Barclays PLC Q1 2023 Results

27 April 2023

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

Omar Keenan, Credit Suisse

Good morning, everybody. Congratulations on a great set of numbers. I've got two questions. If we look at Barclays' businesses, clearly there's been a tailwind from high interest rates, but also, as you mentioned, there has been a market share and investment story over some time, which does imply that structurally, the RoTE potential has improved. However, the RoTE hurdle is unchanged.

I just wanted an updated thinking from you on that RoTE hurdle. Do you think greater than 10% adequately reflects Barclays' cost of equity? And if not, I was just hoping to explore your thinking on what you think the barriers are to giving a more challenging hurdle, and if you think it does need to be finetuned, whether you're considering any Investor Days in the future to do that.

And my next question is just on capital generation. Historically, Q1 has been the trough for capital generation. Can I just check? It sounds like that's expected to be the case this year. And are there any specific headwinds on capital that you'd call out?

And conceptually, it does seem that the interim buyback has not been larger than the full year buyback. Is that something that is applied as a rule, or is there no particular constraint on what size interim buyback can be relative to the full year?

C.S. Venkatakrishnan, Group Chief Executive

Let me answer the first question, and Anna will take the second one. Look, you're absolutely right that our businesses have delivered strong double-digit returns across the spectrum. And this reflects quality and breadth of performance across the group, it reflects the investments we've made over a number of years.

And the 15% RoTE for this first quarter, in my opinion, is a very serious downpayment on a target which is above 10%. So that it's above 10%, means 10% is a floor. It is not a ceiling. It is not reflecting the extent of our ambition. Our view is, with this strong start, we are very comfortable, and we expect to meet that target of above 10%.

Anna Cross, Group Finance Director

Omar, you're right, so that in the past, typically, it is what we expect, that Q1 is a lower point in our capital generation and trajectory for the year just because of seasonality. Obviously, all of that is prior to any distribution or buyback.

Equally, we'll come back and consider that buyback when we come back to the half year. That's the cadence that we've established. We don't have hard and fast rules, and we'll look at both our expected capital print at that point in time but also our expectations of capital generation in the second half when we do so.

Jason Napier, UBS

Good morning. Thank you for taking my questions. The first one, Anna, it's not enormous within the group context, but I wondered whether we could explore the loan loss charge in Barclays UK for cards. Stage two and three balances are down. You talk of the higher degree of transactors in the book. Unemployment has risen. I just wonder whether there was a pre-emptive component to that charge, or is this the run rate before the economy starts to noticeably slow at a headline level?

And then secondly perhaps, Venkat, for you. The Barclays implied cost of equity is above 20%. Some firms in that position have decided to not grow the balance sheet at all, the likes of UniCredit and StanChart, for example, and drive perhaps bigger buybacks.

I appreciate it's easier to run a bank where revenues are going up and banking is a fixed-cost volume game. But I just wonder whether you could simply talk about whether the valuation of the bank affects your attitude to growth. By how much would you expect RWAs to expand, given the share price and the market environment that we find ourselves in?

Anna Cross

Our impairment charge in the first quarter, both for the group and for the individual businesses, is as we expected it to be. And what's really driving that charge, Jason, is two things. The first is that the card book is 40% lower than it was pre-pandemic. So you need to take that into account when you're comparing this to what I would describe as a historic run rate for BUK.

The second thing is that the credit environment and credit behaviour is actually benign. We're seeing very conservative behaviour from our customers. They're repaying at an extremely high level. They're managing their finances very carefully. And you're seeing that come through in a low impairment print. Clearly, as the economy recovers, you might see that rise, but we would also expect to see credit card income rise at the same time, because obviously those two things are strongly linked. That's not a surprise to us.

C.S. Venkatakrishnan

What I would say, when you look at this quarter's results, is you see the benefit of the investments which we've made, not just in terms of the profits of the revenues we've produced but the stability in our metrics of capital. And what you see is that we are running a business for the long term. And when you run that business for the long term, you obviously hope that the stock price will ultimately recognise the value of those businesses.

We are aiming to create a series or a set of businesses, operate them well, run them efficiently, manage our risks well and produce numbers. Some quarters will be better than others, but we hope to do this kind of thing very steadily, and then that will be recognised and reflected in the stock price.

Capital return is an important part of that strategy, just as investment is an important part of that strategy, and we take our capital return very, very seriously, and we will balance it with the investment needs of [our ongoing businesses].

Jason Napier

If I could just follow up on that, what sort of RWA growth do you think for this sort of environment? And there's potential market share gains, given some of the volatility in the industry that we're seeing. What sort of balance sheet expansion would you have in mind for this year, do you think?

Anna Cross

Jason, why don't I take that? Really, it depends on the opportunities that we have in front of us. But you can see that we're doing it in a very disciplined way. We expected to deploy RWAs into markets in the first quarter, and that's what we've done. Where we see opportunities, we will obviously pursue them, but only in a very disciplined way, very focused on returns to shareholders, both returns as in in RoTE terms but our ability to distribute capital.

Joseph Dickerson, Jefferies

Hi, good morning. Thank you for taking my question. Just a quick one. Your slide 10 on the hedge income is rather interesting, because effectively, if you just assume your 3.75% average Q1 level of swap rates versus the yield, you're looking at somewhere south of about a £7bn gap. It's a very big number, considering that the market only expects you to grow your revenues in the UK bank by about £300m, 2025 on 2023.

And assuming that number stays flat, so theoretically, I wouldn't have thought that mortgage pricing and deposit mix shift would've eaten up the bulk of that. I just wonder your thoughts there, because it seems like there's still an incredible amount of momentum behind the hedge repricing, with the obvious caveat of where swap rates go, but we're actually sitting higher today than 3.75%.

Anna Cross

We've shown the slide for some time, and I'm glad it's useful. I think what it highlights is that we have got structural hedge momentum. We've seen that actually fairly repeatedly over the last few quarters, and you've seen that particularly in our BUK NIM bridge.

It's one of the reasons that we are calling out that we still expect our BUK NIM to continue to rise in the current environment, despite the product dynamics that you call out, and it really underpins the guidance that we've given you already of a greater than 3.20% NIM. So it's as we expected it to be, Joe, and fairly consistent over the last few quarters.

Joseph Dickerson, Jefferies

It's just very impressive when you look at, I think it's page 21 of the release, where you look at the net number being £1.7bn. It's a rather extraordinary gap. It just seems to me like the market is missing something on the outer years, normal caveats notwithstanding.

Anna Cross

Okay, thank you.

Rohith Chandra-Rajan, Bank of America

Hi. Thank you very much. Good morning. I had a couple on CIB revenues and cost, please. Firstly, on CIB revenues, congratulations there on a particularly strong performance. I think that's very commendable, given the tough prior year comps that you had.

I was wondering if I could just ask in terms of the trends on the corporate side in particular. Lending was better, quarter on quarter, which I presume is just primarily fewer marks, and then Transaction banking was a little bit weaker, quarter on quarter. I was just wondering if you could help us understand, firstly, what's happened in the first quarter, and then secondly, how we should think about those two revenue lines for the remainder of the year.

And then the second was on costs. You mentioned Q1 is the high point for both CIB and group costs. And I think, particularly about the CIB, is that relating to the compensation accrual and maybe the SRF contribution in the first quarter, or is there something around the phasing of either investment spend or cost savings that we should think about as well as the year progresses?

And then I guess the conclusion from both of those is strong revenue performance, but jaws in the CIB were still minus 14% in Q1. How should we think about that for the year as a whole? And more broadly, how are you managing that business in terms of costs and revenues?

Anna Cross

On the first one, on Corporate lending, remember, there are a few things in there. The corporate lending itself, then there is the cost of our first-loss protection, there's a leverage loan loss, and there's also the cost of the hedges against our leverage pipeline. The quarter-on-quarter movement that you see is really caused by two of those. You're right, it's the marks. We're taking no material marks this quarter.

The second point though is, if you recall from the full year, we said that we'd managed down our leverage loan pipeline. We continued to do that again in Q1, and therefore, the scale of those hedges is smaller, and therefore, the cost is smaller. And that's really what's moving that line.

On the Transaction banking side, the reduction in income is coming from a couple of things largely. You'll see that the balances are broadly stable. But remember, during the quarter, actually what happens in Transaction banking typically is we see corporate dividends being paid in the first quarter. The average balance tends to dip then and then grow towards the back end of the quarter. And also remember, you've got fewer business days within Q1. You've got 90 business days versus 92, which has an impact on any kind of banking income.

Taking all of that together and going forward, I think we expect our CIB NIM, which we very rarely talk about, to be broadly flat for the year. And the reason I say that is you've obviously got deposit migration going on within Transaction banking, but we feel like that's very well progressed.

And on the other side, you've got actually quite a helpful asset mix going on within Corporate, because in the current environment, there are slightly higher levels of both trade and sales finance, which are slightly higher-margin. Overall, that NIM is pretty stable. And with an expanding franchise, we think that's useful for the future.

On the CIB costs point, this is largely a seasonality point. You're right, we accrue compensation costs in line with revenue and returns in the CIB. So you're seeing a higher level there. You're also seeing the [Single Resolution Fund], so the European levy, which is a Q1 event. That is higher, year on year, and in scale terms, it's about £90m. And you're seeing a fairly consistent run rate in terms of investment that's underpinning the growth, as Venkat said. That's why we're saying we expect it to tick down from here.

We're very focused on returns in that business. You can see that the cost-income ratio, at 55%, is actually better, I think, than the market expected, despite that increase in cost. That was very deliberate on our part. And of course, we aspire to deliver positive jaws in this business, but at this point in the cycle, we're in an investment phase.

Jonathan Pierce, Numis

Hello there. Two questions, please. The first just on AT1. You've issued quite a lot of it over the last eight or nine months. And I guess there's an argument that you prefunded the instrument, callable in September. The overall stack, at nearly £14bn, I think, is higher than you would ordinarily look to run with. Can you talk a little bit about how you feel with regards to AT1 issuance over the rest of the year, and whether specifically you can still call that September instrument without refinancing it?

The second question is just on Barclays UK NIM. The 21 basis points drop in the quarter due to profit margins, obviously the hedge keeps on giving something like 13 basis points every quarter for the next quarters, and sooner or later, the bank rate element is going to drop away.

So thinking about the balance between these two, it'd be helpful if you could give me a sense of how much of that 21 basis points is coming from the component parts, mortgage refinancing, deposit migration, and I guess, in Q1, there was an element related to the actual loss of deposits as well.

Anna Cross

Yes, you're right, we issued AT1 in the first quarter, two very successful AT1s in the UK and in Singapore. We typically operate with a surplus of AT1 in our capital stack.

We do that deliberately, in part to give us flexibility around, for example, FX volatility that we might encounter, but also because we deploy it flexibly into our markets business, where despite the fact that the cost of that AT1 is higher than the Tier 2, obviously, the returns in the Markets business are sufficiently high to make that a good economic trade for us.

That's why we typically run with a surplus. We have got a call opportunity later in the year. We assess every call in line with the economic circumstances at that point in time. We'll be looking at that very carefully, as we ordinarily would, so no change there.

On the Barclays UK NIM, 318 basis points in the quarter, up eight basis points. That is as we expected. And the product migration again is as we expected and as we were talking about at the full year. We haven't given a split of that by business, Jonathan, but the larger part of it is mortgages. What's happening there is it's just a portfolio effect of the fact that most mortgages that are maturing this year were written in 2021, where asset margins were wider than they are now.

We have seen some deposit migration. That's within our expectations. As you can see, we haven't moved our product hedge on the retail side. That 21 basis points is not a surprise to us. I'll just remind you that as the year progresses, we expect to see continued hedge momentum. We expect that migration to continue, but we also expect to see some modest Treasury tailwinds, as we called out at the full year. And it's really taking all of those pieces together that means that we are confident in our guidance of greater than the 320 basis points for the year.

Jonathan Pierce

Just a quick follow-on on that. Do you think, without the Treasury movements turning into tailwinds, the UK NIM would still manage to creep up? In other words, will this 21 basis points ease, do you think, over the course of the year to a level more consistent with or even below the structural hedge tailwind?

Anna Cross

I would say yes, because they are modest Treasury tailwinds. We did talk before about expecting more product compression earlier in the year than later, and that part of the seasonal movement that we see in deposits around Q1. And I'd also encourage you, just have a look at the asset margins and how they played out in 2021. That might help you.

Guy Stebbings, Exane BNP Paribas

Hi. Morning. Thanks for taking the questions. The first one was just on your comment on the Gap portfolio and stage migration. Could you perhaps elaborate on the dynamics on that book? I would presume the quality of that book is not quite as strong as the rest of your very good quality card portfolio. Could you give us a glimpse of the coverage ratio on that portfolio and how it compares to the rest of the book to help us gauge what stage migration or normalisation these sales might need for impairments in the coming quarter?

And then on costs, thanks for the helpful guidance on Q1 being a high point for the group and for CIB. I presume that's struck off a certain revenue assumption, and if you had a really strong revenue performance, you might, very understandably, not hold yourself to that guidance. Could you share any more details on what those assumptions are that go into the guidance in particular, anything on revenue or what sort of market backdrop you're assuming on the CIB?

And then just one very small point of clarification on [European Single Resolution Fund]. I think you said it was £90m. Is that the absolute number? How does that compare to a normal year?

Anna Cross

When you purchase a portfolio, you purchase it at stage one. So when we acquired Gap, it was all stage one. As Gap has started to season and started to mature and grow, we see some natural migration into stage two.

That means that customers are starting to borrow more, we've got new customers coming onto the book, so it's exactly as we expected. If you use your credit card more than you did previously, you might progress to stage two, even though you're showing no signs of delinquency. That's just the way IFRS 9 works. It's within our expectations.

And in terms of coverage of NIM, we don't disclose individual partner ratios, whether that be delinquency or NIM. But what I will tell you is that we manage each partner individually. We manage them on a risk-adjusted return.

The Gap is a very good quality portfolio, but it is a retail portfolio, and we typically expect the cost of risk to be higher in that type of portfolio than we would in an airline one, but we would also expect the NIM to be higher. Overall, think of this as us managing a risk-adjusted return. So even though impairment might be higher, we'd also expect NIM to be higher..

On the second one, the easy bit is yes, around £90m in absolute terms on the [European Single Resolution Fund]. It does move around a little bit, not quite as mechanistic as the bank levy in the UK, but that is up year on year, which I think we've talked about in the slides.

From here on in, we obviously have an expectation of performance. We've given you, I think, clear guidance in terms of how we expect costs to move from here. We've also, by inference, given you some income guidance, because we've given you a cost-income ratio expectation for the year. Hopefully, that will be somewhat helpful in getting you to the range of income that we expect, albeit at group level.

The only other thing I would say is that the guidance we've given is based on the [current] FX rate. It's also based on our current expectations of a normal seasonal profile in CIB revenues and driven very much by the performance costs underpinning that.

Alvaro Serrano, Morgan Stanley

Hi. Good morning. A couple of questions from me. One of them is more of a follow-up. On the deposits, it's great to see that you saw deposits up actually, and we've seen quite different reports from some of your peers and overall.

You mentioned the flight to quality, but I don't know if you can size that flight to quality, like some of the US peers have done. And more importantly, going forward, and I'm thinking here in particular in BUK, what would you expect the deposits to do from here? Do you continue to experience a slip or more stability?

And the second question is more of a follow-up on the previous question on Markets. You mentioned, Anna, that you're expecting a normal seasonality, but FICC was very, very strong on a very strong comp. To give us some comfort or some more colour, could you talk us through Q1, if a lot of that was March volatility, or was it more consistent and that gives you the confidence for that normal seasonality?

C.S. Venkatakrishnan

The first one on deposits, you're right. We've gone up a little over the quarter, £10 billion, though we saw a normal seasonality within the BUK deposit base, which is a very slight shrinkage. And that was due to basically people paying their taxes.

The broad point within the UK context is that it has not seen the movements across banks as you've seen in the US, because there's not been the kind of deposit pressure you've got in the US from some of the very large regional banks having problems. In the US, it's very much a function of that regional bank issue and the movement from regionals to the big-money central banks. You don't have that in the UK. It's been behaving the way we would expect it to in the first quarter, and we'd expect [a normal] seasonal trend in the second quarter. .

Where we have seen a bit of inflow is in what we would call our Treasury deposits, we'd call it out, which are corporates around the world placing deposits, time deposits with us, which is a nice thing to have. It's a show of confidence. And so that is what's been driving it. And I would say, otherwise, in the UK context, think of it as just the normal seasonal flow.

Coming back to Markets, I will say two things. As far as the first quarter goes, it was a case of great volatility in fixed income markets, both before March and in March. If you remember, in the early part of the year, interest rates started rising, and then there was a big view [...] that the Fed was going to stop having interest rate hikes up to a certain point, and there was a bunch of, shall we say, bearish trades on rates and bullish trades on spreads in January. That reversed in March, so you see volatility.

But I think the important thing that I would like to say about our FICC franchise is that our market share has continued to grow in that franchise, as it has in Equities, over a number of quarters and years, based on deepening client relationships, investment in technology, investment in people. I expect, as we go forward in the next quarter and the one after that, for that market share to be sustained, if not to grow.

And we did well in the first quarter of this year. And for the second quarter, I will also remind you that Q222 was a very strong point of comparison with the volatility that you had post-Russia/Ukraine. And so far, you've not seen that in this quarter.

Chris Cant, Autonomous

Good morning. Thanks for taking my questions. If I could ask two, please. On the structural hedge, you said in the slides that about two thirds of the hedging is coming through in the UK. But where does the other one third get booked by business, please, and how much of that will be coming through the Transaction banking line? I'm just trying to get a sense of how much growth we should expect there.

Are you able to guide at all, on your expectations for revenues for the Corporate lending and Transaction banking lines? I know you don't generally talk about the revenue outlook, but I would hope that those lines might be a little bit forecastable, and I think that was a source of the beat in the quarter versus consensus. [...]

And then on the BUK side of things, in terms of the mortgage book, could you give us a sense, of where you're writing new business today versus where the average spread on the back book appears?

Anna Cross

Okay, let me take those, Chris. The majority of the rest of the structural hedge does appear in Transaction banking. There's a little bit in the Private Bank, but as you can imagine, much less, given its scale and also given that those are much more interest-sensitive balances. That's, in part, driving the NIM in the CIB, up year on year, and then there's another smaller part from assets, which I called out before, from the sales and trade finance side on there.

In terms of Corporate lending, I called out before, we've seen some movements quarter on quarter, because we haven't taken marks because the pipeline is much lower. From here, let's see where that goes, but it's certainly much recovered on the prior quarter. We've given some guidance on this line before, but just remember, the other thing that's in there is our SRT costs, so our first-loss protection costs.

If I take all of that together, actually, our Corporate income is pretty stable. And the reason I say that is you're seeing a NIM that's stable for reasons that I said before. You're seeing good balance growth coming through. Actually, we've seen some year-on-year corporate lending growth as well. So as an outlook, it's performed, as you say, a lot more stable than some of the other parts of the CIB, so we're pretty confident in its outlook.

I think the other thing I'd just call out is we've obviously seen quite a lot of deposit migration there already. If I contrast the three different deposit franchises we have, we've seen most migration in Private Banking, as you'd expect, a lot in Corporate, and probably less in Personal. Hopefully that gives you some guidance there.

In terms of the UK mortgages, we don't talk about specific margins. That's not something we'd ever disclose. But if you're looking for the effects of the compression, I would say mortgage margins have been relatively stable, and they're pretty consistent across the market, given the very competitive nature of it. And if you were to look back at the spread over swap in 2021, then you're going to see that compression effect quite clearly, I think.

Chris Cant

Just if I can come back on the CIB revenue line items, so we should be interpreting Corporate lending c.£100m a quarter from here and Transaction banking growing from £750- £800m as the hedge benefits come through? I think it was alluded to in an earlier question, but the structural hedge benefits prospectively are quite meaty. And if a lot are coming through that Transaction banking line, presumably we should be expecting that to grow sequentially from here. Is that fair?

Anna Cross

Let me just correct you slightly. I'm not going to give you a quarterly income number for Corporate lending simply because of the number of factors in there. But given that we've hopefully seen the stress of leverage lending behind us, then hopefully, it'll stabilise from here at least.

On the Transaction banking side, you've got two things going on there. You've got potential further growth coming from the expansion in Europe, also the UK franchise, but there is some NIM effect in there, because although we're well through the deposit migration in Transaction banking, I'd still expect more to come in Corporate, [as corporates are] very sophisticated, and actively managing their balance sheet, which is what we've seen, and we'd expect it would continue.

Edward Firth, KBW

Yes, thank you very much. Morning, everybody. It was just a question for Venkat, actually. If you look at the profitability of your businesses, BUK is now making a 20% return. And I guess, if I look at your forecasts or your guidance, you are going to expect that to go up from here, so probably mid-20s or even higher, which is double what you're targeting for the group as a whole.

And just that's the business, in recent years, you've been ceding market share in some of your key areas. And I wonder, at what point do you start to think that actually, that is an area now where you should be putting more capital in and start trying to gain share, particularly in things like credit cards, deposits, that type of stuff? Because it would seem that that would make logical sense, give you look at the profitability mix of the business as a whole.

Then I guess related to that, I see that, and maybe this is part of the answer, BUK costs are up 9% year on year. Is that the sort of cost growth? It's quite punchy. Are there one-offs in there, or should we be expecting that sort of cost growth for the year as a whole?

C. S. Venkatakrishnan

Hey, Ed. Thank you very much. Let me begin with the first part there, and I'll ask Anna to talk a little about cost growth, about costs. So you're right, the profitability, the RoTE of BUK is 20%. We're not making any statement about how that would grow quarter on quarter.

I think what you are seeing is the impact of, on the one hand, rising interest rates. On the other hand, especially when you look at the mortgage business and the NIM, we've spoken about those dynamics. So you see that all coming together in producing good numbers.

I would make two statements about just our market positioning in the UK. We aim and continue to be a full-service bank across small businesses, retail, mortgages, credit cards, everything. What you've seen is risk positioning on our side, particularly in credit cards, since around Brexit but a little after that, where we have backed off from some of the longer-term balance transfer offers and the juicier aspects of them, and you're seeing a prudent risk positioning.

We will assess that as we assess all risk positioning over time, depending on facts and circumstances, how the economy grows, and we will make those changes. It's not a question of ceding or gaining market share. It's a question of just managing the risk profile of the book. And that's what you should see it as.

At the same time, if you look at our Kensington Mortgages acquisition from last year, what that is, is about building a capability for issuing mortgages or offering mortgages to people with complex incomes. It's something we felt we needed, and we will build out that capability.

Edward Firth

The credit environment does look very benign. All your forward-looking indicators show no deterioration. At what point do you start thinking, well, this is by far and away my most profitable business, it's time to start competing a little bit and taking some share and seeing if I can grow? Is it something you review annually, or is it something you review monthly? At what point could we start seeing that change?

C. S. Venkatakrishnan

Yes. We look on a fairly frequent basis about our positioning and how much we want to take risk, and in all parts of the UK market. It's not something that happens annually. It happens frankly monthly/quarterly through risk committees, and we've been doing it since the start of this year.

As I said, you're right that if you look at the trailing credit behaviour, it has been fairly benign. And what you continue to see in the UK consumer is a resilience to the shock of higher energy costs, a resilience to the shock of higher mortgage rates and managing the overall inflation. Now, we will watch it month to month, quarter to quarter, and we will make our decision. It's not something that we decide annually and it's cast in stone at that point. No. We're watching it carefully.

Anna Cross

Thanks, Venkat. Let me add one thing actually, and then I'll go on to costs. The other thing is that as we step back into a market, you don't always see the results immediately. And the example I'd give you is actually our card book. We stepped back into promotional balances. We are very thoughtful about where we position ourselves, but that balance transfer business takes a while to season through and get interest-earning lending. So there's a little factor from there.

And also, the way that we are rebuilding our cards portfolio, we're obviously investing a lot in new products like the Avios product, which is more fee-based and probably a slightly different demographic sector. There's a lot of activity in there, I would say, for new growth forward as well.

Anna Cross

Just moving to costs, BUK is in the midst of a transformation. We talked about that a few times. And essentially, what we're doing is we're generating efficiencies which are absorbing inflation, and then we are also reinvesting them into future transformation.

We're obviously changing our physical footprint, fewer branches but more flex locations. We're simplifying our product stack. We're digitising all the journeys. So there's some quite heavy investment phases happening in there. That means the cost profile can be a bit lumpy. I wouldn't call out anything specific in Q1, but it's not steady state, is what I'd say.

To help you from here, Venkat mentioned Kensington. You should expect some integration costs from Kensington in Q2, but thereafter, you're going to start to see a cost profile that reflects the transformation starting to come through. Hopefully, that gives you a view of how we're expecting it to pan out this year, and maybe a bit of background on the nature of the costs.

Andrew Coombs, Citi

Good morning. Thanks for taking my question. I'll keep it to one, actually, given I'm last up. But just on slide 17, I just wanted to focus on the footnote that you put around the financing revenues. So there, you talked about that the 25% growth year on year is in part due to inflation, and in a more normalised environment, you'd expect it to be around 10% growth. Can you just elaborate a bit more on that comment?

You previously, last quarter, talked about the financing revenues being more stable and an example of where you've gained market share that you think you can keep. But I was just interested in that comment specifically in the footnote. It sounds like there's an element of one-off nature in Q1 23.

Anna Cross

Okay, let me help a bit here, because this is obviously quite a new disclosure for us. We've done it a couple of times now. Financing, like any other business, really has impact from balances, from stress and from seasonality. What we're seeing in Q1 is continued good growth in client balances that reflects the investment that we put there and that we talked about today.

The spreads do reflect the macroeconomic environment. For example, in Q1, we saw very conducive spreads in our fixed income financing business, given the rate volatility, but we actually saw a bit of compression in prime because or the reduction on the equity side.

The reason that we called out inflation in particular is that there are some positions within our fixed income financing business that are linked to inflation. And we're calling it out just to be helpful. They are not one-off, but the reason that I'm calling them out is that in a lower inflationary environment, we might expect them to generate less income.

And then the final thing I would say, Andy, is just this business is quite seasonal, so it tends to be heavier in the first couple of quarters just because of dividend season, and then also tends to be a little bit lower in the second half. Actually, you can see that in the disclosures from some of our peers who've given this disclosure for quite a lot longer.

Hopefully, that will help you shape it. It's not a one-off, but we're just calling it out simply because of its scale in that particular quarter. But underlying that, we're seeing 10% growth, which we think reflects the investment that we've made. And you can see, actually, even that 10% growth, the real stability in this business is that it's afforded to the markets business in Q1.

Anna Cross

Okay, thank you. And with that, we will conclude today's call. Thank you very much for joining us, for your questions, and I will see some of you the week after next. So thanks very much, and have a great day.

Information relating to:

- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, CRD IV (as amended by CRD V applicable as at the reporting date) and CRR (as amended by CRR II applicable as at the reporting date) texts and any applicable delegated acts, implementing acts or technical standards and as such rules and regulations form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended. All such regulatory requirements are subject to change and disclosures made by the Group will be subject to any resulting changes as at the applicable reporting date;

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

- future regulatory capital, liquidity, funding and/or MREL, including forward-looking illustrations, are provided for illustrative purposes only and are not forecasts of Barclays' results of operations or capital position or otherwise. Illustrations regarding the capital flight path, end-state capital evolution and expectations and MREL build are based on certain assumptions applicable at the date of publication only which cannot be assured and are subject to change.

Important information

In preparing the ESG information in this document:

(i) made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. This is for example the case in relation to financed emissions, portfolio alignment, classification of environmental and social financing, operational emissions and measurement of climate risk

(ii) used ESG and climate data, models and methodologies that we consider to be appropriate and suitable for these purposes as at the date on which they were deployed. However, these data, models and methodologies are subject to future risks and uncertainties and may change over time. They are not of the same standard as those available in the context of other financial information, nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There is an inability to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies will also be affected by underlying data quality which can be hard to assess or challenges in accessing data on a timely basis

(iii) continued (and will continue) to review and develop our approach to data, models and methodologies in line with market principles and standards as this subject area matures. The data, models and methodologies used and the judgements estimates or assumptions made are rapidly evolving and this may directly or indirectly affect the metrics, data points and targets contained in the climate and sustainability content within this document and the Barclays PLC Annual Report. Further development of accounting and/or reporting standards could impact (potentially materially) the performance metrics, data points and targets contained in this document and the Barclays PLC Annual Report. In future reports we may present some or all of the information for this reporting period using updated or more granular data or improved models, methodologies, market practices or standards or recalibrated performance against targets on the basis of updated data. Such re-presented, updated or recalibrated information may result in different outcomes than those included in this document and the Barclays PLC Annual Report. It is important for readers and users of this report to be aware that direct like-for-like comparisons of each piece of information disclosed may not always be possible from one reporting period to another. Where information is re-presented, recalibrated or updated from time to time, our principles based approach to reporting financed emissions data (see page 87) sets out when information in respect of a prior year will be identified and explained

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. 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 directors, officers and employees of the Group (including during management presentations) 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 levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including dividend policy and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance (ESG) commitments and targets), business strategy, plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward- looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulation and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; the Group’s ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents and similar events beyond the Group’s control; the impact of competition; capital, leverage and other regulatory rules applicable to past, current and future periods; UK, US, Eurozone and global macroeconomic and business conditions, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; higher or lower asset valuations; changes in credit ratings of any entity within the Group or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the Russia-Ukraine war on European and global macroeconomic conditions, political stability and financial markets; direct and indirect impacts of the coronavirus (COVID-19) pandemic; instability as a result of the UK’s exit from the European Union (EU), the effects of the EU- UK Trade and Cooperation Agreement and any disruption that may subsequently result in the UK and globally; the risk of cyber-attacks, information or security breaches or technology failures on the Group’s reputation, business or operations; the Group’s ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Group’s control. As a result, the Group’s actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets 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 Barclays PLC’s filings with the SEC (including, without limitation, Barclays PLC’s Annual Report on Form 20-F for the financial year ended 31 December 2022), which are available on the SEC’s website at www.sec.gov.

Subject to Barclays PLC’s 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. Non-IFRS performance measures are defined and reconciliations are available on our results announcement for the period ended 31 March 2023.