

Barclays PLC Q1 2022 Results

28 April 2022

Results call Q&A transcript (amended in places to improve accuracy and readability)**Jonathan Pierce, Numis**

Hello there both. I have got two questions. The first one is just a numbers one. The hedge income looks like it could be pushing £2bn per annum by the time it gets towards the end of the year, so could I just invite you to maybe tell us how much of that is actually in Barclays UK as opposed to CIB, please? That would help.

The second question is a much broader one on these buybacks. Thanks for the clarity that it is a question of when, not if, but could you maybe just set out for us in a bit more detail what exactly needs to be done in the coming weeks to get the £1bn going? Is it purely the refiling of these 20-Fs or is there anything that is more out of your control that we should be thinking about?

And, sorry, just a supplementary to that, and this may be jumping the gun a bit but capital accretion over the rest of the year, organically at least, should be pretty good, as it often is in the last nine months. I am just wondering if you think there is any scope, given what has happened in the last couple of months, for the buybacks to be topped up later this year, which I think may have been your intention at the full year results? Thanks a lot.

Anna Cross, Group Finance Director

Okay, thanks, Jonathan. I will take both of those. In terms of the structural hedge income, approximately 60% of it sits in BUK, so hopefully that is quite straightforward.

In relation to the other matter, as a UK matter we have concluded and agreed with our auditor and the UK regulators that there is no need for us to refile either BBPLC or BPLC in the UK. We are still in ongoing discussions with the SEC in relation to our requirement to potentially or possibly refile BPLC, and we have concluded that we will refile BBPLC.

So you are right, it relates directly to that. Until we have concluded that, we have decided, so it is a Barclays decision, that we will delay the commencement of the buyback. What I would say, Jonathan, is that we are well progressed in our preparation, and in fact the basis of that restatement is what we have actually printed today, with the reattribution back into FY21. We have got really constructive discussions with the SEC, so that is why we have positioned it as we have, as a when rather than an if. And you are right, we are really pleased with the capital print in the first quarter and we feel like there is momentum in the business, and actually across all three businesses, so we will continue to consider our distribution plans for the rest of the year but we would expect to accrete capital.

We have guided today that we are still continuing to target double digit [RoTE], that is about 150bps, and we have delivered 51bps from AP in the first quarter, so it does feel like the momentum is there. But it is something that we will discuss with the board. Typically, we discuss that throughout the year, it is not just a matter for the year-end. We saw that last year, and I would not believe it would be different this year.

Jonathan Pierce, Numis

Okay, that is really helpful. So just to be clear then, once these 20-Fs, one or two, have been refiled, the buyback will start? We are not waiting to see what the SEC is going to do in regards to potential fines or remedial action on the control function. It is literally just the 20-Fs?

Anna Cross, Group Finance Director

Correct.

Jonathan Pierce, Numis

Great, thanks a lot.

Joseph Dickerson, Jefferies

Good morning, thank you for taking my question. Just a question on the provisioning. I guess if I look at the card coverage in the UK, that is at 13%, this is like almost an adverse outcome in a stress test. What is driving that level of conservatism, given where we are in unemployment rates and household indebtedness and so forth? And more broadly, do you think that you are taking enough risk in unsecured? So two topics on unsecured.

And then staying in the same area, could you just comment in terms of what you are seeing in some of the higher-frequency spend data? Your own monthly Barclaycard survey shows areas such as non-essential spending are up 17% on March 2019. At some point, you would think some of this is going to turn into revolving balances, particularly as travel picks up, is that a correct assumption?

Anna Cross, Group Finance Director

Yes, thanks, Joe. I will take the provisioning, and I am sure that Venkat will have a view on risk, and then I will revert back on the high frequency data. When we were at the year-end we were cautious, and we were cautious about a few things. We were clearly cautious because of the Omicron variant. We were cautious also about impending inflationary and affordability pressures. I would say that since the year-end, our concerns about COVID have abated somewhat, but the tragic events in Ukraine and the ongoing impact of inflation around the world, and how that plays into affordability, has probably changed that concern a little.

So we have been cautious, Joe, and that is why we have maintained coverage. You are right, unemployment forecasts are low, but the way I think about unemployment is we use it in the models as a shorthand for disposable income. So even though unemployment forecasts are low, it is absolutely certain that the affordability pressure is out there, and therefore we will see some pressure on monthly disposable income, and that is why we have taken the position that we have. Venkat, what about our risk positioning?

C. S. Venkatakrisnan, Group Chief Executive

Yes, Joe, you are absolutely right, that first of all, credit conditions, otherwise, are relatively benign. Obviously, with these inflation, cost-of-living pressures, and interest rate rises consequently coming from central banks, there is a greater chance today than there was even three or four months ago that growth gets affected and employment gets affected later on this year.

Having said all of that, especially in unsecured, I would characterise this as a demand problem and not a supply problem. We have abundant risk appetite to lend unsecured, both in the UK and in the US. Obviously, we will do it where it is affordable to our customers, and where it makes sense from a credit risk point of view, but credit risk is benign. So we are very much open for business, and I think what you are seeing is a demand issue.

We are also anticipating, in the UK, that as discretionary spending, or non-essential spending, rises into the summer with holidays, that we will see balance growth. I think the UK is a little behind the US in that.

Anna Cross, Group Finance Director

I would completely agree with that, Joe. If you look at our high-frequency spend data, we can see purchases up in credit cards in the UK, we can see payment volumes up. When we look at our payments business, the turnover is 17% up, year on year and actually, when we look back to 2019, which is the last year pre-COVID, our purchase volumes are up versus that as well. So there is definitely recovery in spending.

We continue to see elevated levels of repayment in cards in both the UK and the US, actually, which is probably some reflection both of consumer confidence and the large liability balances that we have seen accrete through the COVID-19 period. So I think that will probably form a little bit of a dampening on growth, but essentially what is happening is what we expected to happen, which is we are seeing purchases as a strong lead indicator. We expect to see balance growth from here, and actually lending growth will probably follow that.

Joseph Dickerson, Jefferies

That is very clear, thank you, both.

Rohith Chandra-Rajan, Bank of America

Hi, good morning. I had a couple, please, one on the CIB and one on costs. Obviously a great quarter for the CIB in Q1, and congratulations on that, but as Venkat mentioned, the CIB does not move in a straight line so I was just wondering what market environment you were baking in to support that 10% ROTE for the group for the full year, particularly for the CIB? So market environment for the CIB. And then linked to that, just in terms of the controls review, is that specifically around the structured products business, or is it broader-based than that?

And then the second area, I wonder if you could just provide a little bit more detail on how your thinking on costs has changed, so the £600-700m increase in cost expectations for this year, relative to previous guidance. How much of that is incremental litigation and conduct, how much is inflation, how much is performance-related, how much is FX? If you could provide any clarity around that, that would be really helpful, thank you.

C. S. Venkatakrishnan, Group Chief Executive

Thanks, Rohith. I will begin with CIB, and then Anna will cover costs. I think the market environment will continue to be one characterised by volatility, both in interest rates, in credit stress and in equities. I obviously hope and do not anticipate that there will be this kind of severe shock to the system that the Russian invasion of Ukraine created in late February, but I am thinking about it more like the environment that prevailed, let us say, in January, up to the Russian-Ukraine invasion, and that is probably prevailing right now, now that that shock has abated. So it is one characterised by higher volatility, and I think investors, clients and corporations will continue to have to reposition their portfolios, dealing with that volatility, and form views about what they want to assume in their risk profile going forward, which is not an easy thing.

More broadly, I think you are beginning to see a little bit of deal activity come back into the market. Obviously, the Elon Musk acquisition of Twitter, for which we were an advisor and financier, which has been reported, has idiosyncratic elements to it, but we think is a harbinger of some improved deal activity. And that will help the banking side.

As far as the controls review itself goes, there is what is going on externally, which is focused very much on this particular incident. And from everything we have seen so far, there was no intentional misconduct and it seems to be a relatively specific matter. Having said that, as I have said before, I take a controls culture and a risk management culture extremely, extremely seriously, and I am very disappointed when I see surprises like this. And so we will do whatever we need to do to ensure that we do not face such surprises and if that means looking internally at other things, we will. But the most important thing to emphasise is a no-surprise culture and learning from it when it happens. And I will turn to Anna on costs.

Anna Cross, Group Finance Director

Okay, thanks. Rohith, yes, you are correct, we have guided to £15bn all-in costs this morning. I want to be clear that that is a statutory number, so the movement that you are seeing is predominantly around, let us say, about £500m, I would say, and that is really what has changed here and we are clearly disappointed by that.

Let me help you understand how I think about costs. I think of it permanently as us working across three different factors. The first is what we invest in to underpin the growth of the business. The second is how we drive efficiency programmes through the business. And then the third is how we are managing headwinds, from inflation and indeed from FX.

What is different again is the pressures around that third element are certainly higher than they were, although I would remind you that whilst FX might be a headwind to costs, it is a tailwind for the P&L overall. Typically what we try and do is bring the net impact of those three as close to nil as we can, so growth can drop to the bottom line. That is harder in the current environment, which is why we have given that guidance around all-in.

We do have levers though, and you have seen us be really disciplined in the first quarter. So whilst we have got revenue growth at 10%, we have got operating cost growth of 1%, and we have got positive jaws in all three of the businesses. So you should expect us to continue to be thoughtful and disciplined.

Rohith Chandra-Rajan, Bank of America

Thank you. Can I just follow up on that, Anna, in terms of the levers? Presumably, that inflationary pressure builds as we go into next year. I think you talked about the potential deferment of investment spend, would that be the key lever that you would pull to manage a more inflationary environment for a year or two?

Anna Cross, Group Finance Director

Yes, I think there are a few levers, there is that phasing of investment. Clearly, we will prioritise the investment that we think is strategically important, that is the right thing for the business, but we may push out divisions that are a bit more marginal.

The second one would be driving efficiency harder. We clearly set off in Q4 of 2021, with our BUK transformation for example, that was not really going to deliver a whole load in 2022, but beyond that. That is simply because of the timing of when those investments start. From 2023 onwards, you would expect that to start coming through. So I would say driving efficiency really hard.

And then the third thing is just the timing and extent of any further structural cost actions that we may choose to take. We have guided to those being down materially, year on year, and as we take them we are thoughtful about the returns in the business at that point in time. So think of us pulling those three levers, Rohith.

Rohith Chandra-Rajan, Bank of America

Okay, thank you very much.

Alvarro Serrano, Morgan Stanley

Good morning. Just a couple of questions again on the structured notes issue and the review from the regulators. Apart from the refiling, what do you think the potential range of outcomes could be? In particular, I am thinking if they do ask you to reinforce controls, is this a material source of cost inflation that we have to think about?

And the other question for me is on consumer. I am thinking UK but if there are any relevant comments on the US, that would be very welcome as well. Obviously, balances are not taking off yet, and for the outlook, you have the uptick in utility bills and potentially more later in the year. With that, you are still confident that it is going to grow. What drives that confidence? Does the pick-up in travel still make you confident on that, despite all the consumer squeeze? And on that I am thinking more in terms of demand and balance growth over the next few quarters, why are you so confident? Thank you.

C. S. Venkatakrisnan, Group Chief Executive

Hi, Alvaro, so let me begin on the structured notes side, and then Anna will cover consumer balances. First of all, on the cost estimate that we have given you, we have given you our best estimate at this point, which is primarily related to the rescission offer itself and the financial risks around it which we have hedged.

The broader issue about controls, it is early for me to say I think. We are doing this external review and as I said, from what we have seen, there has been no intentional misconduct and it appears to be an isolated matter. We of course will internally, as I said in answer to the previous question, I hate surprises, and when surprises happen I would like to look more broadly.

But we have spent a lot of time and money on improving the controls culture of this bank since 2016. And we have done a lot. And if you look, whether it has been financial risks or other risks that have been hitting the industry over the last many years, there are many things which we have avoided. So I feel good about what we have accomplished.

Obviously, we did not achieve perfection, otherwise this would not have happened, so this is upsetting that it has happened, but I take some comfort in everything that we have done so far, and we will continue to look, as you have to after all of these things happen, but my hope and expectation is that this is a very specific matter.

Anna Cross, Group Finance Director

Okay, Alvaro, I will take the question on cards balances in the UK and the US. They are different, so let me draw that out. In the UK, we are still confident. The reason for that is because of the trajectory and purchase activity that we see. You are right, the mix within that we might expect to tend towards travel as we head into the summer.

I think the other thing to remember is as we went into COVID, we were risk-off, we were conservative, we were cautious as we went into COVID, and that was a decision that we took at the time, but since then we have stepped back towards consumer risk in the UK as Venkat outlined previously. We are doing so in a thoughtful way given the environment, but over time, us stepping back into the market to acquire card customers will feed through into higher balances. So it is partly around purchasing behaviour but it is also that flywheel effect of stepping back into the market.

The US is completely different. In the US, we have seen balances grow by \$2.6bn in the year, they were up 17%. That was nearly all organic. We are seeing heightened purchase activity there too, so that gives us confidence in terms of the organic growth from the folks we already have borrowing on their cards.

And then of course, we had strong customer acquisitions throughout the back-end of 2021, and you are starting to see that now coming on. Actually, what you are seeing most of right now is the contra-income of that, but that will again feed through to balances. And then inorganically, we have got GAP coming on board at the end of Q2 in the US, so I think we are constructive in both the UK and the US for different reasons, but we would expect balances to grow in both.

Alvarro Serrano, Morgan Stanley

Thank you very much.

Chris Cant, Autonomous

Good morning, thank you for taking my questions. If I could just come back on the shelf issuance problem. First, could you explain in a bit more detail what you have done to size the potential impact here in terms of the provision you have taken? Presumably, these instruments change hands several times. Do you have any obligation to compensate previous owners of the instrument or just the current holders? I note that in today's release you have indicated an unquantifiable contingent liability on a subset of the ETNs, so when do you think you will be in a position to quantify that potential risk?

And then secondly, is there a risk of some regulatory fine here? I appreciate that you have indicated this was basically an unintentional error. It is not a risk culture issue, but you had lost your Well Known Seasoned Issuer (WKSI) status in the US in 2017 and then paid a fine, so I guess you were already on the naughty step, for want of a better term. Could that be a factor in how the regulator views the recent over-issuance problem? Thank you.

Anna Cross, Group Finance Director

Okay, thanks, Chris. What we have put in the financial statements this time is our best estimate at this stage. And you are right, it is focused on the structured notes rather than the ETNs, but it is worth just calling out that within the \$15bn, the ETNs are \$2bn of that over-issuance. I cannot go into detail on the way we have constructed the provision but what I would say is that there are differences in the products and the way that the products trade in the market, that underline the reason why we have treated them differently in the way that we have called it out.

We are not able to determine if or what any liability would be with the ETNs, whereas with the equity structured notes, they perform differently in the market and therefore that is relatively clear. As it relates to further discussions with the regulators, Venkat, do you want to take that?

C. S. Venkatakrisnan, Group Chief Executive

Yes, obviously we cannot forecast exactly what will happen, but I think there are two or three things, importantly, to keep in mind. Number one is we seek at all times to have frank, open, harmonious relationships with our regulators. In that way, this issue was escalated immediately to them and we have regular discussions, and we are working constructively to resolve it.

We have not, in the external review, found any evidence yet of internal misconduct or any sign of internal misconduct. I think all those are contributory but the ultimate outcome is to resolve this matter appropriately, offering the right remedies under law to those who have been affected, and working constructively with our regulators to end the matter.

Chris Cant, Autonomous

Ok, thank you.

Omar Keenan, Credit Suisse

Good morning, everybody. Thank you very much for taking the questions. I have got one Markets question and one Barclays UK NIM/structural hedge question. On Markets, you talked about improved margins from historically low levels, and an environment of persistent volatility. I understand that picture for FICC, and I can see that FY22 is likely to be quite good for the franchise, relative to last year, especially given the normalisation of rates we had last year.

But what I am trying to understand is how you think the Equities business will behave specifically and how volatility-dependent you think Barclays Equities franchise is versus how directional it is? I am just trying to understand the likelihood of those businesses performing together, as they did in the first quarter.

Then my second question is on the Barclays UK NIM guidance. Could you give us some colour around the specific assumptions behind the revised NIM guidance? I think if we think about the number of Bank of England rate hikes that are now in the base, I think it is probably around 35 to 40bps on average, or something like that. Is that fair?

And just on a question related to the structural hedge, I wonder how much you are thinking about how to manage the structural hedge, given the shape of the yield curve and what you are expecting from just rates? I am just wondering if the bias is going to be for yields to head up? Whether you would be tempted to shorten the duration of it without suffering on yield to increase your Year 2-4 rate sensitivity. Thank you.

C. S. Venkatakrisnan, Group Chief Executive

Thanks, Omar. Let me begin with the Markets questions, and then both the NIM and the structural hedge, I will turn over to Anna to answer. On the Markets side, you have asked about both FICC and Equities. Let me say two things. First, on FICC, there is higher volatility on the trading side. On the Equities side, as well, I think there has been a period since last year, it has been slightly different things, but it has been increased volatility in the equity market since last year.

At the start of the year, if you remember, it was very idiosyncratic, single stock movements, the "meme" stocks, as they call them. It has become more broad-based now with higher interest rates and greater volatility in indices. I think one way to think about it for us is we have both a strong cash (equities) and a strong derivatives franchise and the derivatives franchise tends to benefit from increased volatility.

The one thing I would like you to also keep in mind, both for fixed income and equity, is how much we have been making progress in what I would call financing and financing-based revenues, which are a little subject to volatility but are much more stable fee-like income. So obviously equity prime has been a growth area, and we called it out in

our slides with a 40% growth over a four year period, ending in 2021, but even a 10% growth in the first quarter of this year.

Fixed Income Financing, where we are a leading participant in the market, top three, if not top two, has been low in absolute revenues for the past number of years with rates being very low, spreads being very low, rate volatility and spread volatility being very low, but it is starting to pick up with widening credit spreads and higher interest rates.

So I think that combination of financing revenue across Equities and Fixed Income, is something we have been strong in and we continue to invest in. And it is fee-like income, but in markets like this, I would anticipate that that continues and some of it is really quite independent of markets. It is franchise revenues.

Anna Cross, Group Finance Director

Thanks for the question, Omar. On Barclays UK NIM guidance, we guided today that we expect to be between 270 and 280bps for the year. A key assumption there is we are assuming that we exit the year with a base rate of 1.75%. Let me tell you about what I think the levers are. The first is clearly that base rate move. We have seen to date, I would say, little pass through or low levels of pass through. I would expect pass through to increase as rates continue to rise. Of course, it is difficult to call specifics. We have not been on this pathway in the UK for quite some time, but in general, I would expect pass through rates to increase somewhat from here.

The second thing is obviously the structural hedge, and I will come back to that in a little bit more detail. But obviously, the structural hedge will increase in income terms over time, and that adds to that build in our NIM.

And then there is probably one, which is a bit more of a dampener, which is obviously what we are seeing in terms of mortgage margins. The mortgage margins are definitely very competitive. And whilst we like the business and are pleased with our growth, just the mix effect will have a dampening effect on NIM, but obviously, a positive impact on NII in cash terms.

The wild card is really what happens to card balances, so that one is a little bit more difficult to call. The thing I will just say about base rates, before I go on to structural hedges, is whilst we are calling that we are using a 1.75% exit rate, the rises in Q3 and Q4 do not really have that much effect on 2022, both because of the timing and obviously, we are assuming an escalated pass through as we go on.

Just coming to the structural hedge, the structural hedge is there to dampen the volatility from interest rates in the UK NIM, and indeed, NIM generally across our banking book products. It is not an expression of how we feel about rates. To the extent we move that hedge around, typically, what we are doing is we are extending it in quantum to reflect higher deposits. We are not doing anything else. So, we are not intending to change it in terms of duration at this point. It is a caterpillar, so c.1/60th of it will reprice every month. So, just to reiterate though, taking all of those things together, we are guiding up for NIM, because all of those things are a net benefit to the overall income of BUK.

Omar Keenan, Credit Suisse

If I can just ask a quick follow-up question. You have kept your rate (sensitivity) guidance of £275m for 25bps. Should we take that as a signal that that will be the rate sensitivity for the next hike?

Anna Cross, Group Finance Director

That is a more general disclosure, Omar. It is difficult to be specific about any particular rate hike, and we would not do that. It is quite dynamic because of not just the timing of them, also it depends where you are on the curve, for example, but it is also because we are making multiple decisions across different businesses. It will be different in Corporate versus BUK etc., so do not think about it as an expression of intent, it is a sensitivity.

Omar Keenan, Credit Suisse

Lovely, thank you.

Edward Firth, KBW

Good morning everybody. I have two questions, please. The first one is really about credit. I hear what you say about conservatism and caution on the outlook, but if I look on page 18, you have got your variables that you use for your Expected Loss computation. In that, you have got UK GDP in your base case growing at 5.7% this year and 2.5% next year. If you look at the probability table below that, you have actually got a probability weighting to do better than that. And yet, consensus is almost 2% below that for this year and even lower again for next. So, it seems to me you have been quite aggressive in your expected loss assumptions. So, my first question would be am I reading that right and what is the sensitivity around it? If you were to put more of a consensus view of growth expectations (in your model), how might that affect your expected loss computation? That is my first question.

The second one was really one for Venkat. It is a broader strategy question, Venkat. Now you have had a bit of time in place, one of the frustrations I have with Barclays is if you look at your CIB business, it has just smashed expectations again and again. And again this quarter, you are 40%, 50% ahead of what everybody was thinking. And yet, look at the market reaction again today. Everybody shrugs their shoulders and wanders off. As a CEO looking at it afresh, is there anything you can do about this, do you think? How can you get people to start giving you value for the performance in that business? People have talked, in the past, about floating some of it off. Can you split it up and give a small visibility on the stable underlying earnings? Because it must be immensely frustrating for you and for everybody who works there that these earnings are just basically ignored.

Anna Cross, Group Finance Director

Thanks, Ed. I will take the first question and then I will hand over to Venkat. On your question around our macroeconomic variables, we did not update those in the quarter. We rolled them forward from Q4, which is what you are seeing. They clearly changed towards the back end of the quarter, or rather to be specific, consensus changed towards the back end of the quarter, and we did not update for that, but we do not think that is significant.

The reason I say that is GDP is not a big driver of ECL in our models. The one that really matters is the unemployment rates. And actually, if anything, if you look at our unemployment metrics that we are feeding into the models, they are on the conservative side. And really, much of the conservatism that we are posing here relates to our post-model adjustments, and you can see that in the disclosure, and actually you can see that in the way that the coverage ratios are. That is why the stage two coverage ratios are elevated, because that is where the PMA sits. So, yes the macroeconomic variables are important. Some of them are more important than others, and I would say that unemployment is the one you should really watch. But our PMAs are a significant part of our non-defaulted stock coverage levels, so, we are pretty comfortable with it. Venkat?

Edward Firth, KBW

Can I just have one quick follow-up on that. You have still got a 47% probability weighting to an upside, and only a 20% weighting to a downside. Should we expect that to be a bit more cautious as we go through the year?

Anna Cross, Group Finance Director

The probability weighting is actually a modelled output, Ed. And we can spend a bit more time with you on this outside of here, if you want. But essentially, it is mathematically derived from the divergence between the scenarios. So, the further apart they are, the lower the probability, in simple terms. So, it is not an active decision we make, it is actually a mathematical output of the pathway. But we can take you through that in a bit more detail.

Edward Firth, KBW

That would be great, thank you

C. S. Venkatakrisnan, Group Chief Executive

Thanks for the second question, Ed. First of all, what I would like to say is if you take a five to six year perspective on the bank, going back, there were two questions about Barclays and the CIB. One was should we have a CIB? And second was if we had a CIB, would we be any good at it? On the first question of should we have a CIB, I think the argument we made in 2016 was that it was an important source of diversification for the bank. And I think the events through 2020 and 2021 and early 2022 have shown that that was true. So, I think that question of should we have a

CIB is off the table. But equally, because of that, the corollary is that we very much wanted to be part of what this business is about or what Barclays Bank is about.

The second question being if you had a CIB, would you be any good at it? I think your own kind words describing our performance, I would take as evidence that that question should be moving off the table. Because I think we are showing that we are actually reasonably good at it.

So, then the broader strategy question you are asking is well, you do not seem to be getting credit for it in the share price. But it has the salutary effect of making me a more patient human being. But beyond that, I think the question really is the conversion of the earnings into buybacks and into capital return. And clearly, the events of this quarter have delayed that satisfaction just a bit. And the second is consistency. So, I think what you should expect from us, from a strategic point of view, is to keep to the diversification, to keep to trying to produce good earnings, to keep to trying with our objective of a decent return of capital to shareholders, and then the story will find its success.

Edward Firth, KBW

If I can just come back with one question. There must be some elements of that business, which is what I would call the core recurring business. I will be honest with you, I have got absolutely no idea what CIB revenue is going to be this year and I guess you probably do not either. So, it does make it very difficult for investors to put any value to it in a meaningful manner. But I guess within the business, there must surely be an underlying revenue, which we do know what it is going to make this year, which we could perhaps highlight in some way. Is there something in that or not?

C. S. Venkatakrishnan, Group Chief Executive

I think there is. Let me try to do it for you in a qualitative way, without giving you numbers. First of all, you have heard us talk a lot about financing, with equity financing and fixed income financing, equity financing is what we call our Prime business. This is where we have balances from investors around the world who want to borrow against stock or borrow against bonds, and they keep balances with us.

We have shown you that the [financing income in the IB] has grown tremendously, 40% I think, from FY18 to FY21 and another 10% in the first quarter of this year. Those are franchise relationships that endure and they have happened because we have invested in that business, and we have had some competitors who have exited that business, and we have been able to gain some market share from it. That is one part of the business that is relatively repeatable.

When you think broadly inside the CIB and capital markets, both debt capital markets and equity capital markets, again they conflate a bit, quarter to quarter, but the size of the capital markets has been growing and we expect that to continue to grow, expect us to get a certain share, which we hope is an increasing share, of that issuance market, and we have always been, historically, very strong in debt and are getting stronger in equities and you expect to see that and associated revenues.

And then there is a part of our trading where, again, I think you should expect a certain base amount, which will come every day, because portfolios need to be rebalanced, people take new positions, and people have to trade and rebalance with people on Wall Street like us. On top of that, there is an element, which comes from either very special situations, like the ones we spoke about earlier today, or because of higher volatility in the markets, which means people need to rebalance their portfolios more than they normally do, because it has moved because of market movement or because they are taking positions. We are seeing a bit of that now.

I anticipate that this year, we will have a higher level of that volatility simply because of rising interest rates and the adjustments people need to make in their fixed income portfolios and their equity portfolios because of equity volatility. I expect that to be higher this year. Can I tell you what that is three years from now? No.

Edward Firth, KBW

Ok, that was very helpful. Thank you.

Martin Leitgeb, Goldman Sachs

Good morning. Thank you for taking my question and also, congratulations on the strong print today. Just two quick follow-up questions, one on UK cards and one on the CIB.

I was just wondering, on the UK cards, if there was anything specifically to call out on Barclays' performance. It seems like the market share in terms of credit card balances in the UK keeps dropping lower, even though there had been comments about a year ago about your intention to lean back into the recovery and regain some of the market share lost. So, I was wondering how we should think about the card progression balances going forward? Would that be in line with the market, that you are roughly content with a market share of around 15%? Or would you also see an ambition to regain some of the market share in UK cards?

And secondly on the CIB, you called out share gains in prime financing. I was wondering if you could comment on how you see the competitive landscape evolving? Are there still opportunities out there for further share gains, or could you actually see some of that reversing, with some of the European banks pushing back in terms of revenue ambitions? Thank you.

Anna Cross, Group Finance Director

Thank you, Martin. I will take the first and then pass to Venkat. Your questions about UK cards and Barclays' specific performance. I think the first thing to say is that we are in cards and actually [no one] else [is] exactly the same. We are not targeting a specific market share, that is not part of our philosophy. Our performance, I think, reflects the fact that we did step back from risk. We actually stepped back from risk post-Brexit and we stepped back at the beginning of the pandemic. Therefore, as we step back in, the response is not an immediate one. It takes a while for those customers to join us, to start to borrow, and so on. So, I think we would hope that we will see balances grow over time from stepping back into that market, but it is not instantaneous. There is a delay. I think that is what we are seeing now.

The other thing I would say is that it is our intention, over time, that we will reshape that business, and you are seeing evidence of us doing that now. So, ensuring that we have got products that are focused on spend, not lend. Our Avios product launched in February (for example). It is too early to talk about specific numbers but we are pleased with how that is going. So, I think the cards business of the future is not going to be a replica of the cards business of the past for quite a few reasons. Venkat?

C. S. Venkatakrishnan, Group Chief Executive

Martin, thanks for the question. We take our competitors extremely seriously. We respect them. They are all strong, professional banks and many of them are bigger than us. What I will say to you is market share gains come in two ways. One is if competitors exit a particular area which has happened with certain products and certain banks. And then the second is, more sustainably, how you continue to deal with your clients, the services you provide, the investments you make in new capabilities, and the continuity which you have in strategy and client facilitation. We have been on this journey for a number of years with a consistent investment and a consistent approach to the strategy.

Our footprint has remained relatively consistent, which is concentrated in the US and Europe, and in Asia building it out slowly but based in trading centres in Hong Kong, Singapore, and India, and serving China on an offshore basis. There are things we do and things we do not do. What we do, we try to do really well and we try to offer enough to customers and deal with them in enough products that they keep coming back to us. So, I am very hopeful that with the team we have, the investments we make, and the consistency in their strategy, that we will continue to get customers coming back to us, leading, I believe, to market share [gains].

Martin Leitgeb, Goldman Sachs

Thank you very much.

Anna Cross, Group Finance Director

Thank you, everybody. We look forward to seeing many of you over the next few weeks, and in the meantime, take care.

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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 2022.