the response I gave to Ed’s question on allocated equity. You would expect to see, on a trend basis, the capital allocated to the UK Retail and Business Banking segment increase, and you would expect to see the capital allocated to Consumer, Cards and Payments increase, on a trend
basis. Corporate and Investment Bank would probably be flat with a little bit of downward pressure, and that will just make its way into the legal vehicles in which those businesses operate.

Chris Cant, Autonomous

I just wanted to come back to you on this conviction on the 9% RoTE, and what that implies for consensus. Your TNAV at the end of the quarter is £45.6bn, that would imply net income for the year, excluding litigation and conduct, of £4.1bn. Consensus is at £3.7bn, are you really telling us that consensus is 10% too low?

The second question, I don’t think I’m alone in having a couple of gripes around the international division of the construct, in particular the lack of a specific CIB consensus and the absence of certain disclosure items, including the bridge from PBT to the net income you use for ROTE, which we’ve had referenced a couple of times on the call already. Now that CC&P is being managed separately from the CIB, for reporting purposes are you going to start treating CIB as a separate operating segment, please? I think that is what IFRS8 suggests you should be doing going forwards.

Tushar Morzaria, Group Finance Director

We obviously have a conviction and confidence that we can make a 9% return. I understand obviously consensus doesn’t have the same conviction that we as a management team do, and that’s okay. You’ll have your own views on the various line items, and we’ll have our own view. I think the only thing I would say is that none of us will be able to perfectly predict the operating environment over the next three quarters. It may be better; it may be worse than any of our predictions are.

We feel we’ve got enough diversification and enough paths that we should be able to navigate through. We have a degree of confidence that we should be able to get to 9% returns, but we don’t take anything for granted. To call out, we are prepared to flex costs where appropriate. If things don’t pan out in the way we expect, we can deal with some of those outcomes through the cost flex that we have. We have that degree of confidence, we understand that consensus isn’t there, and that’s okay. We won’t always have the same outlook.

In terms of IFRS8, this is a little bit more complicated. In the way IFRS8 works, you’re looking at segment managers and we have two segment managers; we have my boss, Jes Staley, who’s segment manager for Barclays International, which is very equivalent to Barclays Bank PLC, and we have Matt Hammerstein, who’s Chief Executive of Barclays UK, and that’s the other segment. So that’s our IFRS8 disclosure. We do go beyond that, of course, we do give out financial analysis beneath the UK segment and the International segment.

Look, I take your point for more disclosure in International. We have had some consistent feedback on that, and I know I’ve been nodding at people, so I continue to hear it loud and clear. Do leave it with us, I don’t just listen to it and then ignore it, it is something that we’re working on behind the scenes to try and be as helpful as we can. So please don’t take it that we’re ignoring all of your feedback, it’s taken on-board and we will be doing something on that.

Jes Staley, Group Chief Executive Officer

I want to add one more thing, Chris, which is, again, where Tushar and I sit, we’ve been living this progression of profitability over the last three years. So a very valid question when we set the 9% target, little over two years ago, was how do you get from a 5.6% RoTE to a 9%? Last year we delivered 8.5%, I think the gap between the expectation and what we believe that we can deliver should be shrinking, given the trend line of the last couple of years.
The other point that I would make is, as managers we are responsible for the culture and conduct of the bank, and then next we’re responsible for the risk level of the bank, and only finally the profitability. And with the targets in mind, we have been extremely prudent around taking risks. We have basically flattligned our receivables in the UK unsecured consumer credit portfolio, not allowing that to grow since the referendum. We have been very disciplined in our loan to values around the mortgage book and what we do in the buy-to-let space. So very, very prudent on that. Our overall corporate loan book, we’ve actually decreased. And I think if you look at how we have performed on the impairment line versus corporate credit, particularly in the UK, I think we’ve done exceedingly well.

Of the 100 largest bankruptcies in the UK last year, we only experienced seven, of which two were fully-hedged. And given that we’re roughly 25% of that market, we think that’s an outstanding performance. People talk about the levered loan line; we haven’t had a single levered loan in the last few years criticised by our regulators. We feel very comfortable and have been quite conservative. You see it in the corporate net interest line this year, the hedges that we placed for the first quarter to keep that book very, very safe.

The other part of this is impairment, and the beat last year was quite significant, and it’s an important number this year. If you keep the credit market really benign, you can ask yourself, given how we have managed risk, is there room there as well? So you’ve got risk, you’ve got cost, and then obviously you’ve got what we’re trying to do around revenues, and I think, given the progression of profitability that we’ve seen, and being very conservative as a bank on risk measures, again that underscores our confidence for hitting 9%.

Chris Cant, Autonomous

If I could just push you a little bit more on that, and again to come back to this earlier question, what is it that you think is wrong in consensus? I think saying that you didn’t want to talk about individual line items for 2019 was a bit more defensible in 2018, but we are now one quarter into 2019. You’re talking about a challenging revenue environment, and flexing costs to offset that, yet your guidance would imply that consensus is 10% wrong, at least. That’s based on the 9% number, not the more than 9% number you’re targeting, so could I just encourage you to give us a feel on what it is? Yes, you just referenced the provision line, is that what you think you can beat on, versus consensus, in addition to managing costs to offset any revenue pressures? Is that where consensus is wrong?

Tushar Morzaria, Group Finance Director

Chris, I’m not going to say more than I’ve already said. We’ve hopefully given you enough context on how we view the outlook for the businesses. We’ve talked about the UK bank, we think the income will rise, we think we’ll have positive jaws. We think CCP continues to grow. We think on the fee business in the Investment Bank, we’ll do better than we did in Q1. So I’ve given you plenty of context there.

I think the credit environment does feel benign. We’ve given you some seasonal view that for CCP impairment, the low point will probably be in Q1, the high point will be in Q4, and there will be a trajectory in between. Delinquencies and other forms of credit stress indicators look very well-controlled. And then we have a range of outcomes that we could execute on our cost line. So I don’t want to get into this line item in consensus is different, or anything like that. I think you guys can take your own views based on all that commentary, and have your own outlook, and that’s okay. None of us has the perfect crystal ball on this.
Jes Staley, Group Chief Executive Officer

The other thing I might just add is, again, we have gained market share four quarters in a row in one of the biggest revenue pools of the bank, which is our capital markets activities. And I think there is in the industry, a reallocation of capacity in the flow businesses, around equities, credit, rates, and currency that’s going on in the industry. I think we’ve benefited from it over the last year and a half.

Robert Noble, RBC

How low are you willing to push the cost: income ratio in the Investment Bank if the revenues are weak? And, as you stand here looking at April as it’s going now, is the income environment sufficiently recovered to stay within £13.6bn to £13.9bn at the Group level? Or is it more likely you’re going to come in below that?

Tushar Morzaria, Group Finance Director

I’m not going to give guidance out for Q2, so I won’t talk specifically around April. I think in the CIB, I think Jes has sort of covered it, but it’s essentially an April performance-type environment and we have the ability to reflect the decisions we make around variable compensation in the year in which those revenues are booked as well. We’ll only make those decisions as we get to the full-year, but I guess you’re seeing, this quarter, a real conviction here that we will only pay for performance. If performance is good, we’ll pay for it, as we did last year. If performance isn’t good, then we won’t pay for it, which it may have been in the first quarter. I’m not sure there’s much more I’d add to it than that.

Andrew Coombs, Citi

If I could ask two questions on International revenues, please? First, on US cards and, second, on the equities business. With respect to US cards, you helpfully have given a disclosure, again, that 70% of the partnership is covered until 2022, which obviously on the flip-side means that 30% is not. And one would assume that the majority of that presumably relates to the former Apple contract. Obviously Apple Card has recently launched and so interested if you think this is a potential headwind to your US card growth, is there a risk of your existing customer base switching on to the new Apple product?

And my second question would be with respect to the equities franchise, one of the areas the bank did see a lot of success last year, you took quite a bit of market share. I don’t like to judge too much on a single quarter, but if I look at Q119, I think you’re down 26% year on year. It’s slightly worse, not a lot worse, but slightly worse than the US peers and Swiss peers have reported, so is that just a function of business mix? I know you draw out derivatives in particular as being softer, do you have any comments there?

Tushar Morzaria, Group Finance Director

The launch of the new Apple product is really the Apple Pay Card, embedded within the phone. That’s a separate and distinct product offering from our business, ours is much more of a point of sale finance business and they don’t necessarily overlap. The Apple Pay product is all about encouraging you to use Apple Pay and getting cashback and a low APR and what have you.

Ours is financing the purchase of Apple products in the stores and various other channels that you buy those Apple products in, in both the UK and the United States. We do have a rewards card that we’ve had in the past, but that was, again, linked to the point of sale finance business, rather than the Apple Pay Card that’s recently been launched. So, again, don’t conflate those two different things.
We have a very good relationship with Apple and have been a partner with them for a number of years. I think if you look at some of the interesting stats, I don’t have these to hand, but something on the lines of one in five of the iPhones that are purchased in the UK are financed through our point of sale finance business there. I will get exact stats, but it’s something around that level, just to give you a sense of how embedded that financing channel is, it’s distinct and separate from the Apple Pay Card.

**Jes Staley, Group Chief Executive Officer**

On the credit card side and point of sale financing, Apple was very clear to keep that separate from Apple Pay card that has been negotiated with Goldman Sachs, because of the service that we provide there. The one headwind that we did face, which again was a conscious decision because we didn’t like the profitability profile and the risk profile, was LL Bean. That was one of our co-brand cards that we did not renew, and what you’ve seen in our FICO scores and how high they’re going, the focus really has been on airline co-brand cards, which led to the growth you saw, and ultimately to the improvement of profitability year over year in the first quarter of 20% in the US cards, which I think is something we should call out.

We like the co-brand space. Going back to one of the first questions on the call, we like what the co-brand space potentially means to us around payments and on the global platform, but more on that later.

**Tushar Morzaria, Group Finance Director**

On the equities business, the only thing I’d remind you, Andrew, is that we probably had a slightly more difficult comparative period in Q118, I think our revenues were up something like 40% if you go back to the Q1 disclosures. So I think I would characterise it as broadly in line with our US peers on a dollar basis. Which actually feels okay to us, given that it was equity derivatives that felt less buoyant this quarter than it did last quarter. In other areas, whether it’s financing, cash, etc., I think we held our own quite well. So we’re actually quite pleased with that performance, and obviously we did very well in FICC, relatively, which is also pleasing. But nothing more than that, I would say.
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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, the BRRD, CRD IV and CRR texts and any applicable delegated acts, implementing acts or technical standards. All such regulatory requirements are subject to change;

- 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 June 2018, updating the Bank of England’s November 2016 policy statement, and the non-binding indicative 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 statement and as a result of the finalisation of international and European MREL/TLAC requirements;

- 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, including amongst 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.