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Transcript of fireside chat with C.S. Venkatakrishnan, Group Chief Executive of Barclays

(amended in places with factual corrections and to improve accuracy and readability)

Rob Noble, **Deutsche Bank**

It seems every year in the banking sector, there's a once-in-a-lifetime event. Actually, given what's happened here, in particular, with U.S. regional banks and the read-across to Credit Suisse, how have you gone about managing liquidity risk? And how has that changed? And how do you think the regulator looks at it, going forward?

C.S. Venkatakrishnan, Barclays

So, I think for many of us, liquidity risk has been one of the important things, part of asset and liability management that we have all been focused on. And I think if we are to be honest about what's happened in the U.S., a number of banks were not paying perhaps as much close attention to their asset-liability duration risk and the duration of their assets as they should have been.

In the European context, I think it's true for you, it's true for us. Some of the regulations require us (but we would probably have done it ourselves) to understand the impact on our portfolio of a certain rise in interest rates. And therefore, most of us had much smaller books in what is called "held to maturity", which is non-mark to market.

So, for us, it's been a couple of things. On the asset side and the asset-liability side, really nothing has changed. We continue to look at the interest rate sensitivity of our books. Our book of investment portfolio [liquidity pool at Q123] was c.£333 billion [...]. But over 82% of it is in cash. The rest of it is in securities, high-quality bonds, but with a very well managed interest rate profile.

On the liability side, the bank is very old. The bank has a very broad profile of customers: retail, small business, midsize corporates, large corporates, funding in the wholesale markets. And that composition, that liquidity, that tenor, the currency mix, is something that we have developed over many, many years.

One of the advantages of both the European banking system and the U.K. banking system and its concentration, and frankly, the ring-fence, which for those of you who don't know, was a way of taking domestic banking, separating it from the international side of the bank, and protecting U.K. depositors. That made it easier – and there are only a handful of banks inside the ring-fence – it makes it easier to run a well-oiled deposit strategy, because you're not actually fighting a bunch of people for it.

So, we've got a broad-based client base for our deposits. And curiously enough, as the stuff happened in the U.S. with Silicon Valley Bank, we actually had an inflow, [in total deposit terms] around £10 billion, [mainly] in the large corporate deposits, of people coming in who were, I think, basically moving away from U.S. banks. They were non-U.S. clients moving away from U.S. banks. So, it's a broad deposit strategy, which we continue to keep an eye on.

What's happening with the rise in interest rates in the U.K. is that we are seeing a shift, obviously, from keeping [deposits] in overnight accounts, savings accounts, into term deposits. [Deposits] are staying with us, but obviously it affects the NIM. The guidance which we have given over the year is greater than 320 basis points. And we factored into that this level of migration, which I think is notable.

And I think as you go through the interest rate cycle – remember, this is the first interest rate cycle we've all seen in the developed markets for about 20 years – you will see aspects of behaviour which models of 20 years ago did not capture. So, you've got to be a little conservative in how you view it. We certainly are. But all in all, net-net-net, it figures into our [FY23 NIM] guidance of 3.20%.

Rob Noble

Just on the deposits, we've seen a decline even at a sector level in the U.S. and the same in the U.K. and you say you're taking on some deposits, but I think overall deposits is starting to go down. It feels like a lot of the deposit flows and liquidity issues are because all the central banks are retrenching, and then you're seeing this change in mix because interest rates are higher. How do you manage the interest rate risk and the liability mix shifts, thinking sort of one, two years ahead? What's the level of deposits going to be and the mix? And then how do I plan forward with hedges and alike?

C.S. Venkatakrishnan

So, it's a science and it's an art. The basic thing is if you assumed you knew what the deposit profile was and you assumed you knew what the mix was in terms of short term to long term and other client compositions, then it's sort of easy to hedge it. But as I said, you're going through an interest rate cycle. So, you don't know, as liquidity is being withdrawn from the system, how much ultimately deposits are down. And you also are trying to be conservative as to the mix from short term to long term.

So, we try to apply conservatism to both, and model it. And as I think people know, one of the things we have had as a programmatic approach for decades – well, maybe decades – is what we call a structural hedge. So, we basically have a ladder of swaps which goes out in time and which earns a higher fixed rate. So, what we try to do is as the yield curve peaks, this thing which you put in place a couple of years ago will continue to give you greater [net] interest income. And then, it acts as a stabilising force on the other side when interest rates start dropping, as well.

So, that's the approach we've taken. And the quantum of that hedge is subject to understanding the size of your deposit base and to understanding the composition in terms of tenor. But this is one thing which is changing in the market, and you've just got to model it and watch it closely.

Rob Noble

One thing Barclays has done very well is [to smooth your RoTE]. We've been through a recession now and you've done well at maintaining the RoTE. In the last two years, you've posted RoTE greater than 10%, [in line with] your target. Q1, off to a great start. So, why do you choose to work with such a conservative floor target? And is there a challenge in meeting 10% if rates revert back to sort of normal levels that are kind of priced into the market?

C.S. Venkatakrishnan

There's an aspect of it which is conservatism, and there's an aspect of it which is communication. So, when we say greater than 10%, I'm thinking "greater"; everybody thinks 10%.

But look, we set our targets late last year. And as we set our targets, we had a fairly cautious view about the economy. We also had a cautious view about what would happen to the economy and business models as interest rates rose. Now, did I think in Q4 that we would see something happening in the U.S. regional bank sector? Absolutely not. I had no idea it was going to happen. But we were worried about business models resetting. And I still think you see that.

So, the businesses underlying are performing reasonably well. Our trading businesses – and I'll come to this quarter in a minute – have benefited over the years from strong volatility. The investment bank did well, softened again in 2022 as deal volume declined.

So, we look at the picture on a whole, I think as the year goes on we'll take a look at those targets, and we'll see if it makes sense to change them. But for now, we say "greater than" 10%. I will say "greater than"; I hope you hear that number. But some people hear 10%.

Rob Noble

So, you've put a lot of work into the investment, into the CIB, gained a lot of market share, to make it a more stable contributor to that group RoTE target. So, how much more is there to be done in that area? How stable do you see that revenue and returns source now? And what can you do to make the market and analysts assign a greater value to those earnings, and we've got the same issue at Deutsche, as well?

C.S. Venkatakrishnan

I think I'll take the Investment Bank into three parts. I'll take Markets. I'll take Banking. And within Markets and Banking, I'll talk about what aspect of it is a function of market volatility and market cycles and what is less related to that, which is our financing business. So, let me begin there.

An investment proposition we've been investing in technology in our Markets and our Trading businesses, and we invest in our Financing businesses, in Prime and in Fixed Income Financing. We've been talking about the growth in those numbers, and Fixed Income Financing and Equities Financing is around [20-30]% of our total Markets revenue. And it's relatively stable [compared to trading]. In 2020 and 2021, where the equity markets were volatile, Prime was good. And as rates have risen and spreads have widened, Fixed Income Financing has done well. Both of these require huge investment in technology and people. We've been doing that. We'll have to continue to do that.

So, Markets is about that – technology and people – and filling in spots. Our rank in Securitised Products has been a little lower than ranks elsewhere. So, we've been investing in Securitised Products.

And Banking, Investment Banking, I think is going to see a lot more investment, for a few reasons. Number one, we've traditionally had a great strength in Debt Capital Markets. And as we look to be more fee-oriented and capital- and balance sheet-light in the Investment Bank, we are investing more in M&A, and that kind of advisory skill requires you to invest in bankers who have the connectivity with companies. And so, that's one big area.

The second area within the Investment Bank is when we think about the generational change that's happening in sectors, much more on climate and ESG-friendly sectors. So, we have to develop and build the skills there. We have traditionally been very U.S. heavy, so, we've been investing a lot in Europe. We have pockets of investment in Asia, where we continue to want to strengthen it. India is one case where we've had a long history, and we want to continue to strengthen that part of our franchise.

So, in the Investment Bank and in Banking, especially in this downturn, what we hope is we can both continue to build our internal talent, invest in external talent, finding the specific areas where we want to work to do more, and to try to reorient it, retain hopefully our strength in Debt Capital Markets, but build complementary strength in Equities and in M&A.

Rob Noble

If I look at the other areas of your business, you've been investing in those as well. If we pick out a couple of small inorganic ones – the Kensington Mortgages within the U.K., the Gap portfolio in the U.S. – they offer slightly different products than you have in the existing portfolio. So, what growth and opportunities do you see in the retail and consumer side from a product perspective, as well?

C.S. Venkatakrishnan

So, I think I've said this in the past, at the very highest level when you look at our bank, there were two questions about Barclays five years ago. "Should you have an investment bank? Should you be in investment banking? And if you were in investment banking, would you be any good at it?"

I think, as Christian said it, Deutsche and we are the two strong European investment banks left. And I think it has provided very good diversification to the earnings of the bank over a number of years. So, my answer to those two questions is, yes, we should be in investment banking, and we think we're reasonably good at it.

That was the question of the last five years. As we look forward, in a way we have been too successful in that question, because the investment bank is about 60% to 65% of, give or take in any year, any of our revenues, of our capital allocation, of our profitability. And what we would like to do is to grow the other side of it, which is much more consumer oriented. Sometimes it has balance sheet, sometimes it doesn't, but more fee-oriented businesses.

The U.K. is a very densely banked market. And there, we are looking to broaden our product capabilities. This portfolio, Kensington Mortgages, as you refer to, we've always been a very traditional conservative mortgage lender. You have to show us your source of income. We give you "x" percentage LTV and we issue the mortgage, etc. Kensington has made a specialism of lending money to people with non-traditional sources of income, multiple sources of income, which as you can see, the economy is shifting to. People who have multiple jobs, the so-called "gig economy". We wanted to buy that capability and to grow our mortgage portfolio. It's hard in the context of a [c.£165] billion mortgage portfolio to find where the spots are. So, this is one spot.

In the U.S. credit card business, we operate a partnership card business [...], virtually entirely partnership, which means it's a B2B2C business. We work with corporate clients, some of the big airline companies: JetBlue, American Airlines, and so on. And for their rewards cards, we are the issuer. Our client is the airline company, and underlying that you've got their customers, and because we don't have a retail offering in the U.S., we don't compete for that customer. Our customer is the corporate client and helping them service and build loyalty with their end customer. So, we've got about 20 million underlying people who use our cards, and that's actually a fairly big number.

What we did with Gap was we tried to do two things, kill two birds with one stone. One is we've always had a higher-end portfolio in travel and hospitality. With Gap, you sort of go broader in the credit spectrum and smaller ticket sizes; people buying jeans and backpacks. And we also scaled, because we've doubled our underlying customer base from 10 million to 20 million.

So, what I'm hoping to do there is to continue to grow that business and scale it, because I think the consumer market in the U.S. is very important and it's a growing market. And unlike the U.K., there's a lot of opportunity and headroom for us. And I think it fits in with the larger strategy of increasing the percentage of our revenues that are not tied to market volatility in the Investment Bank.

Rob Noble

Given that – how do you balance the desire to invest and shape this business and sort of dilute the Investment Bank faster, if you agree with those words, against returning capital to shareholders, given the valuation in the market? It must be high hurdle rates to actually spend money on investment versus buying back your stock at such a low level?

C.S. Venkatakrishnan

You have to eat well and exercise well. And sometimes people view those as contradictory terms, but they're not actually.

So, we understand with our stock price trading at half of book, mathematically there's an implied cost of capital of 20% and that the best thing you can do is buy back shares, for a shareholder and for us. For the shareholder, it's "certainty" of return of capital. On the other hand, we're not in this business to […]run it in some stable way without investing.

So, we have three things we look at. Number one is we value returns to shareholders, and we want to do, not just because our shareholders want us to do this, because we understand that it is, at some level, the highest and best use of capital.

Two, we are, though, in businesses, as I said, whether it's investment banking or otherwise, where there is opportunity in the long run, where there are synergies. And, frankly, you have to invest to stay [competitive]. Barclays, in trading, went through a period from 2010 to 2015-16, where it did not invest enough in its systems and lost market share as a result of that. And what you've got in our Markets business and in Banking is an increasingly smaller number of players. If you invest and keep yourself current and leading-edge, then you can share in that profit and fee pool in a way that others really cannot. So, there is a protective aspect of it, too. So, we have to do that investment.

The third thing, coming back in a sense to your first question, is we also have to realise that with the way the world is changing and with regulation, you've got to be cautious about what regulatory changes there might be that require capital from you. […] In some years, there might be more, in some years, there might be less. You've got to keep some aside for that. Meaning, you keep a healthy capitalisation level.

You're balancing those three types. And what I would urge you to think about it, is you've got to eat well and exercise well. You've got to do both. We've got to invest, we've got to be well capitalised, and we have to return to shareholders. And we try to balance that. Not everybody will be always happy with the way we balance it, but we are trying to balance it well.

Rob Noble

Let's move on to asset quality. As you mentioned, […] higher-risk profile in the U.S. I think, in general, the trends that we're seeing from an asset quality perspective are better than we all expected maybe a year ago at this stage, but there's some small signs of weakness. So, can you talk us through the trends you're seeing in the U.K. versus U.S. credit cards, for example? Small versus large corporates? U.S. leverage lending? And anything that's on the horizon that might potentially concern you.

C.S. Venkatakrishnan

So, let's begin with the U.K. and U.K. retail. So, one of the aspects, coming back to your earlier question about liquidity, is one of the reasons why liquidity is leaving the system, besides what the central banks do, is people are spending their cash cushions – and they have to – because of higher inflation. What that means is we've not seen credit stress, but what we are seeing is people managing their spending.

So, if you look at our own credit card spending data and debit card spending data, I think for the month ending in [...][April], the percentage growth in spending annually has been about 4.5%, and inflation has run around 9%. So, they are spending less than inflation.
Source: [*https://home.barclays/news/press-releases/2023/05/consumer-spending-grew-just-4-3-per-cent-in-april--yet-summer-ho/*](https://home.barclays/news/press-releases/2023/05/consumer-spending-grew-just-4-3-per-cent-in-april--yet-summer-ho/)

Inflation is item per item, so what they are doing is they're economising on items, either buying less or moving to cheaper brands or moving to a different level of quality; organic milk to non-organic milk. And we've seen that consistently. We've also seen what you might call downsizing, people not eating as much in restaurants and eating more in some of the fast-food chains.

Travel has picked up off a very low base. That's the one thing which is discretionary expense that's picked up, but what you're seeing broadly across the economy is people being very careful. It has not led to, other than the very extreme amounts, times of increased credit stress, but at some point it will.

The other measure which I use in the U.K. is the mortgage market. And in the mortgage market, the U.S. has a 15-, 30-year fixed-rate market. The U.K. has a two-, three-year fixed-rate market. So, this rate rise, let's just say it began a year and a half ago. In a year and a half, everybody would have refinanced to a much higher rate.

The rough calculation [across the UK mortgage market] is a two-income family, median two-income family, with median incomes, in the median house, up to 2020 were spending 20% of their income on mortgages. Now, when this is done they'll be spending around 28% – call it close to 30% – of their income on mortgage. Which means that in addition to pure food and energy inflation, that's another thing that's going to affect spending.

And so, I think ultimately that all puts a pressure on credit. Now, what's helping the U.K., it's helping the U.S., is that unemployment is still very low, that employment is high, people have jobs. But I think in the U.K., it is stifling growth. Because how do you generate higher growth in a full-employment economy? It's stifling growth. But as far as credit goes, so far, so good.

Similar trends in mid-corporate and larger corporates. Of course, there are sector imbalances in the corporates. Some consumer-related companies are having a tougher time.

Leveraged finance, at the very higher end, that market was properly in – I won't say [...]a deep freeze – it was shut for a while late last year. We've managed to clear a good bit of our pipeline from last year, and it's all been materially within the marks at which we held them. We've started seeing a few trades coming in.

The way I simplistically think about it is three things have to happen for those deals to work. Number one is companies that want to invest, which are primarily the financial sponsors, the private equity firms, need to have cash; they have cash.

Second, people have to believe that asset values have found a floor, which people thought at the start of this year with the stock market. I think now people are not sure anymore.

And then, the third thing is the cost of bank financing has to have reached a level and the terms have to be stabilised. And I think we're slowly getting there. We've not gotten there. What's happened outside is private credit funds have fallen, which may intermediate the banks and provide "stable" financing. Let's see.

Rob Noble

I guess maybe we'll tack on commercial real estate and any thoughts you have there as well, given what seems to be the topic, one of the topics, of the year.

C.S. Venkatakrishnan

So, our own [commercial real estate portfolio] has been fairly conservative. We've got about a £16 billion exposure. Fairly conservative LTVs. It's a sector the bank got burnt in 30 years ago, and I'm glad institutional memory remained. And what we do is mostly warehouse financing to the large firms.

I think on commercial real estate, clearly you're seeing problems on the office sector, and you're seeing problems in lower-quality office buildings. So, the joke in New York is you can't find an apartment, but if you want to live in an office building, you can. And I think what's happening with the regional banks will continue to put pressure on the commercial sector around the U.S., especially because they are involved in that kind of lending and they're going to have to be more cautious about their lending because they have other asset problems on the balance sheet.

Rob Noble

We will now open up to the audience for questions, if anyone has any questions here for Venkat?

Audience Member

All the central banks will be withdrawing money funds from the system, not with sort of the current TLTRO and all those, but generally, in the next five years we're going to be seeing liquidity being withdrawn from all of the markets. And in most of the models, we actually do not see analysts forecasting smaller balance sheets for banks. We think it's going to be business as usual. However, it will have a huge impact on your net asset-liability decisions. Could you give us a little bit more colour on how you see not the very near term, but maybe the medium term on that front?

C.S. Venkatakrishnan

So, I think a couple of things to remember. First of all, for many of the large banks the loan-to-deposit ratio was well under 100% during the rise in deposits. That just reflected the number of deposits.

The second thing is when you look at the banks that had very high deposit inflow, including, say, Silicon Valley Bank, there is actually good news – which it's hard to see, but it's there – which is they invested it in government bonds. Now, maybe the wrong duration of government bonds, maybe it should have been dated at shorter duration, but they bought government bonds.

What they didn't do was they didn't lend. And part of it is lending demand has been across the developed world more in the U.S., less in Europe. But generally speaking, some of it is coming from the capital markets and the buy-side, people like you. The rest of it is bank credit processes, bank credit committees, bank client relationships don't operate at that level of speed where they can actually go out and lend the money in any reasonable way. So, it's actually a good thing.

I think Silicon Valley Bank would have lost more money had they gone and lent it all out than what they did with government bonds. There, they just took a mark-to-market risk. They didn't take a credit risk.

So, that's why the banking system has had lower loan to deposits, and that's why I think bank balance sheets in the asset side, in the lending side, will not shrink at the same proportion that deposits will come down. The loan-to-deposit ratio will rise.

Audience Member

Could you just spend a moment on the credit card business, digging a little bit deeper? You said you plan to grow, be a little more aggressive. It's obviously an awesome business, but it has a lot of very strong competitors in the U.S. You've got some great partners, American Airlines and some other travel partners. Can you just talk about how do you grow, how do you beat some of the incumbents?

C.S. Venkatakrishnan

So, you don't grow this business by marketing campaigns or just going out and finding customers. It's a lumpy business. There are contracts which companies give to banks like us, seven to ten-year contracts. They come up for maturity every now and then. And you've got to decide which industries you're good at and what ability you have to work with the customer to increase their loyalty and that engagement. There's a very different form of engagement – I think all of us know it – with a reward card that we have in our pocket versus some other non-reward card. And that reward engagement is important.

So, what we've tried to do is look forward which contracts are coming up, which ones do we think we'll be good at, and where do we think we can sort of take on to the system. What we've done is made the investment in the technology so that the business can have many, many more customers. And then, in a sort of cautious way, we will go about finding the right corporate partners, and we'll announce them as we do them.

And ideally, what you want is – we've got about $30 billion in assets in that. Ideally, what you want is a number of them, slightly different industries, maturing at different times, and not any one of them that entirely dominates your portfolio.

Audience Member

So, you mentioned growing on the advisory side as one of the sort of initiatives that you have. I mean, we've seen a few international banks do some inorganic acquisitions. I don't know if you could comment on that and any plans on yours.

C.S. Venkatakrishnan

So, I think all of us are and should always be looking at opportunities. When you do something inorganically, especially in banking, you've got to look not just at the business aspects of it, but the cultural fit. And that's very, very, very important. Because if there's ever a people business, it's that. So, there's been one more recently done in the U.S. And I think we'll look at them, and if we find something that makes that fit, wonderful [...]..

Audience Member

Can you give any updates in terms of the current environment for Markets, Investment Banking, maybe what impact we've seen from the debt ceiling negotiations? J.P. Morgan the other week talked about it being a drag for fixed income. And I guess as I step back, I wonder now that that seems like it's going to be resolved, does that kind of lead to increased activity? Or is that maybe just some permanent loss of business? Thank you.

C.S. Venkatakrishnan

So, as far as this quarter goes, the forces that are affecting us are the forces that are affecting everybody else. So, on the trading side, market volatility in this quarter, in Q2 – as I said in the earnings call a month ago – market volatility in Q2 is much less than what it was in Q1, and it was certainly much less than it was in Q2 last year, which was just after the Russia Ukraine invasion. And so, you've got to factor that in thinking about trading results for this quarter.

On the investment banking side, similarly, deal volumes. I think Dealogic has [the industry] down [around] 30% year over year. So, that also has to be factored in. Now, net-net, we have some other things going against it, which is Transaction Banking revenues went up in the first quarter, and they're a function of higher interest rates and so on.

But when you talk about raw market-based activity, whether it's in trading or in banking, think of us as being affected by the same forces that affect everybody else and volumes being off for the reasons I said.

Audience Member

What are Barclays' activities in AI? And what are the associated risks and benefits of those activities?

C.S. Venkatakrishnan

We are still in what I would call the serious study stage of this, which is trying to find important use cases which will have a material impact on the firm and can be done in a properly regulated way.

So, on the face of it, if you look at some of our customer service areas, it would be wonderful when you're chatting with a customer and you're trying to understand their entire profile of credit card, mortgages, personal loans, and other spending for some AI algorithm to look across everything and sort of give the customer service agent the view. But we've got to make sure that that's all properly – the compliance is good with privacy rules, data protection rules, and that you can then have the conversation that comes out of it. So, where we are is in a very serious stage of picking two or three areas where we can study it and apply the new level of AI technology.

At the same time, I think there's an important part of it at senior management levels for us to understand what this brings. It's one thing to read it in the newspaper. It's another thing to actually try to start using it yourself at the management team level. So, I'm trying to encourage that a bit as well.

And that hopefully will give us a good sense of what the areas are where we can actually put it to work. I mean, it's one thing for it to say that it goes through my emails and says I spend too many time in meetings on "x", but it's something else to do it in a much more serious way.

Rob Noble

How long a process do you think that is? This has been a common theme across all the meetings I've attended as well. I mean, you're just starting to look at it, identify the areas of implementation. Presumably, it's a material benefit to cost [...]. Can you identify how much the cost base could benefit and how long until there's an actual material impact on the bank?

C.S. Venkatakrishnan

Well, six to nine months or maybe six months to a year to figure out where you're going to do it. Then, I'm sure that once you implement it, you can't just take it out of the box and implement it. You're going to have to adjust it and, frankly, work with the Big Tech providers to help you adjust it. So, it will probably be multiple years before you see the benefit.

Rob Noble

I think the – well, I guess, the last question for me would be, you've been through a full rate cycle now [...] but there's been a recession in the last three years. The reason why I found that shareholders or potential shareholders didn't want to buy the shares was the lack of stability in the ROE. And you're showing much more stability in the ROE than anybody else, but the valuation hasn't reflected it at any point. It hasn't really given you the benefit. So, what can you as a company, as a CEO, do to sort of help the story, help unleash the real value of the bank in the share price?

C.S. Venkatakrishnan

I think there are two things. I think, number one is that we have to continue to improve the business mix or change the business mix so that people understand that there's a large amount of the total revenues and the profits and the investment that come from key activities which are less capital-heavy and less balance sheet-heavy. This is not an Investment Bank/non-Investment Bank thing. Because even within the Investment Bank, there are relative capital-light activities. It's just across the bank, where is it that you're earning fees and where is it that you're putting in balance sheet? What part is subject to market volatility or deal volatility? What part is not? What different economic cycles do they operate in and inhabit? And how do you diversify yourself?

Stress tests are one way of looking at it, but the real way is to try to explain that to people. And we have to change the mix to make it a little less market volatile sensitive and explain it better. That's one.

The second thing, from my point of view, is if we look at the history of Barclays, there is a bit of skepticism sometimes about problems we have created for our own selves in the past, slipping on our own banana skins, which we just absolutely have to avoid. And what that means is a very focused approach to very good controls, understanding end to end what your operations are and running them really, really well.

So, the other side is we have managed the external risk environment fairly well, whether it was Russia-Ukraine or the volatility in gilts or even what happened this year. We've managed that very well. We've had issues in the past which people look at and say, "Well, you lost money in U.K. mortgage PPI," or "You lost money last year in the U.S. securities [over-issuance]." We've got to avoid those things. So, we can't create negative surprises on our own. I think our shareholders understand if results go up and down with the markets.

And so, two things basically then. Improve the business mix, and that'll be a slow process. Second is to avoid problems of our own making. And if you do the two and quarter after quarter you produce these numbers, I think you'll get rewarded. And of course, as we said, find the right balance between shareholder return, investment, and being appropriately capitalised. It makes it sound very easy.

Robert Noble:

All right. Thank you very much. I think we're out of time now. Very interesting.

C.S. Venkatakrishnan:

Thank you.

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- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, 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.