Barclays PLC Q1 2020 Results

Analyst and Investor Conference Call Speech

Jes Staley, Barclays Group Chief Executive Officer

Tushar Morzaria, Barclays Group Finance Director

Slide 2: Jes Staley, Barclays Group Chief Executive Officer

Good morning everyone, and thank you for joining us today.

First of all let me say that I hope you and your loved ones have been keeping safe and well.

It feels like the last time we did one of these calls was a long time ago, and in a very different world.

Obviously, an event like the COVID-19 pandemic changes priorities, and inevitably makes individuals, and companies like ours, focus on what’s really important right now.

Slide 3: Barclays is committed to supporting customers, business and the economy through the COVID-19 pandemic

For us, that means: running the bank safely and profitably; helping our customers and clients through the difficulties they face; supporting the UK economy, and the communities where we live and work; and taking care of our colleagues around the world.

We’ve been able to do that because of the underlying strength of our business, and the resilience of our diversified model.

And I’ve been especially proud of the way my colleagues across Barclays have risen to the challenges of this extraordinary time.

Slide 4: Support for customers in the UK

So I want to start today by taking a few minutes to set out how we’ve been responding to the crisis.

Our business touches half the households in the UK. We know that some of our customers are facing very real and very daunting financial challenges, and this is a worrying time for the vast majority, regardless of their circumstances.
We’ve moved quickly to give them the reassurance and support they need. To give you just a couple of examples:

So far, we’ve granted repayment holidays on 94,000 mortgages, and on over 57,000 personal loans.

We’re providing an interest free buffer on overdrafts for 5.4 million customers, and beyond that we’ve reduced and capped charges until at least July.

We’ve waived late payment fees and cash advance fees for 8 million Barclaycard customers, and granted some 87,000 payment holidays.

655 branches remain open across the UK, providing vital banking services, while our teams are fielding around 260,000 calls a week – that’s 44% higher than the typical volume.

And I’m really pleased that we’ve been able to proactively identify NHS and key workers among our customer base, and move them to the front of call queues, as their time is especially precious at the moment.

**Slide 5: Support for business**

Getting businesses through this period intact, is crucial to give the best chance of a rapid and sustainable economic recovery, and is also in our shareholders’ interests.

The UK Government has put huge resources into supporting that ambition, and it’s the central topic of every conversation I have with Ministers.

It is an unprecedented effort by them, and by the Bank of England, and we’re committed to playing our full part to help get that support to the businesses that need it.

We have now approved some 3,760 CBILS loans, with a total value of £737 million, and we expect those numbers to increase rapidly in the coming weeks.

Behind those numbers are stories of businesses and jobs surviving this crisis.

Take the Titanic Brewery in Staffordshire, a local favourite selling 3 million pints in a normal year through its chain of pubs and beyond.

We helped them secure a £1 million CBIL loan, and put in place a twelve month payment holiday on an existing loan with us. That has allowed the business to keep producing and selling beers online, protecting jobs, and allowing them to pay their furloughed workers full wages.

Or the Queensbury Hotel and Olive Tree Restaurant in Bath, which I’ve been to. This family-run 4 star hotel has had to shut its doors due to the coronavirus.
But, with our help, they were able to get a £450,000 CBIL loan quickly. That loan means they can cover running costs, their staff are able to be furloughed rather than laid off, and they will be able to retain their hard earned Michelin star, which would have been forfeited on closure.

Make no mistake, interventions like these are making the difference between survival and failure for businesses, and we’re pleased to be playing our part in keeping them going.

We’ve also been central in helping larger businesses to access the Bank of England and Treasury CCFF programme, arranging billions in commercial paper for UK corporates over the past few weeks.

In addition to our backing for those Government schemes, we’ve also been able to provide significant help of our own to our business clients.

For example, we’ve waived everyday banking fees, and overdraft interest or charges, until June, for 650,000 of our small business customers.

And we’ve put in place 12 month capital repayment holidays for most SMEs with loans of over £25,000.

And we’re continuing to extend credit to companies, and there are £50 billion of lending limits available to our UK clients.

We’re not stopping here though. And we’ll continue to evolve our approach and offering to clients – big and small - to help them through this crisis. Because it is crucial that we preserve as many businesses and jobs as we can to aid the recovery when it comes.

**Slide 6: Support for our communities and colleagues**

Barclays has deep roots in the communities where we live and work, and I’m proud of everything our colleagues do year-round to support their local areas, and never more so than now.

That includes going way above and beyond for our customers, to help them in any way we can.

Whether that’s our colleague Glynis Wilson, in a contact centre in Sunderland, helping a customer in dire straits to access charitable support, and making a goodwill payment from us to see that customer through a tight spot.

Or our colleague Heena Mistry in Hyde, ringing vulnerable customers to see how they’re doing, and then getting an ambulance for a gentleman having obvious difficulty breathing.

Or our colleague Caroline Pearson, in the Harrow & Edgware branch, helping an 80 year old customer keep a special promise to her grandson, by guiding her through buying on his birthday a pair of trainers on-line.
These are just three small stories in hundreds up and down the country, where our people are working beyond their professional obligations to support customers.

We are carrying on delivering our core citizenship programmes such as LifeSkills, and Connect with Work, with a particular focus now on helping mitigate the impacts of COVID-19. But we’re trying to do even more.

For example - where we can - we’re now offering colleagues four weeks paid leave to volunteer to support health or social care work, helping those impacted.

And as you saw we’ve launched a £100 million Community Aid Package, made up of £50 million in grants for charity partners in the UK and our international markets, and £50 million to match colleague donations.

That equates to up to £150 million from Barclays and our colleagues deployed to help the communities and people hardest hit by the crisis – from providing food to vulnerable families, to purchasing protective equipment for NHS staff.

We understand that our fortunes are inter-twined with those of the communities and economies we serve, and at times like these more than ever, our obligation is to support them. And we’re going to continue to do that, and prioritise that effort, through the crisis.

**Slide 7: Our ambition is to be a net zero bank by 2050**

In recent weeks, we’ve also taken a huge step towards ensuring our broader sustainability, as we laid out an ambition to be a net zero bank by the middle of the century.

That means reaching net zero in terms of direct and indirect emissions by 2030, and for the business activities we finance across the world by 2050. We are going to align our entire portfolio to the Paris Agreement, starting with the power and energy sectors.

We have also committed to increase our green financing to £100 billion by 2030.

This represents a comprehensive and bold package of measures, which we are putting forward at the Annual General Meeting on the 7th of May.

**Slide 8: Resilient performance in Q120 reflecting the Group’s diversified business model**

Finally, and before I hand over to Tushar to take you through the numbers in detail, I want to briefly set out some overall thoughts on our performance in Q1.

The impact of COVID-19 came late in what was until that point a very good quarter.

That said, the performance of the business since then has demonstrated clearly the resilience of our universal banking model, rooted in diversification by business line, geography, and currency.
So while – as you’d expect - returns were down in Barclays UK, and in Consumer Cards and Payments, the Corporate and Investment Bank performed well – producing an ROTE of 12.1% - in particular via support for clients in a period of extreme volatility in the capital markets, and where FICC revenues in dollars grew 98%.

Sustained cost discipline, and positive jaws in our CIB, delivered a Group Cost to Income ratio of 52%. That’s better than our target of less than 60% over time, and our lowest quarterly Group Cost to Income Ratio since 2011.

Overall, the Group Return on Tangible Equity for the quarter was 5.1%.

Given the uncertainty around the developing economic downturn, and the low interest rate environment, 2020 is expected to be challenging for our business.

That said, we continue to believe that a sustainable Group RoTE of above 10% is the right target for Barclays, and attainable over time.

We have taken in the first quarter a £2.1 billion credit impairment charge, of which £1.4 billion is a result of applying a very challenging forecast through our credit models. We think this is prudent.

Even after this, Barclays generated £913 million of PBT in the quarter, 3 and half pence of EPS, and Attributable Profit of £605 million.

The Group remains well capitalised, with a CET1 ratio of 13.1%, and we will manage our capital position through this crisis in a way which enables us to support customers and clients, whilst maintaining an appropriate headroom above our Maximum Distributable Amount, which is currently at 11.5%.

As you know, in response to a request by the PRA, we cancelled the 2019 full year dividend payment. The Board will make a decision about future dividends and capital returns policy at the end of 2020, when the full impact of COVID-19 on our bank is clear.

So to conclude, and in summary, my colleagues and I are today primarily focussed on what matters right now – which is supporting our customers and clients, our communities, and the wider economy to navigate the pandemic.

The strength of our business and the resilience of our model means we can run this bank safely and profitably and provide that support until this crisis passes.

And I believe that we will emerge on the other side in a strong position to support the recovery, and generate attractive returns for shareholders.

Now I’m going to hand over to Tushar to take you through the performance for the quarter in detail.
Slide 9: Tushar Morzaria, Barclays Group Finance Director

Thanks, Jes.

I’ll summarise the results for the first quarter, which, as Jes mentioned, demonstrated the benefits of our diversified business model.

We are facing a period of great uncertainty, which makes it particularly difficult to give forward-looking guidance, but where possible I will try to give pointers for the coming quarters.

Slide 10: Q120 Group highlights

We reported a statutory profit before tax of £0.9bn, generating 3.5p of earnings per share.

Litigation and conduct was immaterial this quarter, but as usual I’ll reference the numbers excluding litigation and conduct, for consistency with prior periods.

Profits were down on last year, reflecting a material increase in the impairment charge, resulting from estimated effects of the COVID-19 pandemic, but the RoTE of 5.1% is underpinned by a strong income performance, which demonstrates our diversification.

However, given the uncertainty around the economic downturn and low interest rate environment, we expect 2020 to be challenging.

We continue to believe that above 10% RoTE is the right target for Barclays over time, but we need to see how the downturn plays out before giving any medium-term guidance.

We grew income 20%, reflecting strong performance in CIB and resilience in Barclays UK and CCP going into the downturn.

Costs were stable year-on-year, delivering strong positive jaws.

As a result, pre-provision profit increased by £1bn to £3bn.

However, the impairment charge increased by £1.7bn to £2.1bn.

This increase comprised £0.4bn of single name charges and £1.35bn net of IFRS 9 model-driven increases, reflecting the effect of running a revised COVID-19 scenario as our base case estimate and an oil price overlay, which I’ll come back to later.

The forward-looking nature of IFRS9 requires that we estimate expected credit losses, so we have taken significant additional impairment above that implied by current credit metrics, many of which do not yet reflect the effect of the pandemic.

The CET1 ratio was down from the year-end level of 13.8% to 13.1%.
This reflects strong pre-provision profitability and the cancellation of the FY19 dividend payment, more than offset by higher RWAs as a result of market volatility and increased client activity, and the effect of impairment.

It was a strong quarter for TNAV which increased to 284p, reflecting 3.5p of statutory EPS and net positive reserve movements of 19p.

Before I go into the performance by business, a few words on income, impairment and costs overall

**Slide 11: Income increased 20% in Q120 driven by standout Markets performance**

The quarter showed the benefit of the diversification of our income across consumer and wholesale businesses.

The increase in Group income reflected 44% growth in CIB, driven by a particularly strong quarter for Markets which was up 77%.

While our consumer businesses showed resilience in Q1, with income declines of just 4% in both CCP and BUK, we expect those businesses to experience further material pressure on income, as the effects of the pandemic feed into consumer behaviour.

On the next slide I’ll go through some of the income headwinds we are seeing across these consumer businesses.

**Slide 12: Drivers of income headwinds in BUK and CC&P are likely to persist throughout 2020**

We have seen interest rate reductions in Q1 in response to the COVID-19 pandemic, which are affecting both BUK and our US consumer business.

This will result in margin compression, and lower contributions from our structural hedges.

On spending, as you see on the right hand chart, we have started to see significant reductions in spend on credit cards, and across payments more generally in March.

We have seen a continued reduction in interest earning lending in UK cards and now also in US cards balances which will feed into lower income, although this may also be expected to mitigate the risk of increased impairment on extended balances.

To support customers in BUK we have taken specific actions that will reduce income, notably from overdrafts and support for SMEs, as well as starting to feel the effects of lower spending on customer balances.

Looking now at costs.
Slide 13: Cost control remains important, but short-term headwinds exist from spend on COVID-19 initiatives

With the 20% increase in income and stable costs, the Group delivered strong positive jaws, and the cost:income ratio reduced from 62% to 52%.

Given the income headwinds I’ve referred to, we don’t expect the cost:income ratio to remain at this level through the rest of the year.

There are also additional costs relating to the crisis, including the £100m community aid package, suspension of future redundancy programmes, and incremental operating costs. On the other hand, travel expenses and marketing for example will be lower.

We have relatively limited short-term flexibility in costs outside the CIB, particularly in the current circumstances.

We will be in a position to implement additional cost plans, if appropriate, as we get a clearer picture of the length and depth of the downturn.

Cost efficiency certainly remains very important to us, whatever the environment, and we continue to target a group CIR of below 60% over time.

Slide 14: Impairment charges increased across business lines due to the onset of the pandemic

I’ve mentioned the significant increase in impairment, resulting from implementing the COVID-19 scenario, and from single name losses.

As you can see the increase was most pronounced in CIB, as a result of the single name corporate losses and estimated effects of a sustained period of low oil prices, and in CCP, where the US unemployment assumptions have a significant effect on the ECL build.

I’ve shown on the next slide a breakdown of how we built up the charge.

Slide 15: Impairment driven by single name charges and IFRS 9 model increases

The modelled impairment calculated during the quarter, prior to running the COVID-19 scenario, generated a charge of £0.4bn.

In addition to this we charged another £0.4bn in respect of single name wholesale charges in the CIB, some of which have been affected by onset of the pandemic.

The remainder of the increase reflects the £1.2bn net impact from using the COVID-19 scenario as our base case, reflecting forecast deterioration in macroeconomic variables.

We’ve shown on the slide some of the key UK and US macroeconomic variables used, including peak unemployment rates of 17% for the US and 8% for the UK.
We have also included in this net impact the estimated effect of government support and central bank actions in both UK and US.

Finally, we included an overlay of £0.3bn to reflect the increased probability of a sustained period of low oil prices.

The £150m overlay for UK economic uncertainty held at year-end is absorbed within the COVID-19 scenario.

The modelling is subject to inherent uncertainty with respect to forecasting incremental credit losses, so there are likely to be further elevated impairment charges in the coming quarters, depending on how the economic downturn translates into cash losses.

We'll provide an update at Q2, but it is difficult to give more precise guidance at this stage, due to the level of uncertainty.

However, I did want to highlight how the increased impairment provisioning has increased our coverage ratios.

**Slide 16: Q120 IFRS 9 impairment movements**

This slide summarises the loan books, impairment build, and resulting coverage ratios, for the wholesale and consumer portfolios.

You can see that the impairment build in wholesale is largely driven by effect of the oil price overlay and provision for Stage 3 single name balances.

In unsecured consumer lending, however, I would highlight the increased coverage ratios for both Stage 3 and Stage 2 loans. Many of the latter are not yet delinquent, reflecting our conservative risk positioning over recent years. However, we have provided 19.4% coverage under the COVID-19 scenario, and close to 23% on Stage 2 balances overall.

Turning now to the individual businesses.

**Slide 17: Q120 Barclays UK**

BUK reported an RoTE of 6.8% for Q1, with income down 4%.

I mentioned some of the income headwinds BUK is facing earlier. Going into a bit more detail on these:

In Q1 we saw further reduction in interest-earning lending in UK cards and we expect the decline in spending to contribute to that trend.

In addition, the expected headwind from the change in overdraft pricing will now be amplified by the suspension of certain overdraft charges to support our customers during the pandemic.
The recent rate moves in response to the developing downturn also started to affect the latter part of Q1. This is expected to have a negative effect of around £250m for the full year.

I highlighted at Q4 the debt sales in BUK which were concentrated in the second half of 2019, with a total of over £120m across the year. We had immaterial debt sales in Q1, and in the current environment our programme of debt sales planned for 2020 may be pushed into 2021.

One positive in Q1 was the continuing growth in mortgage balances, up a further £1.8bn in the quarter, and pricing also improved compared to previous quarters.

The downturn is obviously having a significant effect on mortgage applications, although we still have a flow of remortgage business.

Meanwhile deposit balances continue to grow, maintaining the loan:deposit ratio at 96%.

Overall, as I indicated at Q4, NIM was already expected to fall to below 300bps and reached 291bps for the quarter. We now expect the additional headwinds and further decline in interest earning lending on cards to take our full year NIM into the range of 250-260bps.

Costs in the quarter increased 2%, reflecting higher restructuring spend.

While costs efficiency remains important, we have limited flexibility to reduce costs, until we have a clearer picture of the nature of the downturn, and also some additional costs coming in as a result of the pandemic, as I mentioned earlier.

One effect of the current difficulties is to increase digital banking engagement, and we remain committed to the digital transformation of the business, but will look closely at phasing of investment spend given the income environment.

Impairment for the quarter more than doubled to £481m, reflecting the COVID-19 scenario, although arrears rates at 31 March do not yet reflect the developing economic downturn.

The charge going forward will depend on the length and depth of the downturn and the effectiveness of government support schemes.

Turning now to Barclays International.

**Slide 18: Q120 Barclays International**

The BI businesses delivered an RoTE of 6.5% for the quarter, down year-on-year, as income increased by £1.1bn, more than offset by an increase of £1.4bn in impairment.

I’ll go into more detail on the businesses on the next two slides.
CIB delivered an RoTE of 12.1% in Q1, as a strong performance in Markets more than offset the increased impairment provision.

Income was up 44%, at £3.6bn, while costs were up 4%, delivering positive jaws of 40%.

Markets grew income to £2.4bn, up 77%.

This quarter included some net benefit from hedging counterparty risk, but the increase was driven by flow trading, with increased client activity and the trading businesses capturing a good portion of the widened bid-offer spreads as a result of the heightened volatility.

Client flows have continued at healthy levels in April. While it’s too early to guide for the quarter, or indeed comment on the outlook for the rest of the year, our revenue run-rate for Markets is well above that of the second quarter of last year.

Both Macro and Credit had a strong quarter, with FICC income roughly double last year.

Equities increased 21%, driven by flow derivatives, which benefitted from high levels of volatility.

Banking increased 12%, reflecting improved performance in DCM and Advisory, despite a lower overall fee pool.

Looking forward, the industry deal flow in Banking overall has reduced as the downturn has started to develop, although some areas, such as investment grade DCM, remain active.

I’ve talked before about the effect of mark-to-market moves on loan hedges on the Corporate income line. This quarter we have had significant positive marks on hedges, but also significant downward marks taken through the income line on our leveraged loan commitments.

Overall marks on the leveraged commitments were c.£320m negative, while marks on the hedges were c.£275m positive. Both these elements are likely to be volatile over the coming quarters, so I’ll highlight them when material.

The increase of 4% in CIB costs included an appropriate accrual for performance costs.

Impairment increased to £724m, driven by single name charges and the effect of the scenarios modelled, including the low oil price overlay.

RWAs increased by £30bn in the quarter to £202bn reflecting the stronger dollar and both increased client activity, including drawdown of loan facilities, and the effect of market volatility. I’ll come back to that when I talk about capital progression.

As a result of this, average allocated equity for the quarter increased to £27bn, but generated significantly improved RoTE.
Turning now to Consumer Cards & Payments.

**Slide 20: Q120 Barclays International: Consumer, Cards & Payments**

While income in CCP was resilient in Q1, down just 4% year-on-year, the significantly increased impairment charge resulted in a loss for the quarter.

US card balances were down 5% in dollar terms.

While the effect of the downturn is uncertain, with reduced spending trends emerging in March it is unlikely that balances will grow over coming quarters and the income environment is expected to remain challenging.

Costs were down 10%, resulting in positive jaws and a reduced cost income ratio of 52%.

However, if further income weakness develops, there is a limited amount of further cost flex we can implement in the short-term.

While arrears rates have not yet responded to recent sharp increases in US unemployment, we have taken a very significant additional impairment provision, up almost £700m as a result of running the COVID-19 scenario as our base case, including a peak unemployment rate of 17%.

I would also remind you that 84% of our US card balances were above our 660 FICO definition for prime lending.

The Payments businesses experienced a reduction in income, following growth in recent quarters, as a result of the reduced spend levels, principally in the UK.

Turning now to Head Office.

**Slide 21: Head Office**

The Head Office loss before tax of £99m was down on the Q4 loss of £167m, and down significantly year-on-year.

The negative income reflects the main elements I’ve referenced before: c.£30m of residual legacy funding costs, and residual negative treasury items, but hedge accounting this quarter generated significant positive income. This is expected to turn negative again in Q2.

Q1 also included some mark-to-market losses on legacy investments, and the Absa final dividend will come into Q2 rather than Q1 this year.

Going forward, there will continue to be quarterly fluctuations but the negative income runrate is likely to be clearly higher than in Q1.
Costs of £11m contrasted with the usual £50-60m run rate, driven by a provision release related to the historic sale of a non-core portfolio.

Going forward we will also be accounting for the £100m community aid package within the Head Office cost line, which will take costs above that run rate in certain quarters.

**Slide 22: Q120 TNAV movement**

TNAV increased in the quarter by 22p to 284p.

This reflected profits of 3.5p, despite the very significant impairment build, plus positive net reserve movements of 19p.

The strengthening of the dollar contributed to a 6p movement in the currency translation reserve, while the combination of lower interest rates but wider credit spreads had positive effects on the cashflow hedge and pension reserves.

The fair value reserve was affected negatively by the fall in the Absa share price and the Rand.

**Slide 23: Q120 CET1 ratio decreased to 13.1%**

On capital, we began the quarter at a CET1 ratio of 13.8% and had guided for a Q1 move towards our previous targeted level of around 13.5, to be driven by the seasonal increase in client activity in the CIB.

We closed the quarter at 13.1%, as the expected seasonality was enhanced by the higher than anticipated client activity, both in Markets and in drawdown of credit facilities, and the effects of market volatility under the Basel rules.

Impairment took 69bps off the capital ratio, as transitional relief on the charge for the quarter was limited and the rate of transitional relief on applicable impairment stock reduced from 85% to 70%.

The downward pressure on the CET1 ratio was partially offset by the cancellation of the full year dividend, which added 35bps to the ratio.

We expect pro-cyclicality of RWAs to affect us further in Q2 and I’ll say a bit more about the way we are looking at our capital requirement in a moment, but first I’ll go into more detail on the RWA increase on the next slide.

**Slide 24: Q120 RWAs growth**

Here we’ve broken down the elements of the 130bps effect from the increase in RWAs.

Lending in March, including drawdown of revolving credit facilities, added £7.2bn to RWAs, accounting for 33bps of the ratio decrease, but we’ve seen immaterial further drawdowns so far in April.
Counterparty and Market RWAs each increased by around £8bn respectively, from a combination of normal seasonal pick up and the pro-cyclical effects of the Basel framework, plus some currency effect.

The overall FX impact on RWAs is broadly matched by the effect on CET1 capital.

We expect some further pro-cyclical effects in Q2.

Looking on the next slide at our capital requirement and how we are thinking about utilisation of buffers through the developing stress.

**Slide 25: Prudently managing the Group’s capital position**

We’ve shown here our current capital requirement, and how it has reduced to reflect the removal of the counter-cyclical buffer by the Bank of England, in response to the COVID-19 pandemic.

As a result, our MDA has reduced to 11.5%, so our Q1 ratio of 13.1% represents a 160bps buffer currently.

As I mentioned, we expect some further pro-cyclical increases to RWAs in Q2, as the downturn develops, which will take the CET1 ratio to below 13% in Q2.

We also expect some further reduction in our MDA hurdle in percentage terms over the stress period, through some reduction in our Pillar 2a ratio requirement.

With regard to headroom, our capital ratio has been strengthened over recent years to put us in a position to absorb precisely the type of stress we are now experiencing.

In this environment, we will manage our capital ratio through this stress period to enable us to support customers, while maintaining an appropriate buffer above the MDA.

We are comfortable operating below our previous CET1 ratio target, as the stress evolves, and will continue to manage capital having regard to the servicing of more senior securities.

**Slide 26: Managing evolving future Group minimum leverage requirements**

Our UK leverage ratio at the end of Q1 was 4.5% on a spot and a daily average basis, well above our UK leverage requirement, which is currently just under 3.8%.

I would note that we expect the advanced implementation in Q2 of CRR2 rules on treatment of settlement balances to provide a meaningful benefit to our leverage position, which pro-forma would have increased our Q1 ratio to 4.7%.

Finally a few words about our liquidity and funding, which position us well to withstand the stresses that are developing, and to support our customers.
Slide 27: High quality liquidity position

Our liquidity metrics were strong, ending the quarter with an LCR of 155%, close to the year-end level, with liquidity pool assets of £237bn.

This represents 16% of the Group balance sheet, with 66% of the pool held as cash at central banks.

Slide 28: Conservative loan: deposit ratio

Our loan to deposit ratio reduced further to 79%, with growth in deposits more than offsetting loan growth.

On the loan side of the balance sheet the main increase was in corporate lending, including drawdowns on credit facilities, particularly in March.

The deposit base continues to reflect our diversified sources of funding, with most of the growth being in wholesale deposits, including some deposits by corporates following drawdown on those facilities.

Slide 29: High quality funding position with reduced reliance on short-term funding

Our funding profile remains in good shape, with diversified sources and reduced reliance on short-term funding.

We have issued £2bn equivalent of MREL debt in the year to date.

Although spreads reflect the current economic environment, we still plan further issuance of roughly £5-6bn across the current year, subject to market conditions.

Our MREL is at 29.3%, close to our expected end requirement.

Slide 30: Financial targets

So, to re-cap, despite the initial effects of the COVID-19 pandemic, notably the elevated impairment charge of around £2bn, we reported an RoTE of just over 5% for the quarter.

The performance from the Markets businesses drove a 20% increase in Group income, on a stable cost base, resulting in strong positive jaws.

Given the uncertainty around the economic downturn and low interest rate environment, we expect 2020 to be challenging.

However, we continue to believe that above 10% RoTE is the right target for Barclays over time, but we need to see how the downturn plays out before giving any medium-term guidance.

Our CET1 ratio of 13.1% reflected the initial effects of the downturn, and we expect some further procyclical increases in RWAs to reduce the ratio further in Q2, but we plan to maintain an appropriate buffer over our MDA, as we absorb the stress caused by the pandemic.
Our funding and liquidity remain strong and put us in a good position to support our customers and clients during this difficult period.

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

- regulatory capital, leverage, liquidity and resolution is based on Barclays’ interpretation of applicable rules and regulation 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. All such regulatory requirements are subject to changing
- 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 illustration, 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 evaluation 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. The Bank of England will review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation, which may drive a different 1 January 2022 MREL requirement than currently proposed. The Pillar 2A requirement is subject to at least annual review.

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 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. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including, without limitation, during management presentations to financial analysts) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the 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. The forward-looking statements speak only as at the date on which they are made and such statements may be affected by changes in legislation, the development of standards and interpretations under IFRS, 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 entity within the Group or any securities issued by such entities; direct and indirect impacts of the coronavirus (COVID-19) pandemic; instability as a result of the exit by the UK 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 Group’s control. As a result, the Group’s actual financial position, future results, dividend payments, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Group’s forward-looking statements. Additional risks and factors which may impact the 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 2019 and our Q1 2020 Results Announcement for the three months ended 31 March 2020 filed on Form 6-K), which are available on the SEC’s website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, (including, without limitation, the UK and the US), 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.

Non-IFRS performance measures

Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses’ performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the appendix on pages 33 to 40 for further information and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.