Barclays PLC Q1 2017 Results

28 April 2017

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

Chris Manners, Morgan Stanley

So, two questions if I may, with my first one on Barclays UK. It does seem that assets are down, with loans down on the quarter and a nice margin print there. Could you maybe explain a little bit about how you see the UK consumer outlook and whether your stance there is a little bit more cautious than some of the other banks, and how you feel about potentially growing a little bit faster there?

The second question was just on the Markets business. I guess it's a weak quarter in Macro and Equities. Could you maybe give us a little bit of a flavour about how you're seeing market share moves, if this is just a one-off weak trading quarter due to positioning, and how you see Barclays against some of the bigger players in the industry and your ability to compete?

Jes Staley, Group Chief Executive Officer

Firstly, on the UK consumer outlook, our NIM and size of the unsecured and secured loan book – like everybody, we have seen quite an uptick in consumer credit and consumer spending and I think people have been quite positively encouraged post the Brexit vote on how the UK consumer has responded. The only tale of caution out there is that our internal surveys are showing that there is a slight weakening in consumer confidence, and so the thing you have to be mindful of is, is this uptick in consumer credit and consumer spending in part being driven by inflation as opposed to consumer confidence. And I think you want to keep an eye on that, if in fact the spending is not reflective of confidence but actually it's the consumer is starting to be slightly concerned by the uptick in his or her credit.

The impairment levels are still very comfortable, so we see nothing there, and the economy is doing reasonably well. We also should add that whilst per capita consumer credit in the UK now is equal to what it was in 2008, on a GDP adjusted basis right now it's about 18% of GDP whereas it was 22% going into 2008. If you look at the profitability of the Barclays UK business, north of 20% return on tangible equity, and Net Interest Margin is very high. When things are going really well and you can squirrel a little bit away in terms of being somewhat cautious, as you know there always will be a future cycle. We are on the conservative side and I think that's been a trait of Barclays in terms of dealing with consumer credit for a long time, and I think it's good to be on the conservative side.

With respect to the Markets business and the market share, obviously we are disappointed in how we did, particularly in the US rates business. It was much more of a trading issue rather than volumes. Volumes held up quite well. But the notion that one quarter's under performance in trading and rates would question the franchise of the investment bank just doesn't make sense to me.

Now, in terms of facing off with our clients, the fact that we had a record debt capital markets quarter I think is reflective of the health of the franchise. We did very well in the mergers and acquisition market, reflecting the franchise that equity capital markets often did quite well.

We had other businesses in Markets, like Credit, which continues to do extremely well and is continuing the momentum that it had over the last year or so. So we are not going to shy away from the fact that we hoped to have done better on the trading side in some of our Markets businesses, but I think the health of the Banking business and the volumes with our clients still speaks to the value of the franchise. And then also don't walk away from the fact that we did improve returns across the Corporate and Investment Bank by 100bps roughly, quarter over quarter.

Tushar Morzaria, Group Finance Officer

There is not much I'd add to that, but on the CIB I would just remind people not only did returns go up in the CIB by about 100bps, that was also on a higher equity base. Equity allocated to CIB was up about 10%, and included in those numbers is the continuing effect of the compensation changes that we put through in the last quarter.

We also had some very small transfers across loans and deposits between Barclays UK and Barclays International, just as we are preparing for ring-fencing and finalising client transfers. So the slight reduction in assets in the UK is actually completely explained by those very small transfers.

Andrew Coombs, Citi

Given that you've only booked a £240m loss in Non-Core, why did you not feel that you could change your full year guidance of £1bn [loss before tax] with the majority of that front loaded?

Second question would be on the interest margin trajectory – a substantial jump quarter on quarter – you're now at 369bps [for Barclays UK in Q117]. You're still guiding that you're to be in the 360bps range for full year and that implicitly implies a decline from here. Is it a linear trajectory downwards i.e. are you expecting an exit run rate closer to 3.50%? Or is it a case of a step down in Q2 and then stabilisation?

And then finally, on slide 27, thank you for including the details on the balance transfer card portfolio. You said less than 30% of the balance transfer books at 0% rate, but if we set the entire balance transfer portfolio, including the low fee balance transfer, what portion would that be? And then your effective interest rate (EIR) assumption says prudent. Could you just tell us exactly what the number is?

Tushar Morzaria

In terms of Non-Core, we have always guided to about £1bn, slightly loaded to the front half of the year. That remains our guidance. We may do better than that, we will see. But we will continue to guide to that in our models. We are somewhat dependent on market conditions, and as Non-Core decreases it gets harder and harder to move the stock, so that's just a feature of that business. But we are really pleased with the performance, we probably did a bit better than we expected in the first quarter both in the cost of exit as well as the amount of exit. But I wouldn't extrapolate from that yet.

We are pretty pleased with the upgrade in our NIM guidance. Most of that really came through from the liability re-pricing that we put through at the back end of last year flowing through, and of course liability balances actually increased and that's in really high quality areas like our current account business which continues to attract more balances. Asset margins do remain under pressure. We are sticking to what we know well, like mortgages where we operate slightly lower down the LTV spectrum, and very much in the re-mortgage space. We like that business a lot and want to continue to grow it. We are seeing some competitive pressure, so although NIM was 369bps in the first quarter, I think you'd expect a little bit of asset moderation as the year goes through.

And finally, in terms of balance transfers, you're right to point out that less than 30% of our book is in the 0% balance transfer component, and of course we probably have the largest credit card business in the UK, so it is considerably below the industry average there. Our EIR for that product is less than 5% and I think that will be within the prudent range of where the industry is as well. So hopefully that gives you some colour as to how we are positioned.

Andrew Coombs

That's very helpful. Just to follow up, you talked about asset margin pressure as the year goes through. So you are thinking more of a linear trajectory and therefore an exit run rate that is a little bit below the 360bps for the full year. Is that fair?

Tushar Morzaria

It is pretty hard to guess that far into the future of where asset margins will go. In my scripted comments I did mention that we are trying to ensure that we protect returns, so we won't necessarily chase margins down. But there are parts of the credit spectrum we like a lot and it is quite competitive, so I don't think it's a value judgement on any exit rates. However, I do expect to see some moderation as asset margins evolve over the course of the year.

Jonathan Pierce, Exane BNP Paribas

I've got two questions, but I just wanted to clarify something quickly on NIM at 369bps. Has that benefited from transfer pricing mismatches, because there was a big negative net interest income from the Head Office. So was the 369bps really 369bps in Q1?

Tushar Morzaria

Yes, it was. Our Head Office is like swings and roundabouts and you'll see virtually alternating quarters whether it's negative or positive. So you do get a little bit of noise in those numbers, but the [NIM] guidance upwards is really on the back of liability re-pricing flowing through on the back of higher liability balances, which is an important driver. It will drift down from here a little bit because of asset margin pressure rather than just residual transfer pricing flowing through around the company.

Jonathan Pierce

Firstly, I was interested in your comments on the consumer credit space and increasing degree of caution to some extent there. In some of your UK revolving retail book it's about £20bn of drawn but there is about £50bn of undrawn facilities. Are you starting to wind those undrawn facilities in a little bit in light of what you're saying, and particularly in light of what's coming on IFRS 9?

The second one was a slightly techier question on capital, because obviously there are a few things that are dragging on capital, i.e. the pension contributions and the potential IFRS 9 hit. Can I just clarify that because you've fully used up your deferred tax asset (DTA) allowance, that any pension contributions and any IFRS 9 hits will receive no tax shield when it comes to calculating equity tier one. Is that correct?

Tushar Morzaria

You are very familiar with the rules that when your DTA balance goes over a certain quantum, any DTAs over and above that are just a straight deduction. We have hovered around that level, sometimes we are a bit below it, sometimes we are a bit above it, so it really depends as and when we get there.

What I would say though is that there are so many technical moves going through the capital line, either through the reserve line or deductions / computations, whether it's DTAs, PVA adjustments etc. And we have got to look at that all in the round and just manage through it collectively. So there is nothing I would draw your attention to whether the pension contributions are getting any more harder to absorb or any less easier to absorb. We have got our capital trajectory set through with the assumptions that we have made around all of these things, and feel pretty good in our ability to manage through that.

Jonathan Pierce

And are you going to be in a position to tell us a bit more about IFRS 9 at the interims, like some of the others?

Tushar Morzaria

We are still thinking about it. We will of course update the market on IFRS 9, but I haven't decided yet whether we will do it at the interims, but I'll be sure to keep you posted.

Jes Staley

And on the consumer credit side, we are still completely open for business, as you see in that £20bn number. That being said, we feel that we are taking the appropriate decisions vis-à-vis managing our risk and if we believe that we should be a little more conservative on our underwriting standards we will take that decision at the right time.

Claire Kane, Credit Suisse

Can I follow up on the Markets underperformance? I think last quarter you referred to the fact that you are much more geared to volumes and we shouldn't expect you to outperform as much as peers. But could you tell us how maybe you have changed any risk tolerance levels in the business and whether we could expect more volatility going forward in some of these Markets lines?

And then the second question is on the US Cards business. I think on slide 26 you show an uptick in this retail CRL, yet the absolute impairments in the consumer cards business are down. So, what's your outlook there? And also if you could comment on how much of an impact on the revenue line we had from the sale of that $1.6bn portfolio in the quarter?

Tushar Morzaria

In terms of impairments coming down in the Cards business, this is just a rebalancing of the portfolio which will happen over time. It is not an instantaneous thing, but driven from a higher quality risk mix defined from two things: one is the American Airlines portfolio coming on, it's probably our largest partnership and probably one of the highest quality parts of our book. As that switches back on it will have a more dominating effect on the risk profile of the books, and you're beginning to see that already in Q1 with the impairment charge coming down. The asset sale that we referred to was done right at the back end of the first quarter, so has no real effect in the first quarter. This is house-keeping from our perspective, we do things like this from time to time, both in the UK and in the US. There was a lot of chatter in the market earlier this week with some of the other US cards businesses reporting and impairments picking up there, so we think this is good house-keeping as a risk management activity for us.

In terms of the actual underlying US credit delinquency, so rather than focussing too much on CRLs – which I think you'll see change over time because of the American portfolio coming on and the low quality book going out – delinquencies as I say are pretty benign at the moment as a relative matter, down slightly year on year and a little bit up on sequential quarters. But still on an absolute basis they are quite low levels and we continue to like this business a lot, and I would like to continue to grow this business in a very selective and controlled manner where we see good opportunities.

Jes Staley

If you go back over the last five quarters and write down our Markets revenue for each quarter, it is striking actually how consistent they are, and I would ascribe that to our revenues being much more function of volumes than market direction, or even market volatility. That's a positive thing. That being said, given the volumes that we saw particularly in the US rates business, we would've expected to trade better than we did. So, I'm not going to dodge that either.

Christopher Cant, Autonomous

I just have one around ring-fencing, as I noticed that your Pillar 2A in the slides is slightly higher than it was in the annual report. It's gone up to 4% from 3.9%, and your stated target range of 12.5% to 12.8% is below the "around 13%" that you mentioned Tushar. I'm just wondering whether as we go through the process of restructuring the bank for ring-fencing you're expecting to see some inefficiencies around the allocation of Pillar 2A between the ring-fenced entity and the non-ring-fenced entity. In particular I'd be thinking about the allocation of the portion of Pillar 2A arriving due to pensions risk, which I guess will attach more prominently to the ring-fenced bank and whether that's going to actually put upwards pressure on your Group capital requirement?

Tushar Morzaria

There is nothing actually significant on the Pillar 2A. It's probably just a proportion that you're seeing coming through on a different RWA base more than anything else. So no change to the Pillar 2A from the full year.

But the second part of your question on just how Pillar 2A will manifest itself in a ring-fenced or non-ring-fenced world, we will be notified of a Pillar 2A component to our ring-fenced capital requirements, so we will share that at the appropriate time. Having said that, when I look at what I think will be the capital stack requirements of both the ring-fenced and the non-ring-fenced, personally I think both will be quite similar in aggregate. Components of course will be different, one will have a G-SIB for example, the other one will have a D-SIB or whatever the equivalent is, and Pillar 2A will be different across the two. I think the overall stacks will actually accumulatively look quite similar and I actually think they will look similar to the Group requirement as well. I can't give you precise details about how each one of the subs will look. I do think as a Group requirement we think we will probably be running the company at somewhere around 13%, the upper end of the range that we have guided to. There are a few rules that still need to make their way through the system and we need to complete structural reform. So I just think it's prudent for us to be at the upper end of that range, but we have designed the entity as such that actually all three coincidentally will probably look similar from an overall stack requirement.

Jes Staley

On the back of that question, I can take the opportunity to mention the cost: income ratio. Having gone from 76% first quarter last year down to 62% for the Group in the first quarter, we are in the belly of the cost of setting up the ring-fenced bank, and historically this bank would break out structural reform programme costs and costs to achieve, but we don't now. They are in the Group numbers – we own them. We are at the high point of expenditures to get the ring-fenced bank set up. We are also very encouraged that just a couple of weeks ago the Bank of England granted us the new banking license, which I think is reflective of the progress we have made in getting Barclays UK set up.

Christopher Cant

If I could possibly just follow up on that in terms of just the overall stacks for the two entities being broadly the same, would it be reasonable to assume that your ring-fenced entity, given that it will have the support of the broader Group, could run with a lower management buffer than the type of buffer you are guiding to for the Group as a whole? I would also assume that it would probably stress a bit better as well, given that the majority of your profits or a higher proportion of the profits relative to RWA do come from ring-fenced bank.

Tushar Morzaria

A couple of things on that, I don't think we will run with a different management buffer, both banks need to have appropriate management buffers to deal with all eventualities. I think on stress testing though, Barclays International is a much more diversified bank than Barclays UK. I think sometimes it's worth just stressing that again. If you look at Barclays International, it's got our UK corporate business in there, it's got our transatlantic investment banking business in there, our US Cards business in there, it's got our private bank in there, it's got our merchant acquiring business in there, it's got our point of sale financing business, it's got a commercial cards business in there. So it really is a much more diversified bank than is in the UK, which is really geared principally to the UK credit cycle.

So, I like to think actually that the diversification benefits of Barclays International would probably make it more resilient in a stress. Now, of course, you can always find stresses that accentuate and draw down with either one of those two entities, but I think you'd have to do something really quite unusual to really find the stress point for Barclays International, because it's such a diversified downward stress. In such a case, I suspect the UK bank would be equally impacted, so we will see how that evolves as stress testing develops in the UK, but that's how I see it.

Fiona Swaffield, RBC

I have two questions. Firstly on Core costs, the operating expenses number, do you see the Q1 base as the run rate for the rest of the year or should the compensation drag start to reduce sequentially? The second is on the RWAs where you didn't have any business growth impact. Should we expect RWAs to stay at this low point, or do you think there is scope to put on more risk over the year?

Tushar Morzaria

In terms of Core cost, you're right to point out that the unwind of the deferred compensation arrangements will reduce over the course of the year. So it's a little bit front-loaded, somewhat because we put the charge through in the fourth quarter last year, so that will accentuate the fourth quarter difference, but also just the shape of the way the accruals rolled in tend to be more in the earlier part of the year. But having said that, I'm not guiding towards an explicit or absolute cost measure, just more an efficiency measure. And we are very much wedded to driving that down to around 60% or below, and feel pretty good about our ability to do that.

In terms of risk weighted assets, we are interested in growing our business of course. We like the US Cards business where we see good opportunities. We will take advantage of them if pricing is there. And the UK business I think will see modest growth. It will grow somewhat geared towards where the UK economy will go, but if that continues to grow we should do a little bit better than that. I think there are reasonable cases to say there is modest upticks in RWA where we see good areas for growth. We shouldn't forget of course that we have got the continuing wind-down of Non-Core, so as we combine the two parts of the company into a single one you'll see the capacity created, or you won't see so much the capacity created out of Non-Core, part of which we may invest into growth as we see opportunities.

Jes Staley

To add one other point, given the confidence that we have on our glide path to our end-state capital level, over the last number of months we have made decisions like reducing our real estate footprint in Canary Wharf by a third – that had quite a cost to us, as you've seen. We changed the accounting for our compensation programme which allowed us to connect variability in banking results to variability in compensation – that had a cost to us. And then of course in the first quarter we repurchased $1.375bn of preferred equity. If we hadn't done those three things, which we think are prudent management, our CET1 ratio today would be north of 13%.

Joseph Dickerson, Jefferies

Just a quick question on the liquidity book and the £20bn increase in the quarter. Can you give any colour as to how much of that was the Term Funding Scheme (TFS) draw-down? And related to that, what justifies the rationale of running at 140% LCR at this point?

Tushar Morzaria

If you go back and look at our LCR historically we have been in the 130% range since the back end of 2015. So, it's a little higher, but it will ebb and flow. We have probably all got a bit too used to macro uncertainties around, so we have always preferred to run a little bit long liquidity. It doesn't cost us much to run that long liquidity and we are very commercial about it, so we think it's a good balance to have.

In terms of whether we drew-down any of the Term Funding Scheme, we have taken £4 billion. So it's a very modest draw-down, very small. It makes up part of our funding base of over half a trillion so about £4bn of those from the TFS. We really only drew down on it because it's just yet another diversified source of funding. It's of course very attractive levels and we'd like to keep an open line of all diversified sources of funding available to us, whether it's continued growth in deposits, wholesale, MREL and TFS now. So it's nothing more than that.

Edward Firth, KBW

Can I just ask about profitability and how we should expect to see that trajectory move going forward? And I'm not talking in the next quarter, I guess I'm talking more in the next two to three years. I see you're quoting an 11% RoTE for the Core, but you've got £290m of one-off disposal gains and if I look at your allocated equity, you're allocating about 13% of equity, which would be a Core Tier 1 of only about 10% or 11%. So, if I did it on a Group level, it's probably more like a 7% or 8% return. So, you highlighted that revenues are pretty stable in the investment bank and have been now for a number of quarters. If we are going to get from the 7% or 8%, to the 10%, 11%, 12%, which I guess would be a bit more interesting, where will we see those numbers move? What are the line items that you would expect to see a big delta?

Jes Staley

You're backing out the disposal gains. Again, if we were to go back to how we used to account for these, you'd be backing out SRP [costs] and you would be backing out all sorts of other things. I think the point is we have had a significant increase in our level of capital, and you can see that £5bn increase in capital just in this quarter alone. Despite that increase in capital, we have been pretty consistent in our Core numbers, generating between a 10% and 11% RoTE really since the last five quarters, and also as we close Non-Core the convergence is Group getting to Core, not Core getting to Group. And we have narrowed that gap from 600bps last year to 200bps this year. Our intention is to manage the business and manage the cost of the business in such a way that we get to that 60% or better cost: income ratio and we move towards convergence of our Core returns on tangible equity, which we believe should be north of our cost to capital.

Tushar Morzaria

And hopefully you'll see the track record we are able to demonstrate of growing the absolute profitability in our Core business and reducing the losses in Non-Core. And that's a trend we expect to continue across all of our divisions.

Jes Staley

Slide 7 highlights the consistency of our returns, even though we are suitably improving the capital base of the bank.

Edward Firth

Okay, so in terms of difference between equity to risk weighed assets and Core Tier 1 to risk weighed assets, you're not anticipating there is going to be a big reduction in those deductions somewhere? I guess there will be some through IFRS 9, but you would expect that spread to be broadly stable going forward?

Tushar Morzaria

If you're talking about the capital ratio, of course you've seen a decrease, over 100 basis points pretty much every year, at least since I've been here and probably before then as well. If you're looking at tangible equity, hovering around £49bn, £48bn. We would like to grow tangible book value. We have been very focussed on the ratio and I think there will be a time, once we are at the right state from a ratio, that we will probably try compounding tangible book and you'll probably see that come through as well. Since we started Non-Core, tangible Core has gone up while we have been unwinding losses in Non-Core and paying various conduct and litigation items from yesteryear out. So, hopefully you've seen us get a bit of a track record in our ability to grow a tangible book while we are doing the restructuring as well.

Jes Staley

There is also the tailwind that we are going to have, whether it's the [redemption of the] last remaining tranche of the preferred shares, at around two and a quarter billion dollars and at over 8% interest rate. We do have some securities issued in the height of the crisis that will fall off in 2018 and 2019. That's also a nice tailwind in terms of upping the performance of our RoTE without any change in revenue or business mix.

Fahed Kunwar, Redburn

Just one back on the margins. I think in the full year of 2016 your deposit cost was 10bps. So can we assume now there is no more potential for deposit cuts going forward and so any asset spread pressure just falls straight through on the margin?

And the second question was just on the consumer book. I know you talked about transfers between the International and the UK books, but your consumer [credit card] book has been basically steady in the UK at about £16bn for almost two years now. At the same time the growth in UK consumer has been around 7% or 8%, and the returns that you allocate it at, you say it's a 30% return business. So, I guess for the last two years, I'm just wondering why you haven't been growing that consumer UK book. I know there are current worries about inflation and suchlike, but it seems like it's been going on for a while now.

Tushar Morzaria

Yes, on the margins, you're right in the sense that we don't have much capacity to re-price deposits in our everyday savers account, which is our main deposit account in the UK. We pay 5bps, I guess you could make it 0bps, but that's not much anyway. ISAs are a little bit more, they're more like 30bps to 40bps and that's more consistent with the way the rest of the market is as well. You are missing one thing of course, which is liabilities have continued to grow and increases in NII actually improved blended NIM. And that's what you've seen in the first quarter of this year, and it's something we don't really talk about too much, but although assets haven't grown that quickly, liabilities have grown. And these are really high quality liabilities, particularly in our current accounts business. That's probably our most profitable liabilities and the ones with the highest liquidity value of course. So I hope that gives you a flavour of how margins may work prospectively.

In terms of the UK unsecured credit book, we rotate in and out of products. We haven't grown the book very aggressively in absolute levels, but actually profitability levels are doing quite well. 0% balance transfers was a very popular product and we were market leaders in that product, but in times gone by we have lowered the emphasis on that product. With regards to the combo product, I think we are probably one of the leaders in that. It's a much shorter dated product in terms of offer period, but has all sorts of different customer benefits. As we change our emphasis away from 0% balance transfer, which has probably been the biggest growth product on the market, into more of a combo product, that's actually quite a good effect to us in terms of our profitability. The UK bank's profitability continues to grow nicely at modest levels, but that's what you'd expect given our market share.

Fahed Kunwar

Could I just ask what your current account growth was in the quarter?

Tushar Morzaria

Yes, we haven't called that out, so I won't say it on this call. I would say that it's probably growing quicker than the market, at least the way we measure it, and has been for some time.

Tom Rayner, Exane BNP Paribas

You've touched on a number of items around Barclays UK and the revenue outlook. Most of the comments in the release are a year on year comparison and you mentioned balance growth and margin expansion as the deposit re-pricing has outweighed the asset margin pressure. Just looking at the Q1 numbers annualised, it looks as if the loan balances are sort of flat, maybe slightly down, and the deposit balances have actually shrunk in the quarter excluding the transfers. Your margin guidance, is that for the rest of the year we are going to see a decline? Other comments suggest that deposit re-pricing opportunities may be running out now. So, is this building a fairly cautious view of where revenue can go in the UK business, or is that over-interpreting what you've said?

I was just wondering if you'd be in a position to give us an update of where you regarding the US dollar preference shares? You've obviously called several tranches and there is one large one outstanding. I was wondering if that's something you can give us an update on or whether that will have to wait until we have more clarity on some of the capital issues that are out there.

Tushar Morzaria

I don't think we are going to declare the redemption of the dollar preference shares now, but I understand why you're asking the question. With the management and the liability side of our business, we have had various opportunities and you've seen us spend capital judiciously over the last few quarters to take advantage of them, and some think it's a continuing thing, but we are certainly not going to give you much more precision than that.

So back onto the outlook for UK – I think unfortunately it does make it a little bit complicated from the client transfers between International and UK, and we can cover this outside of the call just to help you out a little bit. Net-net, what you'll see on the asset side is broadly flat, and an increase on the deposit side. In terms of NIM, we may be able to grow our liabilities further, we will see.

As I say, current accounts have been a good story for us and if that continues to grow, then there is upside potential to our NIM guidance, but it's difficult to predict that. On the asset side, I think we are just a little bit cautious because you see, particularly in mortgages, it's still a very competitive market. There are banks putting out some fairly competitive bids out there, but we will stay within the spectrum of credit that we like and we find very profitable, and we will continue to defend market share and defend returns. So, I do think there is every chance that we will continue to protect NIM and grow revenues, but I wouldn't overstate that as well. I wouldn't say we are anything other than modest growth and that's what you'd expect from us.

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This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding the Group's future financial position, income growth, assets, impairment charges, provisions, notable items, business strategy, structural reform, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, rundown of assets and businesses within Barclays Non-Core, sell down of the Group's interest in Barclays Africa Group Limited, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, future levels of notable items, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implications of the exercise by the United Kingdom of Article 50 of the Treaty of Lisbon and the disruption that may result in the UK and globally from the withdrawal of the United Kingdom from the European Union; the implementation of the strategic cost programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Group's forward-looking statements. Additional risks and factors which may impact the Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our annual report on form 20-F for the fiscal year ended 31 December 2016), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.