

**Barclays PLC Q1 2023 Results****10 May 2023****Analyst meeting transcript (amended in places to improve accuracy and readability)****Anna Cross, Group Finance Director**

Good morning. I'm going to start by reiterating a few key messages from the quarter end, and then we'll go to Q&A as usual.

So, a record quarter of profitability for Barclays, a RoTE of 15% and double-digit returns in all of our operating business, leaving us in a good position to hit our above 10% target for 2023. And just to remind you, I'm going to use that word, probably not for the last time today, it's a floor, the 10% target.

Income was up 11%, £740m, year on year, with high-quality income growth across the Group. We produced a new slide for you this [quarter], slide 9, which really illustrated that. Our BUK NIM was 318 basis points, up 8 basis points in the quarter, and we expect NIM to build throughout the year, although more gradually than we saw from Q4 to Q1. Our guidance reiterates [greater than] 320 basis points for FY23, and the drivers were exactly as we expected them to be at Q4. So continued hedge momentum, some lagged base rate effect, continued mortgage [margin] churn, and we're really starting to see the beginnings of deposit migration. Neutral treasury effects, quarter on quarter, with an expected tailwind, modestly through the remainder of the year.

Our CC&P income was up 47%, year on year, driven mainly by balance growth in US cards, and also in Payments and the Private Bank. US cards is a meaningfully bigger book than it was, it's up 30%, year on year. It generates not just higher income, but also higher costs and impairment, as we would have expected, and in line with our Group guidance on both. CIB income was the second best quarter on record, reflecting diversification within that business, including NII in the Corporate Bank and the investments that we've made. We have continued our disclosure on financing and provided the split between financing and intermediation within Markets, to give you a better sense of the drivers underpinning the Markets business.

Total costs were broadly flat to last year, but within that, operating costs, excluding L&C and bank levy, were up by £0.5bn. That reflected FX and seasonality, and the efficiencies that we've made, which are, to date, broadly offsetting inflation. It reflects the business growth we are already seeing and also some impact from investment for future growth. The cost/income ratio was 57% for the quarter, and we still expect low 60s this year. And we gave you some additional colour on that guidance, notably that we expected Q1 operating costs of £4.1bn to be the highest quarter in 2023, and actually, expecting Q1 to be the highest quarter for CIB costs on operating costs. Taken together, those pieces of guidance, hopefully, will give you a good sense of how we're thinking about costs, but also about income for both the Group and the CIB.

Now, just to flag at this stage, the consolidation of our UK Wealth and Private Banking business is going to be neutral for the Group overall, but will result in a cost transfer from BUK to CC&P during the second quarter, and we are going to give you more guidance on that at the appropriate time.

The impairment charge in Q1 was £524m. That was in line, both in quantum and in location, with our expectation, reflecting US cards growth year on year, and the gradual normalisation in credit. The loan loss rate, at 52 basis points, was within the 50-60 basis points guidance, which we reiterated for the full year, and our coverage ratios remain strong.

Total deposits were up £10bn quarter on quarter to £556bn, but customer deposits were down £5bn quarter on quarter, reflecting what are probably normal seasonal patterns.

And just to round off, Group CET1 was around the middle of our target range at 13.6%, down 30 basis points quarter on quarter, predominantly reflecting the capital effects that we iterated at the year end. We remain confident in our ability to generate capital through the year to support distributions to our shareholders. We also grew our TNAV to 301p, up 6p quarter on quarter, or 7p year on year.

So, I'm going to pause there and take your questions. We're going to run the meeting as we have done in the past. I'll go around the tables until we've answered all of your questions. Please, can you introduce yourself as you start speaking, and your institution, as this is being transcribed. We'll aim to wrap up at around nine, or just after nine, to let you get on with your days. So, with that, I'm going to ask for a first question.[..]

#### **Joseph Dickerson, Jefferies**

Just a couple of quick questions. First on buybacks, you have talked before about having a regular cadence to the buybacks. [You didn't do one at Q1], and probably haven't done one before at the first quarter. How do you think about the rhythm of buybacks, [...] as it's ultimately key in discussions with investors and one of the most important things in terms of driving shareholder value? [..]

Secondly, in the Transaction Banking line within the CIB. That was strong year over year, but I think it came out in the high £700ms, still £90m-£100m below where we [at Jefferies] were looking. [...] Was there a volume or behavioural impact there, or was it just simply the impact of the rate benefit starting to ratchet down a little?

#### **Anna Cross**

Our distribution policy hasn't changed, so what you'll see is a progressive dividend. That's what we've called out, and you can presumably see that in the dividend accrual we've made in the first quarter. And then, what we've said in the past, and I would still hold to now is, as and when appropriate, we will supplement that with additional capital distribution, including buybacks. To date, we have, typically, [announced] those around Q2 and Q4, but they are a matter for the Board. But that's the discussion that I would expect to be having with the Board ahead of the Q2 results, as we would normally do. That doesn't preclude us from doing a buyback in different quarters. It's a bit more flexible as a tool. That's one of the reasons why we like to use it. It's a useful [way of us getting] capital back to shareholders in quite a flexible way. So, I don't want to be behold to just that pattern, but hopefully you've seen a cadence thus far.

On your second question on Transaction Banking, a couple of things to call out. The first is that remembering in Q1 the day count is lower, you've got 90 business days vs. 92. Secondly, there are deposit effects in Transaction Banking or corporate banking that are similar to the ones that we and our competitors have called out, just in seasonal patterns of payments. In corporates, they tend to be more dominated by dividend payments, so you'd see dividend payments occur typically in Q1. That means that sometimes you get a reduction in Transaction Banking balances, and then they recover towards the end. So, if you look at the average, you'll see, it's perhaps a little bit lower.

Having said all that, if I look forward, what I would say is, we've seen quite a bit of migration happen in Transaction Banking, as we would expect. We'd expect that to continue, but we're quite well through it, we believe. If you think about the nature of corporates, they're going to move their deposits quite quickly. So, we've seen some compression, that's also having an impact quarter on quarter, but given that we're quite well through it and also that we do expect some stability in balances and growth in some of the fee lines, we're pretty happy with the level that we saw in Q1. So broadly stable from here on.

#### **Alvaro Serrano, Morgan Stanley**

Two questions, one on another revenue line in the CIB, on the Corporate Lending line. I asked this on the results call, but when we think about the run rates and the lower marks in leverage financing, I think you alluded to this being a good base for going forward. Is your confidence in this as a base due to better visibility related to lower marks because the marks have cleared, and you don't need to take any more marks, or have you actually lowered the exposure, as you've been doing? So, is it more lower exposure, or you've finally met the marks or maybe both... Some colour on that, as we think about it going forward and whatever market dynamics might happen?

And the second question is more about distribution capacity, maybe a follow-up. Obviously, you distribute the capital generation, [as you have done in the past]. But when we think about Basel IV on 1 January 2025, how low do you think you can reduce the capital on day one before you build it back up? I'm just thinking, is 13%, the lower end of the range, really a realistic place you can be, or how should we think about it when we think about your distribution capacity for the next two years?

## **Anna Cross**

Okay, so let me start with Corporate Lending. So, just to remind you, there are four things within our Corporate Lending line, there's Corporate Lending itself, there's the costs of our first loss protection through the significant risk transfers (SRTs), there are leverage loan marks, and then there are the costs of the hedges that we have against our leverage finance book.

So, what's really going on there quarter on quarter is two things. The first is that in Q1, there are no meaningful marks, and indeed you might remember, during Q4 we said that we'd reduce our pipeline or our exposure by 50%. We continued to reduce that exposure in Q1, and actually, into April, we've exited some positions. We've done that pretty much on the marks, which has given us confidence about the positions that we have taken. So, no marks in the quarter. Secondly, because that exposure has come down, our requirement to hedge it has also come down. And we had increased the hedges, given stress in that market last year. So, lower exposure, lower hedging and lower costs are essentially flowing through that line. So those impacts that you are seeing, are essentially, a reversal of that real intensification in that market that you saw in Q4.

From here, as the positions continue to clear, you might expect to see those hedges falling slightly. The item that will remain there remember, is the SRT trades. So, you might see some movement from here, but historically we've talked about a much higher number, and I don't think it will get back to there because we're hedging a lot more on the loss protection than we previously were.

In terms of Basel IV and distribution capacity, it's still a bit early to say, to be honest, because we are working through, in some detail, the proposals that are out there. We're in discussions with our regulators and we haven't changed our guidance still towards the lower end of the range that we gave you. Typically, what we do is, we'd build towards a regulatory position, you've seen us do that in the past, but equally, that 5 to 10% was based on a pre-mitigated position. It's quite difficult to give you precise ranges until we understand, firstly, what the final positions are, and, secondly, the extent to which we believe that we can mitigate those. But typically, we would try and hold higher capital towards a regulatory change, in order to absorb the impact, the extent of that remains [to be determined.]

## **Perlie Mong, KBW**

Two questions, one is on US [cards delinquency] patterns. I think on the results call, you said a lot this is Gap portfolio seasoning, I think the latest Dry Rock data shows it ticking up further. So, is that just further seasoning from the Gap portfolio?

And the second part is on CIB revenue. I know you don't comment on quarterly progression outside of the results, but just generally speaking, from 2020 which was the COVID year, banks were struggling, and at that time people thought your performance was a one-off. Since then, it has kept going better and better in terms of revenue in the CIB every year, and obviously Q1 was very strong as well. Has the base got to a level that feels sustainable, like different parts of business doing better in different years, or would you expect it to normalise through to closer to pre-COVID levels eventually?

## **Anna Cross**

On US cards, there's really two or three things going on there. There's obviously, the balances are higher, and that's in some part, driving the charge. But also, there is a normalisation of delinquency levels, I would say, both for Gap and for the existing book. That's basically customers spending more, their risk behaviour starting to normalise post-COVID as they start to spend money again. Still well below pre-pandemic levels, and you can see that it's stepped up towards the back end of 2022. There was some increase into 2023, but probably not as sharp as the previous quarters.

So, it feels like that's getting to a more normal state, but I would expect those delinquencies to continue to rise over time, simply because they're just so far below pre-pandemic levels still. But all of that is included within our impairment guidance that we've given you. I think the other thing I would say is, what I was trying to point out on Gap is, just as an accounting matter, when we acquire a book, whether that be in cards or anything, when we acquire it stage one, and as those customers start to spend money and even increase their spending, they don't have to show any signs of delinquency, they can migrate into stage 2.

So, again, that's what we expected, It's just part of the growth of acquiring a new book, if you like. So, all of that, in terms of the quantum of the charge and where it was, is what we anticipated. So, we're not concerned about it, and overall, the trends remain within the bounds of expectations from the Gap portfolio.

On the CIB, if I step back and just say, what are we trying to achieve in the CIB. We are trying to achieve a business that can perform in a range of macroeconomic environments, and that means that we want to build out businesses that were, in some ways, offsetting and in some other ways, created a stability to the franchise. So, the two I would call out that have created greater stability are, obviously, the improvement in result that we've seen from the Corporate side, where you've, essentially, got a NIM-based business performing very strongly. This because of a rates tailwind, but also because of the investments that we've made in it, balance growth and so on. Also, the Financing business, which is why we've given you that disclosure. There's some seasonality to that business, but inherently, it is more stable than the other parts of Markets. So, we sought to invest in those to create that stability.

Across the rest of the business, they are clearly more influenced by the macroeconomic environment, but you've seen, as that environment has changed, either through periods of really high equity volatility where we've done really well in Equities, or low, where we see it set back in the current quarter, or high periods of rates and macro volatility, FICC has performed. So actually, through a series of quarters, you see different businesses, including Banking, step forward and step back. That's kind of operating as we were designing it to.

From here, to the extent that those wallets increase and decrease because of the environment, obviously our results will increase and decrease. But the other thing that we've done is we've grown market share in those businesses by specific investments again, so including, for example, in M&A.

So you would hope that even though the market might be smaller in particular environments, our revenues would be higher. And that's really what we're trying to achieve. So I think we've got greater confidence in the whole than we have in its constituent parts, because by design, they're supposed to somewhat offset one another. [...]

#### **Guy Stebbings, Exane BNP Paribas**

Just a question around valuation and strategy. You've just delivered a good set of results, as you say, double-digit returns across the businesses. You demonstrated through COVID and other troubling times the effectiveness of the diversification of the business model. But you trade on a lower multiple than many peers. The implied cost of equity is [much higher] if you doubled the ROTE target. Do you have a view on any misconceptions that are out there in the market? Anything that you can do to address it? Is that something that the management team should be doing to try and help the valuation?

And eventually, do you think that actually, it's about delivering on the strategy, avoiding things like the US Shelf Over-issuance and then the market just gives you credit when you get there? And then linked to that, should the implied cost of equity have any impact on the strategy as the bank tries to deliver the returns target you are trying to generate?

#### **Anna Cross**

I think there's a number of different things here which hopefully you will see us try to do. The first point is one that you know, which is really about consistency. We think it's really important to deliver a consistent set of results without surprises, operating our businesses well, managing our risks well. And so we really feel that's at the heart of all of this, which is to give investors, in their broader sense, confidence in our ability to generate good returns.

I find it really interesting when I look at consensus. On the one hand, we get questions about greater than 10%, and for many folks [within consensus their estimates are still below 10%]. So that's something we wrestle with a bit, and I do think a lot of that is about consistency, and consistency in delivering, including for example, in the CIB. So that's number one, just do it very well, boring, quarter on quarter.

I think the second point is you're going to see points of emphasis in terms of our investments and the way we arrange ourselves that hopefully help think about how we're trying to manage the business. I'll give you a couple of examples. Bringing our Wealth and Private Banking business back together is more than symbolic. We believe we've got an opportunity to grow it.

To us, this is not as simple as an investment bank versus consumer bank point. It's actually about utilisation of capital in the firm. And that business is inherently more capital-light. It's one where we have real elements of strength. We think we can make a meaningful difference by putting it back together. So you'll see more of that from Q2 onwards.

Similarly, the purpose of giving you more guidance and more insight into the CIB is to try and show you that it's not just one amorphous Markets business, for example, one amorphous Banking business, but there's elements within that which are either inherently more stable or even if they're not, like M&A, actually lend themselves to fee line capital-light growth. So that's the greater emphasis that we have, and hopefully you will see that over time.

And to tie that to your second question, I guess one of the reasons why the implied cost of equity for Barclays is quite high is probably that perceived volatility or that perceived capital heaviness. So to a certain extent, there's a piece around demonstrating our ability to grow in those areas, which should absolutely reduce that cost of equity over time.

So there's a number of different strands to this, and hopefully you'll find it helpful to see the additional disclosure as we give it to you, and that will make it easier for you to understand what it is we're trying to achieve. [..]

#### **Raul Sinha, J.P.Morgan**

If I could just follow up the discussion with a question around capital allocation approach. If you look at 2022, the last year, there was roughly 34 basis points of capital that moved to bolt-on acquisitions. Clearly, there's Gap, but you already knew it was coming, so 20 basis points in the second quarter. And then there was Kensington, which was this year, but it was pro forma'd into the capital ratio in Q4 when the discussion of the buyback happened. So there is a 34-basis-point run rate towards acquisitions.

Can I ask for your thoughts on whether that's the normal run rate going forward or what we should think about when we do our maths on how much capital Barclays can distribute? Do you have a sense on how much capital we should think about going into acquisitions? So that's the first one.

And then the second one is, I was wondering if you've got any thoughts for us around if you have a long stress testing regime for this year. I guess it's very mild right now for you, in the background. They have started thinking about liquidity and usability buffers and so on. So any thoughts around the changes you might expect?

#### **Anna Cross**

It's very difficult to know the exact basis points, and they're actually quite different decisions. So let's just think about the US cards business for a moment. The US cards business, because it's actually based on a number of portfolios, you're somewhat beholden to the maturity of those portfolios when they come up for renewal, etc. And our desire is to diversify that portfolio more significantly than we have. COVID was a big learning for us, we were so exposed to travel. We obviously saw quite a reduction in our balances.

Obviously Gap is a diversification, and it gives us the opportunity to do more retail portfolios at the right time. But Gap was a really big acquisition for us, about \$3bn of balances and 10 million customers added to our customer base. So operationally, it was a big piece for us to digest.

But in that US cards market, you are almost always looking, always in the market, simply because that's just the way it works. These partnerships come up for renewal quite regularly. Gap was quite outsized in its scale really. So to a certain extent, we would want to digest that and would expect us to do more portfolio acquisitions in the future. The timing of that is quite difficult to call out and they will vary in scale.

On Kensington, Kensington is a specific risk capability that we did not have in BUK, which was around complex mortgage risk, essentially, income determination. And our mortgage capability in the UK has been very vanilla, very efficient, and so we had a choice of either building that capability over time or buying it. The opportunity came to buy it, which is what we did. That was very opportunistic, and I'm not saying we won't do tuck-ins elsewhere, but I think that's much less likely than the build-up of partner acquisitions in the US. [..]

#### **Raul Sinha**

So, 34 basis points per year is definitely too high, it sounds like.

### **Anna Cross**

What I would say is that the Kensington part of that was quite different to the other part. The other is a bit more business as usual. I'm not saying we're not going to do tuck-ins, but they will be much more opportunistic. And actually, as I look at the UK now, it feels like we've filled in the large part of the capability gap that we had. [..]

On the PRA and liquidity, the liquidity stress testing framework across Europe and the UK is actually extremely well developed and quite different to what is in place in the US. I'm certain that they will be considering it, and we are starting those discussions with them, but it's quite early days.

What I would say though, is the position that we take is that regulation is a bit of a baseline. The stresses that we put ourselves through are significantly more exacting than the regulatory ones that we face. So we're stressing our legal entities every day, being both market-wide and [idiosyncratic] stresses. We are looking at things like depositor concentration, digital engagement of depositors, banking relationship, etc. So when we look at our liquidity stresses, we are down at that level of granularity.

If they were to bring in something, I would expect them to do so, around the speed of stresses and how that might be different now versus in the past. I would say, to a large extent, that's how we are already thinking about our stress within the liquidity perspective. And that's why we hold ourselves to a higher standard. You can see that our LCR has been 160% or more for a number of years now. That's not something that we've gone to more recently. So we just manage appropriately.

### **Ben Toms, RBC**

I guess as another way of asking Raul's question, is that over time, the proportion that the CIB revenues make-up of the Group has grown. Can you give just an indication directionally into the future? Do you think that that will reverse on the basis that the structural hedge tailwinds, which the majority go into the UK, probably outweigh the growth that we're going to see in the Investment Bank, which you now said, on the whole, is more stable a revenue base?

### **Anna Cross**

The UK definitely has some tailwinds in the structural hedge, and there's some tailwind in Transaction Banking as well, as you know. So about a third of our hedging goes into the CIB, both in terms of product and equity structural hedge, so it has its own tailwind.

I don't think this is as simple as CIB versus non CIB. I think we need to think about it more granularly than that. We do have a desire to grow our Corporate business. That is part of Barclays, at 330 years old. It's a key franchise business that has its roots in the UK, but also, it has some growth opportunities in Europe and indeed in the US.

The CIB is a very, very broad business with opportunities for growth within it, including corporate, including M&A. I would think about this as capital-light or capital-lighter versus capital-heavier rather than an explicit desire to grow consumer faster than the CIB. [..]

### **James Invine, Societe Generale**

I've got two, please. The first is that earlier this year, you hired Vim Maru, and I think he's probably been with you now for two or three months. I was just wondering if he has presented you any reflections that he has on his portfolio of businesses and anything that might change there.

And then the second question is on cross-subsidisation. So does the management team think of it as an issue that one set of customers is effectively generating an outsized share of the bank's profits? And would you try and seek to normalise that?

### **Anna Cross**

[..]Vim has been here for a number of months now, you might see him, because he just sits across the hallway. It's a bit early to discuss externally his views. What I would say though is he is running the business that would see the integration of the Wealth and Private Banking business. He will be responsible for that, and that's really exciting, both for him and for us, to join those businesses back together, because we split them during the ring-fence. So that will be a primary focus for him. And, of course, how do we continue to grow our US cards business, and I would say finally, really embedding our Payments business into our existing Corporate and SME customers, I think would be a really

high-level sketch of his priorities. But I'm sure that you will see him in time, particularly when we're ready to talk about that combining of things.

In terms of customer subsidisation, it's quite interesting, isn't it? Because I presume that you are specifically talking about retail.

**James Invine**

Yes.

**Anna Cross**

Running a retail business has a significant degree of fixed cost about it. In the past, that would've been rooted in branches. Obviously, they are still a key part of the offering that we have, and the other formats that we are taking customers to.

But there's also a key part which is digital. And to a certain extent, my old boss, Ashok Vaswani, used to say it's actually a technology company with a balance sheet. The technological requirements to go into a retail business are really significant, both in terms of the bits that you see in the app but also the resilience that underpins it.

Some customers are more profitable than others, frankly. But the way we think about it is this is a lifetime relationship. So if you take customers all the way through, from teenagers like my daughter is now, who I'm sure is not our most profitable customer, all the way through the life stages, through to probably being at the more profitable end, which is someone with investments and liabilities to deposit with us, who is really looking for advice, and everything in between. We need to look at that lifetime for a customer, because that's really what we're dealing with in retail.

And one of the things that we disclosed was really the proportion of our retail customers who have that really long lifespan with us. And that's really what running a deposit franchise is about, what running a retail franchise is about. They're not deposits, they're customers. So to a certain extent, you need to manage your costs as best you can by deploying digital as well as you can, and really looking for points of inefficiency across that network, but trying to think about the lifetime profitability of that customer.

**Guy Stebbings**

On the Wealth and Private Bank integration. I appreciate we will need to wait a while for some guidance around that, but can you share a little bit more in terms of the strategic rationale for that and precisely why now is the right time to bring those businesses back together? Has it got anything to do with interpretations on ring-fencing and that sort of thing?

**Anna Cross**

So to be really candid, running them separately has been quite hard. We split them during the ringfence and that has definitely created some inefficiency. I would say inefficiency in the way that we invest and we manage the teams that underpin those businesses. Just because we don't want a ginormous fence between it all.

I would also say, that the question just asked around the continuum of customers. Actually, you want to be able to have a conversation that goes all of the way from Premier and having your first ISA all the way through to hopefully becoming a Private Banking customer with all of that entails without stopping halfway through, and then going "I'm really sorry I've got to move your legal entity." That whole customer continuum, we think will be better.

I also think that in terms of management focus, and really bringing that together to a single strategy. Because the piece that sits within the UK is essentially the digitised platform. And the piece that sits outside the UK is a bit more of the advanced element. Actually, that digitised platform and the capabilities that it required is just as relevant to going after clients who want to have some interaction with their own investments. So just combining that capability and putting a management focus around, okay, so that works for a Premier client who has £100,000. But does it really work for this Wealth client who's got £20m? So that we think is really important.

That's the specific reason for it. No specifics around ring fencing anymore, or anything like that. It's really about our desire to grow it and the procedure efficiencies that we've created. [..]

### **Chris Cant, Autonomous**

If I could just ask on Group structure. I appreciate that we haven't seen any big stresses in European funding markets yet. But do you think the fact that you're ringfenced puts you at a potential disadvantage [versus others] if we do start to see stress coming from the US? And related to that point, can you give us an indication of what proportion of deposits in the non-ring fenced bank are insured? I'm guessing it's very low.

And on this recent question around the consolidation of the Wealth and Private Banking businesses. Presumably you're doing that outside of the ringfence. So, does the liquidity position of the Group and where liquidity sits feed into that position at all?

### **Anna Cross**

I would turn that on its head, if I'm honest. Because the way I think about it is, in particular as we engaged with the regulator about the debate about deposit insurance etc. The ringfence was set up to protect retail and small business depositors, that's why it's there. And you can see the extent to which the liabilities within the ringfence are insured. So, the ringfence is a source of liquidity stability for the UK.

So I'll take the other side of it, which is outside, does it inherently weaken the rest of the Group as a funding matter? Which I think is where your question is going. We gave some additional disclosure, which hopefully helps you understand the insured nature, but also the depth of the relationship outside of the ringfence.

So within the US retail bank, more than 90% insured. Not surprising really, given the nature of the deposit functionality we have there. In the CIB, more than 20% insured. But really also what's important there is sector concentration, which is obviously really important in the US, the length of relationship, and also, if you like, a reflection of quality of that relationship. Is it just an operational bank account or are they depositing with us on a term basis? And what we've seen is an increasing move to term in a rising rate environment.

So from our perspective, as a non-ringfence matter, the diversity and opportunity for deposits there is really significant and exists outside of the UK. And the deposit in flows that we saw quarter on quarter actually are largely non-UK. Our ability to access international corporate deposits is actually a source of strength for us, given the nature of our business.

### **Chris Cant**

In terms of the decision to move the combined Private and Wealth business outside of the ringfence, you talked about wanting to have a customer continuum and not have to move people between legal entities. Presumably there will still be people that have to move legal entities if they're UK customers wanting to moving into that. So, on the decision to consolidate outside the ringfence bank, [is any other factor driving that?].

### **Anna Cross**

No, no, it's purely a customer and strategic decision.

### **Perlie Mong**

[..]Again, on Private Banking and Wealth. I guess it's just about the opportunities because it sounds like in BUK, I think you're pretty happy with the capabilities you have. So I guess in the non-CIB, part of the business. What do you think of this Private Banking Wealth entity as a growth engine. And I guess if so, what's different this time because many of the UK banks have tried to push wealth, and when I was here at Barclays, that was one of the things you talked about at the time, and obviously more recently Lloyds as well. So I guess what is different this time?

### **Anna Cross**

Okay. So we do have some ambition to grow it, [...] that's why we are bringing it back together. What's different this time? I guess, if you look at the momentum in our Private Bank, I know it's small, but just go back along the quarterly earnings for the last few quarters, we've given it quarter on quarter and you will just see it quietly growing. We have confidence in the capabilities that we've got within that business and it feels like a good time to bring them together. So, I think greater clarity of strategy, and the fact that actually we're basing this on the business that's already performing, I think this is a different view. Our Private Bank had revenues of more than a £1bn last year. But it's not a business that we talk about.



I've had more questions on that today than we've ever had.

**Alvaro Serrano**

[..]On the impact of Markets, and it's kind of related to capital allocation. So you're getting a lot of respect through the performance of FICC, I think that's clear. Equities in Q1 wasn't great, last year wasn't great either. The question is, is that maybe impacts from the structure notes issued last year, and maybe pulling back risk, or is that more of a conscious decision to outlay capital where you see your edge, your stronger edge? Just some colour on that Equities performance, thank you.

**Anna Cross**

There's a couple of pieces. One is more about performance, one is more about the base. So there's quite a significant base effect here. So if you look back Q122, our performance was really strong, and quite outsized strong. I think we grew 9% [year-on-year], whereas all of our US peers were down in that quarter. So we are annualising, and it's quite a significant quarter.

Having said that, what's particular about our business is we're pretty strong in equity derivatives. For equity derivatives to really perform, we need some equity volatility within there. Whilst rates and FX volatility was quite high in Q1, equity volatility was pretty low. What you're seeing there is really the impact that our Equities business is skewed towards a business that does somewhat rely on the volatility. Which is exactly why we've been investing in Prime, to try and provide some offset to that. It's something we're very conscious of.

We'll continue to build that franchise out. So there's no particular impact from the structured notes issuance point. In many aspects, you can imagine in this environment, that type of structured note is much less popular with retail customers than it has been in recent years. So, it's not a significant impact. It's much more about the base effect and the structure of our business being quite derivative heavy.

Okay, so if no more questions, thank you very much for your time. It's good to see you all. And I'm sure I will see you very, very soon. Q2 will be upon us before we know it. So 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;
- 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](http://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.