

Barclays PLC Q4 2022 Results**15 February 2023****Results call Q&A transcript (amended in places to improve accuracy and readability)****Joseph Dickerson, Jefferies**

Can you discuss the balance between shareholder return and investment, given the £500m buyback announcement? It looks like you're distributing down on a pro forma basis to about the mid-point of your capital range. Could you discuss what type of investments you see? Are there US Cards portfolios or anything like that later in the year? Because the £500m was 15 bps of capital and your ROE guides equates to about 150 bps of capital generation per year. I was just confused a little bit on the quantum of the buyback and what lies out there in terms of investments and so forth, particularly in US Cards.

Anna Cross

We ended the year at 13.9%. That was a deliberate positioning of our capital, and the reason that it's deliberate is because there are three things that we know are going to happen almost immediately in Q1.

The first is the buyback that you've called out. We've also got the acquisition of Kensington, which we said today will complete in Q1. Then we've got the continued reduction in transitional relief.

Those three things together are 40 bps and take us from 13.9% right into the middle of our range. We've done that thoughtfully, for two reasons, really. The first is Q1 which we would always expect to be the low point of our capital, simply because of the seasonal nature of our business. You'd expect us to lean into the Markets opportunity, as I said in the script, and we'll do so. We would expect to accrete capital thereafter. The other thing I would say, Joe, is the economic environment is certainly not benign. That should help you understand why we've taken the position that we have.

As relates to specific investments and how we balance that with shareholder returns, you can see that we are committed to shareholder returns. We've got a 43% [total] pay-out this year. And, actually, if you look on a free capital flow basis, you can see that there were some headwinds from pensions and FVOCI that we might expect to dissipate over time. We are very committed to [shareholder returns], but we do balance that with two other things. The first is the opportunity to invest in the business and retaining that flexibility, given the returns that we think we can generate. And the second is obviously any regulatory changes. So we are very committed to it, it was a deliberate positioning of our capital to end at 13.9%, so that we can essentially operate in the middle of the range and take opportunities as they come.

Joseph Dickerson, Jefferies

Can I just follow up on on that? Do you anticipate in terms of buybacks to look at this on a more frequent basis? Perhaps quarterly?

Anna Cross

That is a matter for the Board, so I wouldn't change the guidance here. You can see that we have established a certain cadence [in the past], though, so I'd focus more on that.

Omar Keenan, Credit Suisse

My first question is on the Barclays UK NIM progression. I just wanted to ask about the negative 33bps move in "Other". I would just note that that -33bps is about 11% of Barclays UK NII and, hence, was a substantial sequential headwind. Doing my own numbers, while the mortgage margin pressure is there, it doesn't look to be more than 1% of NII per quarter. Can you please elaborate on exactly what has driven this 10% headwind, ex-mortgage margins? I know you talked about treasury effects, but what exactly is this? Is it MREL issuance or other positioning? It was also mentioned in the scripted comments that this was expected to be an ongoing headwind [in Q1]. Could you clarify whether that meant a further 33bps headwind or a lack of unwind, or that this will be a persistent impact, rather than a one-off? And just related to that, could you also talk about, when you think about your guidance for 2023, what assumptions are you making around movement of deposits into time deposits?

My next question is on Basel 3.1. You talked about the lower end of the 5 to 10% pre-mitigation. Could you potentially talk about what the impact of the mitigation could be and whether you have a view on what the 2030 fully-loaded impact of output floors, if any, on Barclays would be?

Anna Cross

Let me start with the UK NIM. Within that 33bps there are two things and they are broadly equal in the current quarter. The first is product dynamics, and I'll talk you through those, and the second is treasury impacts. The product dynamics are predominantly relating to mortgage margin compression. It's not just a front book absolute, it's actually the impact of churn and the nature of the market and how that is accelerating churn, and I'm sure we'll come onto that in subsequent questions, but that is significant. We did expect that, but maybe slightly more intense than we anticipated.

The second thing within there is, whilst [total] UK card balances have grown, we are seeing prudent, conservative behaviour from our customers and we have actually seen a fall in interest-earning lending, and of course that is somewhat offset in impairment. Those two asset impacts are fairly significant. What we have not yet seen is a significant NIM effect from liability switching, but I think that's more important [than asset impacts] going forward.

The second impact is treasury dynamics. I would expect this to dissipate over time and the reason I say that is it relates to assets in the liquidity pool. We have some fixed rate bonds in there, rates rose extremely sharply in Q4, and that essentially raised the cost of carry of those investments. However, given what I see on the maturity programme and our ongoing disposal programme, I would expect to see that dissipate over time. It won't be zero in Q1, but it is going to fade. I would remind you that we report on all-in NIM, so we're not reporting a Banking and Other NIM here, it's one number. Which is why the treasury dynamic is there.

As I look forward, here are the things I'm thinking about. I have pretty good line of sight into the structural hedge and the momentum behind that hedge. I have pretty good line of sight into the treasury effects that I just talked about and the fact that I would expect those to fade over time. What is more difficult to call is the product dynamics. We would expect that the asset pressure will remain and in the guidance that we are giving today, we are expecting to see an intensification of switching within liabilities and, therefore, I am thoughtfully reflecting that in the guidance that I am giving you. All of those factors are included in the greater than 3.20% for the year.

Over time, you would expect the more certain factors of treasury [run off] and structural hedge to actually build as a tailwind through the year. The product dynamics and the exact timing of those are a little more difficult to call. I hope that's helpful.

In relation to Basel 3.1, it's difficult to call out the impact of mitigation, it's a bit early. The full suite of rules are not yet clear. It's clear that they're a bit more positive than we expected them to be and, as we work through the detail, we will continue to update you.

Omar Keenan, Credit Suisse

Can I just ask a quick follow-up question on the Barclays UK NIM guidance. Thank you for all that extremely helpful colour. It sounds like the key uncertainty within the moving parts that you talked about for 2023 is really the level of deposit migration in the context of the NIM guidance being set at the Bank of England base rate of 4.25%. Can I ask you what level of deposit migration that you said you were thoughtful about, is baked into 2023, to ensure that floor of 3.20% is met? I.e., what sort of share of movement to time deposits can occur and that 3.20% still be met?

Anna Cross

I'm not going to call out those specific assumptions, Omar, but what I would tell you is that we feel we are being thoughtful and conservative in those. Not least we have a deliberate strategy of encouraging our customers to form good savings habits. We think that's really important for the health of the franchise and, ultimately, the continued success of the UK.

Alvaro Serrano, Morgan Stanley

Good morning. A couple of questions from me, one on CIB revenues and the other a follow-up on the UK NIM. We've discussed several times over the past, the idea of your balance [within] CIB revenues, that when volatility come down, fees will pick up the slack, and you were confident about the outlook. Volatility is coming down, but fees clearly are not picking up yet and there's a gap, clearly more in Equities, but even within DCM it's more investment grade that's coming through. Could you comment on how you see things playing out this year in the current environment?

On the NIM progression, I take your points and you don't have a crystal ball, but maybe on that NIM progression during the year, to over 3.20%, are we expecting a peak margin at some point during the year and then flatten in the second half? Or should we expect a steady, quarter-on-quarter progression? Just trying to get a bit of a feeling for how you see that deposit mix [effect] unfolding. Is there a step-up at some point that we should bear in mind?

Anna Cross

If I just think about fees in the IB, clearly it's been a difficult market for Investment Banking and we're broadly in line with our peers. We have a strong pipeline. For that pipeline to be monetised, what we need to see is a period of economic stability. We haven't yet seen it and I wouldn't call when that is exactly likely to happen. There are some small green shoots in Q1 from investment grade debt, I would say, but it's certainly not meaningful at this stage. We would expect that to somewhat offset markets. We've seen over the last three years this is a business that has delivered strong revenues and strong results in three very, very different macroeconomic environments. This time last year, we were talking about fabulous banking revenues and FICC being relatively poor and Equities being brilliant. There are different macro environments and our objective has been to put together a business that can perform in all of those.

There's a couple of other things, I would say. The first is don't forget the Corporate Bank within there. Regarding Transaction Bank, we talked a lot about NIM so far this morning. The increase in Transaction Banking income is £800m year-on-year. It is bigger than the increase in the whole of the UK. That is a sustainable, annuity-like element of CIB revenue that we frequently overlook. The second point is our financing business. Clearly it's not that it's completely stable. However, it is considerably more stable than the Intermediation side of markets. Again, we have shown you some new disclosures today that will show you that business has grown by £700m year-on-year which is a similar size to the BUK [increase], so we have confidence in what we're building within the CIB.

If I go onto your NIM progression question. Greater than 3.20%, if I go back and just reflect on the things I've said before, the tailwinds, if you like, are going to build. That would suggest that you would see sequential progression over time. It's a little bit more difficult to call out the product dynamics. If you'd ask me for an opinion, I would say I might expect them to be more intense in the short term than the longer term. The reason I say that is because it is typically prompted by absolute movements in base rates, but let's see. For the things that I am more certain of, these will certainly build as the year progresses.

Jonathan Pierce, Numis

I'm sorry, back on Barclays NIM in the fourth quarter of last year, in the UK. Based on what we've heard, you're saying that c.16-17bps of this "Other" negative is the mortgage refinancing headwind, the interest-earning asset component of the card book, and some fairly modest deposit migration so far, which I think is fully understandable. This other bit, can I just press you a bit more on what this is? It sounded like you have got fixed rate assets in the liquidity pool that haven't been swapped back to floating rates, so as base rates have gone up, the cost of carry's gone up for the NIM. Is that right and, if so, why have you got that position? Obviously if you've got more liquidity assets that drag down on the NIM itself, but not the net interest income. But this sounds like the absolute net interest income has been hit by this dynamic. I'd expect you to have fixed rate assets as part of the structural hedge, but not outside of that. What is this position in Barclays UK that's causing 16-17 bps of NIM squeeze in the fourth quarter?

The second question is a simpler one. You alluded to the structural hedge maturity of c.£.50bn this year, and you said most of that would be reinvested. [Can you] give a sense as to how much, I've seen the overall quantum and the hedging drop a bit this year again because of deposit migration. But if you could give us a sense of how much of the £50bn you expect to be reinvested, that would be helpful.

Anna Cross

Just taking the first one, yes, you are correct in the way you characterise them. They're a relatively small proportion of the overall liquidity pool, however. We've got more than 80% of liquidity pool held as cash at central banks, so I would think it's not a big outright number.

In relation to the structural hedge, the way we manage this, Jonathan, is that we clearly have built it very carefully over time. In doing so, we tried to identify the proportion of our liabilities which we expect to migrate in a rising rate environment. That's clearly excluded from the hedge but, as I said before, we feel like we have prudently anticipated those levels, and that's included not only in our NIM guidance, but also the way we think about our hedge. The second thing I would say, is we maintain buffers to the actual hedgeable amount. If I've got a hedgeable amount of "X", I don't hedge to that level, I maintain a buffer. What you see us doing is conservatively managing those buffers, so that we're able to preserve the role of the hedge. In part, this goes back to the same point as we spoke about with NIM, it's about deposit migration. We feel we have called that on the prudent side, but that is the extent of that migration, that we determine how much that we roll.

Jonathan Pierce, Numis

That's helpful on the hedge, but sorry to labour this point, why have you got fixed rate liquid assets within Barclays UK that have caused this NIM squeeze? We can see from historic disclosure that movements in the yield curve have an impact on the AFS reserve and we've seen that historically. This is the first quarter I remember where we've had a material impact on margin because of these fixed rate assets that are not swapped back to floating rate. Why are they there?

Anna Cross

In our NIM we include the overall buffer return. It's important that we balance the investments within that liquidity buffer to have a range of assets. This is a small proportion of that range of assets.

Rohith Chandra Rajan, Bank of America

I have a couple as well, please. The first one was just coming back to how you [decide] on the balance between investing for growth with capital distributions, particularly looking at RWA progression. CIB RWAs were down £15 bn in the fourth quarter on a smaller, nominal balance sheet. If that were to reverse in Q1, then the pro forma CET1 ratio would fall from the 13.5% that you flagged to below 13%. There would obviously be some capital generation too, but just trying to understand what gives you the confidence that you have enough capital to support CIB market shares and revenues, and also to generate capital for distribution. That was the first question.

Then the second on the CIB, just on the financing stuff. Firstly, thanks very much for the additional disclosure, but as you know, when you give us a bit, we always want a bit more. I was wondering if you could give us some insight on the degree to which the growth in financing revenues has been driven by volumes versus spreads, or whether this is all rates related.

Anna Cross

We are very focussed on the RWA efficiency across the bank as a whole. You can see that we are trying to grow the CIB very thoughtfully in terms of where we place our risk. You can see in the fourth quarter, there is an FX impact in terms of the RWA movement, so I'd be thoughtful about that. And obviously, as we said, we have managed our leverage finance pipeline and commitment, given the environment, as well, so there are things that have specifically happened in the fourth quarter. From here, we are confident that we've got the right level of capital to support the growth in the CIB. We've done that pretty successfully in the last year. That will be different quarter by quarter and it's one of the reasons that we've settled ourselves at that midpoint [proforma], because we want to be able to lean in, in the ways that you describe. But the quantum of what you're describing is somewhat too high, just because of some of the effects that I've just mentioned. Hopefully that's helpful.

Rohith Chandra Rajan, Bank of America

Just on that, you'd expect Q1 to be below 13.5%, but not below 13%?

Anna Cross

It might nudge below 13.5%, but we are fully expecting to remain within our target range, we're very clear on that. And even if it does, it will be because of the business opportunity and we will accrete thereafter.

Rohith Chandra Rajan, Bank of America

Then the second question was just on the financing revenues. Firstly, thank you for that, but I was wondering if we might get a little bit more from you, just in terms of the driver and particularly the breakdown between volume and spreads or rates on the financing revenue growth?

Anna Cross

We haven't disclosed that split. It's actually a little bit of both. Clearly in a rising rate environment you're going to see some expansion in margin, in a volatile environment you would see the same. The other thing I would say is you can see that we are taking share, not just from European peers, but more broadly across the street. Think of it as a combination of both volume and margin.

Martin Leitgeb, Goldman Sachs

Just two questions on the UK, please. The first one, just to follow up on the potential for deposit migration attrition from here. I was wondering, firstly, if you're able to share a bit of detail in terms of how the deposit stack is split within Barclays UK? It seems like from the annual report of Barclays UK that there was a very small portion within time [deposits] if any. I was just wondering what the share of deposits is in current accounts and non-interest bearing at present? Just to get a sense on the potential scope for migration.

Related to that, we don't really have any annual history, at least over the last 10-15 years, in terms of deposit migration. Would you expect the bulk of this deposit migration to occur fairly near-term, so within 2023, or could it be a longer-term prospect?

Secondly, I was just wondering in terms of UK consumer behaviour, what are you seeing in terms of business momentum? Do you see any change in terms of customer behaviour, whether to be more on the conservative side, to use some of the savings deposits to pay down loan balances, both mortgages and cards? Or do you see continued appetite for expenditure and consumption?

Anna Cross

We don't disclose the split. However, the level of time deposits is actually pretty small for us, certainly smaller than [for] the market as a whole. We have never been a hot money bank through all of our history. Our deposits are very strong, franchise ones. As we're looking at our potential deposit migration, we're actually looking largely at migration from one type of franchise deposit to another, and that's very much our strategy, as we said before. In terms of time deposits, we have strong rates out there, but they're very much in our control. If we saw balances move too high, given that our loan: deposit ratio is as firm as it is, that's something that we can certainly manage.

More broadly than that, as I've said before, it's the absolute movement in rates that we typically see prompting changes. There are some key differences from the past. Firstly, we and most of the rest of our UK peers are in a different liquidity position and, therefore, you might expect pricing to be different. Having said that, it's very easy for customers to move their money around. Of the people that have opened our Rainy Day Saver account, the vast majority of those have done that online, which is clearly different. Hence why we are being thoughtful about the impact of migration, because it is still uncertain.

In terms of UK consumer behaviour, really no change. We are not seeing changes in our arrears levels, they are low and stable. The same is true when we go into Business Banking and Corporate. That probably should be less of a surprise, given two things. Firstly, our customers have been and are being defensive in the way they're behaving. They're skewing their spending towards essential spend. They are repaying strongly on their cards. Cards repayment rates are above COVID level. They're spending, they're engaging with the card, but then they're repaying, so they're behaving very defensively. Then, if you put on top of that the fact that unemployment remains very low, it shouldn't

surprise us that we are not yet seeing anything untoward from a credit perspective. We feel like we're well-prepared, should that occur, and you can see our coverage ratios are pretty robust. But that's really why we're guiding to something that's very much in the historical norm of 50 to 60bps for 2023.

Jason Napier, UBS

Two questions please, if we could turn to slide 11 on rate gearing. The numbers have changed, but the reality remains that the firm still discloses that a rate hike of 25bps is worth £150m more in year two than it was in year one. We've had 17 sets of 25 bp hikes, which should mean a tailwind of around £1.7bn in Barclays UK. There are obviously a lot of moving parts, and we've discussed, I think to some extent, all of those in various questions before. How would you invite people to use the disclosures around year two versus year one? Given that we should be looking at something like an 80 or 90 bps year-on-year NIM expansion on this table, if indeed it is useful in predicting the future.

Then, secondly, I think the corporate lending mark-to-market in Q4 was probably better than some had feared, and the disclosures you provided around the hedges are useful. I just wondered whether you could speak a little bit more about the first loss cover. Does that only kick in from a P&L perspective if you have a default on the £17bn of covered exposures? Are there also mark-to-market hedges in place that might have protected the firm in Q4 – that risk management that you referred to? Really, the bottom line in this question is, are the costs of those hedges unusually elevated? Is there something you could share in terms of quantum of protection costs that might go away as conditions normalise and as that level of protection might no longer be required?.

Anna Cross

Just starting with page 11. I would say regard it as a sensitivity disclosure, not a forecast. It relates to a 25bp upward parallel shift in the curve. That's certainly not what we've seen at any point, so it's quite difficult to go from that chart to what is actually happening within the NIM. It's there for sensitivity. How it will help you, though, is the following. Firstly, remember two-thirds of that, broadly, is in the UK, one-third is in Barclays Bank PLC, so on the BI side, specifically within Transaction Banking most meaningfully. The other thing I would say is that movement from £65m to £200m is there to remind you about the momentum in the hedge. That is really what we're illustrating with actuals on the right-hand side.

To your second question, within corporate lending there are a few things in there. There are the marks that you call out against our leverage lending book. There is the cost of first loss cover. Yes, that is there for default. If you look at page 15, you'll see that it's covering 32% of the £54bn of corporate lending exposures. Then, finally, on the mark-to-market hedges, they're there specifically for the Leverage finance exposures. They are typically tail hedges. It's really difficult, given the idiosyncratic nature of some of the names in there, or in any Leverage finance book, for us to be too specific, but that's how you should think of them. We've been very prudent, I would say, in extending the coverage of those hedges. In the current environment you can imagine our appetite for stress loss is somewhat curtailed and, therefore, we have put down more hedges and the absolute cost of those hedges have gone up. So, you've got two things going on, more coverage, greater cost. We don't disclose either of those things, but they're quite strong impacts within that number, Jason.

Jason Napier, UBS

Just coming back on slide 11 then. You're right, the build in structural hedge is significant and I think quite well understood. Can I just ask, in the whole, does this also take into account things like deposit mix migration? Just bearing in mind the size of the moves we've seen to date? Is deposit beta built into this number?

Anna Cross

No, it doesn't. [The structural hedge effect is] completely mechanistic. Static balance sheet, no switching.

Chris Cant, Autonomous

I just have one point of clarification on the BUK NIM and then an alternative question on CC&P, please. Within the 33 bps of Other in your NIM bridge, you broke out those two broad buckets, the product dynamics and the treasury impact. Could you give us the split, please, of the 33 bps so we can understand how much is expected to dissipate as we go through the first portion of 2023?

Then on CC&P, please. There was some news flow in the US around late payment fees and curtailing banks who charge those fees. Could you give us a sense of how exposed CC&P revenues are to those changes, if they do come into

force? When we look at industry data, it might be something like 9% of US card players' income. Obviously you [don't give the breakdown] for Barclays, but if you could give us a sense on the potential headwinds to the CC&P revenues, that would be helpful.

Anna Cross

On the first one, pretty straightforward, I said they're broadly half and half, so hopefully that gives you what you need.

In relation to the late payment fees, we'll see what happens as we see the final terms of that and if, indeed, it actually moves into regulation (we somewhat need that detail for us to be able to model it). From the initial calculations that we've done, Chris, it looks like it is manageable within the growth of that business. We wouldn't call it out as significant at this point.

Chris Cant, Autonomous

In terms of thinking about quantifying the impact, is there any reason to suppose that Barclays US Cards income profile and fee share is different or markedly different to the industry average in the US?

Anna Cross

It's not really that I would think about, but rather the specific partner terms which will vary partner by partner.

Benjamin Toms, RBC

The first one is on the mortgage market. It feels like housing and mortgages are starting to turn. What's your expectations for net mortgage growth for this year? Then, secondly, I see you note on the slides that your triennial valuation is now in a £2bn funding surplus, that is about a funding ratio of 108%. In other words, the schemes now fully funded. You flag in the slides this means that the capital drag from deficit reduction contributions are eliminated. Can you just confirm that you currently have a Pillar 2A add-on for pension risk and this primarily envisages a risk that is now significantly reduced, as the scheme is sufficiently in surplus on an actuarial technical provisions basis. When one of your peers became fully funded a few years ago, we saw the regulator reduce that Pillar 2A add-on?

Anna Cross

What we see in the mortgage market is quite a change, really. It's dominated by re-mortgage, by low loan-to-value re-mortgage, and the demand for high loan-to-value mortgages has reduced significantly, which is exactly what you might expect it to do in the face of HPI uncertainty. What that means is the blended margin for acquisition in the market is below where it would have been previously because it's dominated by low margin, and low loan-to-value products.

In addition to that, customers are re-mortgaging extremely quickly, so we are seeing considerable churn across the industry as a whole, lower demand overall and a fixed supply leading to a very competitive environment. This is why we are being thoughtful and conservative in the way that we planning forward on NIM, given the change in that market, and impacts of the third and fourth quarter in 2022.

In terms of what we're seeing in customer behaviour, again, very defensive. They're re-mortgaging very quickly. We're seeing no change in arrears. We're seeing some slightly elevated levels of over-payment, but not so much that it would move the overall balance. So, nothing of concern. Actually, I would say, absolute margins are still healthy, it's the mix and churn effect that we're thoughtful about.

On Pillar 2A, we have seen a reduction in our pension risk within Pillar 2A, but you might remember that during COVID there was a degree of relief from the PRA in the way that they calculated Pillar 2A, with reference to RWA. They have gone from what was a fixed or nominal approach back to a percentage of RWA. Those two effects broadly offset one another.

Guy Stebbings, Exane BNP Paribas

I have one on cost and then one brief follow-up on deposit mix. On cost, on slide 12, just trying to understand the rationale behind the different arrows. For BUK, some inflationary headwind is understandable. CC&P continue to invest and expect some revenue momentum. But it's the CIB which is most nuanced or hardest to call, I imagine. We enter 2023 with a tough Investment Banking [fee] backdrop, there's a higher bar on FICC for year-on-year comps and

more generally, the market is expecting lower revenues this year than last. There is inflation, there is investment, but perhaps less inflation for the CIB on things like IB pay and other line items. I'm just trying to gauge, if revenue is down a reasonable amount in 2023, should we still expect the cost to grow? Any thoughts around that would be very useful.

Then on deposit mix, it's interesting to hear that you sound a lot more conservative than you have in the past, even though we're nearing the end on policy rate hikes, if the forecasts are right, and deposit competition hasn't intensified, at least in terms of term rates, in the past month or so. It seems like from your comments that there's quite a lag as to how it works through into customer behaviour. With that in mind, if late this year rates are flat or even falling, do you think we could still be seeing negative deposit mix work through at that time?

Anna Cross

In terms of costs, you're right to point out that the dynamics by business are really different. BUK is really a margin story, so what we're doing now is we're driving efficiency as fast and as far as we can, in order to make sure that that drops through the bottom line. And you'll see that the UK costs are actually down in the current year. We're guiding to I would say modestly up, if you look at the direction of that arrow.

CC&P is different and CIB is different. They are not only margin stories, they are opportunities for growth and, therefore, you should expect us to lean into them, as we have done in the current year. Now in CC&P, that is a bit more straightforward because it relates to onboarding the Gap [portfolio], it also relates to restarting the partner [customer acquisition] machine post-COVID. That's very straightforward, and you can see the costs growth in Q2 of this year and the revenues following thereafter. That has led to a high-quality increase in income, £800m as I said.

CIB is more difficult to call, but this is a business that we've invested in steadily over a number of years and we're seeing the benefit of that now. As I said before, it performed across three very different years and three very different environments. It's one thing to have diversification, but for those businesses to operate well, you have to invest in them. And, actually, our cost: income ratio and the progression of our cost and income is not significantly different to those of our US peers, if you were to line us up. Expect us to continue to invest, both in terms of Markets and in terms of Banking, selectively, where we see the opportunity to attract talent in sectors that we think are important for the future. And we will also continue to invest in Corporate – that's people and technology, by the way.

I would say two more things. The first is, don't forget the momentum that we've got in Financing. Don't forget the momentum that we've got in Transaction Banking. And, of course, this is the area of the bank where we probably have more cost flex because we are able to speed up or slow down our technology investments. We are able to flex our comp, so we will do that to the extent that we think it's appropriate [if] the income line is coming off.

In terms of deposit rates and deposit competition, as I said before, it's very much in line with our strategy to drive good savings behaviour with our customers. Looks like that's very much a market-wide strategy as well, not least from what we see in pricing, but also in comments at the Treasury Select Committee. I think it's something that will remain. I've said for a while that, actually, the bigger effect here is not so much about deposit pass through. Policy rates may be coming to a peak, but customers' desire to migrate will be prompted by a number of things, which may be competing, but firstly it's the movement in policy rates, as I said before, which may prompt behaviour. But, equally, in the current environment, customers are keen to manage perhaps higher than normal operational floats, because of the economic uncertainty, so there's some offsetting impacts. We have not been down this path for many, many years, which is why we're being cautious. But we'll update you as we go. Everything that I've said and all of those considerations are built into our NIM guidance of greater than 3.20%.

Rob Noble, Deutsche Bank

On the hedge, you say you run with a buffer, but the hedge declined in size in Q4. Just wondering, did something happen that you didn't expect? Also, the composition of the hedge, how much of it is linked to corporate deposits? Then if we look forward on deposits, we talked a lot about the mix of deposits and how that will drive differences in expectations, but what about the level? [Given that you've seen deposits decline, should we expect that to continue?]

Secondly, you've mentioned churn rates speeding up. What's the average time spent on reversion rates that built into your effective interest rates models and on the ground experience that you've seen?

Anna Cross

In terms of the hedge, you're right, we reduced the size of the hedge. That was in Corporate. We did it in a precautionary way, in order to preserve the size of the buffer, so it's not that we were going beyond the buffer. We've seen a bit more migration in corporate than we have in retail to date, that's kind of what you might expect. And we're just being cautious and making sure that that buffer remains as it was. Obviously in the current environment, the opportunity cost of holding that buffer is not as great as it was and that's why we made that trade-off. A third of the benefit of the structural hedge goes to the Corporate side or the BI side and you're going to see that appear predominantly in Transactional Banking and a little bit in our Private Bank.

In terms of absolute levels of deposits, they remained pretty stable I would say on the wholesale side, some seasonality in there, [but] nothing to particularly concern us. On the BUK side, we've seen a slight reduction in Business Banking deposits. We can see that customers are either paying off part of their loans, but also deploying it in their businesses, so we see that as pretty healthy activity. There's nothing really that concerns us, but this is exactly why we've built it conservatively and run buffers. As you might imagine, we're monitoring it day by day.

In terms of your question on churn, we don't disclose that level of detail. What I would say is that clearly, there is a very low proportion of customers that remain on reversionary rate. As rates rise, clearly that proportion of customers remaining on reversionary rates you would expect to fall even further. We are capturing that, both in our NIM and in our NIM guidance, and we are conservative in the way we model our EIR. Thank you, Rob. Thank you, everyone, for your questions today and for joining me. Really looking forward to seeing you next week and to other folks on the call, I'm sure we will see you in the upcoming investor meetings too. Until then, take care.

Important Notice

The terms Barclays or Group refer to Barclays PLC together with its subsidiaries. The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments.

Information relating to:

- regulatory capital, leverage, liquidity and resolution is based on Barclays' interpretation of applicable rules and regulations as currently in force and implemented in the UK, including, but not limited to, CRD IV (as amended by CRD V applicable as at the reporting date) and CRR (as amended by CRR II applicable as at the reporting date) texts and any applicable delegated acts, implementing acts or technical standards and as such rules and regulations form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended. All such regulatory requirements are subject to change and disclosures made by the Group will be subject to any resulting changes as at the applicable reporting date;
- MREL is based on Barclays' understanding of the Bank of England's policy statement on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" published in December 2021, updating the Bank of England's June 2018 policy statement, and its MREL requirements communicated to Barclays by the Bank of England. Binding future MREL requirements remain subject to change including at the conclusion of the transitional period, as determined by the Bank of England, taking into account a number of factors as described in the policy, along with international developments. The Pillar 2A requirement is also subject to at least annual review;
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Important information

In preparing the ESG information in this document we have:

- (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

Information provided in climate and sustainability disclosures

What is important to our investors and stakeholders evolves over time and we aim to anticipate and respond to these changes. Disclosure expectations in relation to climate change and sustainability matters are particularly fast moving and differ in some ways from more traditional areas of reporting in the level of detail and forward-looking nature of the information involved and the consideration of impacts on the environment and other persons. We have adapted our approach in relation to disclosure of such matters. Our disclosures take into account the wider context relevant to these topics, including evolving stakeholder views, and longer time-frames for assessing potential risks and impacts having regard to international long-term climate and nature-based policy goals. Our climate and sustainability-related disclosures are subject to more uncertainty than disclosures relating to other subjects given market challenges in relation to data reliability, consistency and timeliness, and in relation to the use of estimates and assumptions and the application and development of methodologies. These factors mean disclosures may be amended, updated, and recalculated in future as market practice and data quality and availability develops.

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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. 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 December 2022.