Barclays PLC Q2 2023 Results

27 July 2023

Results call Q&A transcript (amended in places to improve accuracy and readability)

Joseph Dickerson, Jefferies

I just had a question, firstly, on rate sensitivity because I can't find any tables or disclosure in today's releases. I guess, are you now approaching in regards to base rates, a position whereby the bank is liability sensitive? Or how should we think about rate sensitivity going forward?

Secondly, can you discuss your strategy with some of the European consumer businesses, such as the German consumer business, I think there have been some press headlines about a disposal of that business. That would actually have a relatively significant contribution to capital presuming you make a gain on it, not game changing, but certainly would free up another, £750m or £1bn of capital, if you were to dispose of it. So I guess how are you thinking about those peripheral consumer businesses that you still have?

Anna Cross, Group Finance Director

Thanks for your questions, so I'll cover the first one and then hand across to Venkat. So you're exactly right. What we are saying is that given where base rates have now got to, we expect further rate rises from here would have no impact on our net interest margin, in fact it might be even slightly negative. And that's simply because, as we've said for some time, the higher rates go, the higher the pass-through will be. Don't forget though, that this higher rate environment also impacts the yield curve, and we are seeing that benefit come through and get locked into on our structural hedge. Venkat, do you want to take the second question?

C.S. Venkatakrishnan, Group Chief Executive

Yes. Thank you, Anna. So Joe, yes, we are looking to sell the German credit card business. It's a nice business, but it's not really core to our overall consumer footprint. There will be a modest RWA release when that happens. But it is small in the context of the bank. I mean, it's something, but it's small. Yes.

Jason Napier, UBS

First one, a lot of the investors that I talk to, would like to see Barclays be clearer about the risk-weighted asset growth that it envisages for the CIB. Many of them would like to see no growth in that division at all, or perhaps some kind of constraint around the share it represents in the Group. I just wanted your views on that desire.

Secondly, just looking at Barclays UK, the division has a better income to loan tally than almost anyone else in the sector, but it's cost-to-income ratio is 10% above Lloyds and 13% above NatWest. You must have done loads of internal work in the past. Can you talk about what it is about the cost structure of that business that makes it so much less efficient than the major peers that we look at?

C.S. Venkatakrishnan

Jason, I'll take the first one, and I'll pass the second one on Barclays UK to Anna. So on the first one, I think I have been pretty clear that when we look strategically at the Investment Bank, it's been a great success. Five years ago, the question that was asked of us was should you have one. And If you had one, would it be any good? And I think we've shown that it's important for us to have one. It's a great diversifying business, and we're pretty good at it. We are the top-ranked European investment bank in Markets, and in Trading.

However, I also recognise that at approximately 60% to 70% of the bank, it is much more important now to grow the bank that's outside of the Investment Bank and to get a better balance overall in due course. Now having said that, within the Investment Bank, there are some relatively attractive RoTE businesses, such as Financing and Prime, and we have been investing a lot in those. When you get to the heart of your question, it's something, of course, we would agree with, which is to increase our RoTE and to increase the proportion that fee-based and relatively capital-light businesses play in our entire product mix.

Anna Cross

Yes, we've thought a lot about this. And I'd put it down to a couple of factors. The first, risk appetite does play a role here, and that is both around liquidity and credit risk appetite. So you'll know that Barclays UK has a lower loan-to-deposit ratio than some of its peers. We've managed our credit extremely carefully within Barclays U.K. as we do obviously, across the Group. It's part of the Group risk appetite that we focus on, we've got global opportunities to place risk and many varieties of it. So, I think risk is a large part in the way we manage that risk.

But of course, it's also about the cost base, which is what the transformation in Barclays UK is about. So we're extremely focused on cost and efficiency, and we are working extremely hard on our physical and digital footprint, and the benefits that gives to our customers. So what you see at the moment is us reinvesting the benefits of that transformation to make it go faster. But over time, we would expect to see the cost-income ratio of the business to trend downwards. Hopefully, that gives you some clarity about how we think about it.

Jonathan Pierce, Numis

I've got two, the first is on the hedge. Thanks for the extra disclosure on the hedge maturities in 2024, 2025, particularly the scale of them. But I wondered if you could be a bit more precise on the yields that these things are coming off because you've got £100bn to £120bn in maturities over those 2 years, makes a big difference if the average yield on the maturities is 1% versus 2%. The range could be as wide a £1bn or so. I'm also, supplementary to that, wondering where all the hedges that were written in 2020 when the 5-year swap rate was close to zero, where are those, when are those coming off? I'd have thought there'd be a bunch of those in 2025.

The second question is a more broader one on distributions. In particular, going forward, the sort of split of the free capital generation that goes towards dividends versus buybacks. I mean we can all understand you want to do a lot of buybacks over the next few years at this rating. The consensus dividend payout ratio is about 27%, I think, over the next two or three years. And as an argument, I suppose, the payout ratio could be a bit higher than that. I mean ultimately, cash in pocket today is just as important as enhanced cash in pocket in a few years' time. So thoughts around the distribution split between dividends and buybacks moving forward would be great.

Anna Cross

Okay, thank you, Jonathan. Just picking up the first one, I'm glad you like the slide. So we're talking about slide 18 here. What that shows is that we've seen a strong pickup in yield from FY22 to FY23. So our income has gone from £2.2bn to an expected £3.6bn this year. And your question is really, how that flows from here? Difficult to be completely precise about the maturing yield because it does impact on how much we roll into your calculation. But what I would say is that it's probably at the lower end of the range for 2024 and in the range for 2025. Typically, these are about 5 year swaps. So you're going to see the benefits coming through of 2020 vintage from FY25.

On your broader question, the way we think about it is we want a progressive dividend, which is why you've seen us grow the dividend at the half year, year-on-year. So that's up by 20% year-on-year. And that should demonstrate to you our confidence in our ability to distribute capital consistently from here, but we want to be able to supplement that from time to time with a buyback, as you said, particularly given where the valuation of the bank is right now. And so at this point in time, together those two are around £1.2bn of distributions at the half year, which is 5% of our current market cap. So hopefully, that will underline to you our commitment to return capital to shareholders in dividend and in buyback.

Jonathan Pierce

Okay. That's helpful. So just quickly coming back on the hedge point. In 2025, it sounds like you're saying the average yield to maybe around the midpoint [of the] 1% to 2% range. If you've been, bar the stuff that was put on during the pandemic, which was obviously feathered, if you've been putting a hedge on typically at 5 years rolling, why is the yield on the stuff coming off in 2025 at that level, when the 5-year swap rate was pretty close to zero in 2025?

Anna Cross

There is a blend in there, Jonathan. We can take you through it in a bit more detail. So there will be a large part of the 2020 vintage, but they're not all 5 years. So we can take you through it in a bit more detail outside of here.

Guy Stebbings, Exane BNP Paribas

The first one is just on deposits. In BUK, I think they fell about £4bn or £5bn in the quarter, presumably that includes some outflows in current accounts and interest-bearing sight accounts and the inflows into time [deposits], so perhaps you could help us understand those moves in terms of the mix of deposits, either at Barclays UK or at Group level. And then as we look forward, it sounds like you expect that to persist at maybe current levels, whereas one of your peers noted the experience thus far in Q323 was maybe a little bit better than May or June, and thought that less base rate moves meant less prompts for customers to move money. So I just wonder if you share those sort of views or not, it sounds like maybe you're embedding slightly more conservatism there.

And then on the CIB, I guess we've become quite accustomed to top line beats and market share gains for Barclays for quite a while. This quarter was a little bit soft. I just wondered if you read anything into that, and if you need to change or pivot, mindful you've got a strategy review in the background? Or do you just largely put it down to one quarter, and there will always be a degree of volatility, and perhaps you've been seeing some green shoots from here.

Anna Cross

So we don't disclose the split of our deposits. But when we look at our peers who've reported thus far, the trends that we've experienced don't look markedly different. And actually, what we're saying at this point in time is the migration behaviour is broadly as we expected it to be.

What we're seeing is that customers are holding a lower level of deposits, and they're doing that for very positive and proactive reasons. We think, that the approach for that behaviour is three things: Firstly, rates have risen beyond the level that any of us expected. Secondly, inflation is much higher and more persistent than we expected; and thirdly, mortgage rates are obviously higher than they have been at any point, other than a brief period in the third quarter of last year. So our customers are sensitive to these higher levels of interest rates, but not actually in the way that consensus is assuming, it's manifesting itself in [customers] using their deposits proactively to manage their financial position, and we're seeing the benefit of that in our impairment.

We said in the scripted comments that over a quarter of our customers are using their excess deposits to pay down their mortgages in advance of a fixed rate change. We think that's the right thing for them to do. And whilst it will impact on income, it's also going to impact our impairment. Because those three factors of rates, inflation and indeed mortgage rates we expect to persist, we also expect this deposit behaviour to persist into the third quarter. And really, that underpins much of the guidance that we've given you around the forward path for BUK NIM from here. Hopefully, that gives you some clarity on how we are thinking about it. Venkat, do you want to pick up the second?

C.S. Venkatakrishnan

On the CIB, I would very much view this as, and I'll explain to you how in the quarter, both in Fixed Income, Equities and in Banking, we've been in the middle of the pack, right? So our performance is consistent with that of the US peers. We are very much in the middle of the pack. And there's a little bit of a stylistic story in it. If you look at Fixed Income, where we're off just a little more. We had an excellent quarter in the second quarter of 2022.

This was a quarter [Q223], in which Securitized Products, which is an area of growth for us, has done very well. So banks with big Securitized Products businesses did better than those without. And Equities volatility was a little bit more muted, and we have a very derivatives heavy business. And Banking has been fine, as I said in my remarks a few minutes ago, ranking share increase in the UK and Germany, continue to maintain our global ranking. So I think if I take a slightly longer-term view, we continue to aim to gain market share with our biggest clients, which is a specific objective of ours. We continue to do well within Markets and in Banking.

The last thing I want to point out in terms of the diversification of the business and referring to the question that was asked earlier, I think from Jason about the CIB. If you look, our Transaction Banking numbers and Corporate Banking overall, has been doing extremely well. So that part of the business, which is in part related to transaction volume, in part related to interest rates, but it's also in part related to just plain good old fee income, has been doing very well. So net-net, you put it all together, that's what leads to a CIB with double-digit RoTE, and a continued accumulation and holding of market share.

Alvaro Serrano, Morgan Stanley

I've got a couple of follow-up questions. Anna, you mentioned just now, it's really the deposit balances that are driving the structural hedge down and the margin guidance down in [BUK]. You've reduced around £4bn, is that the run rate of reduction in deposits that you might expect for the next few quarters? And I guess, more than related to the level of rates, but I guess clients are focusing on their rollover of mortgages, so it could last a bit longer than just with rate movements when base rate moves.

Is that a fair observation, the £4bn run rate, and it's more to do with the level of rates than the movement of rates?

And then the second question, also a follow-up on the strategic review and Venkat, some of the points you've made during the call of growing and balancing the business a bit more outside the Investment Bank. Obviously, the obvious part of the business to grow is US cards, given I'm not sure there's a lot of room in the UK. When I think about it, that's quite a capital-intensive business and there are some global peers that are pulling back actually from growing cards and payments. Is that the idea, to deploy more capital and become bigger in the US? Or is it also an option of taking capital outside the Investment Bank to distribute? Is that another way of balancing the business?

Anna Cross

So the disclosure that we've given you on the structural hedge is actually for the Group as a whole. We've included it in that Barclays UK section just because of the impact and the link it has to Barclays UK NIM. But that reduction in the hedge that you're seeing quarter-on-quarter, actually relates to our Corporate business as it has done in prior quarters. And really, what we're doing there is, I think we've described before, the way we build the hedge, we identify the rate insensitive balances and then we maintain a buffer when we put the hedge together. What we're doing in Corporate, is we are very conservatively maintaining that platform in the current environment.

Again, I think we've spoken before about the fact that our Corporate businesses or our Corporate clients were really proactive in moving their deposits, and really it's a continuation of that previous story. To date, we haven't actually changed the roll of our hedge within the retail book. Of course, we are very focused on that every single month. But I'd just remind you that because of the way that we roll this hedge very mechanically, we have the opportunity every month to reassess it and pause or reduce the size of the roll. So we've got plenty of room and plenty of time to adjust it. But to date, in retail, we have not had the need to do that. And secondly, the pickup in this hedge in 2024 and 2025, we would expect to be pretty strong, simply given the amount that we've got maturing and indeed the yield on that maturing level. So that will impact the UK, but it will also impact the broader bank, but that's what you should read from [slide] 18, as opposed to any specific concern about the level of BUK deposits. Venkat, do you want to pick up the second point?

C.S. Venkatakrishnan

Yes, Alvaro, thanks for the question. So I think one way to look at is CIB/non-CIB, the way I prefer to look at it, is to continue to increase the amount of fee-paying relatively capital light businesses we have. There are a couple that exist within the CIB. As I've mentioned to you, Transaction Banking is one of them, our Financing business is one of them, but there are many outside the CIB. And you should therefore look for us to continue to put an emphasis on fee-paying relatively capital light businesses. I think we would like to grow cards, but I would actually also like to increase the capital efficiency in our cards business, and that's something we're spending some time on. So it's not just growing at current RWA density, but growing in a more efficient way, and that's an important feature. So net-net-net, look for us to be increasing more fee-paying businesses and relatively capital light.

Chris Cant, Autonomous

You talked quite a lot about investment J-curves in the CC&P segment over the last couple of years, but it feels like the revenue engine stalled a little bit there in the second quarter. Could you talk a bit more about what's going on? Why the revenues came under some pressure there? And I guess, echoing an earlier question, in terms of some of the investor sentiments around some of the strategic headlines we've seen in the last couple of months. If you are wanting to invest outside of the CIB in some of those CC&P segments, would you consider providing a bit more visibility? It's a slightly odd division, and there's quite a lot in there. And we don't really see the economics of the different bits of that business. I know you give us the revenues, but obviously, we don't see the rest of the P&L. Is that something you would consider to make investors a bit more comfortable with some of the growth aspirations?

I had one follow-up, please, to Guy's question. In terms of deposit trends, you've given us this revised NIM guidance. Have you seen an acceleration in terming out behaviour in June/July, specifically in response to the much higher swap rates. You've referenced various drivers of the change in the NIM guide, but I'm particularly keen to understand what you're seeing with respect to terming out? And I guess that feeds then into the quantum of hedge maturities, you will be able to reinvest looking into FY24/FY25.

Anna Cross

So let me start your first question, which was about the quarter-on-quarter movement in CC&P. This is largely about US cards. I wouldn't link it directly to J-curves or anything specific around the momentum in that business. There are some small FX impacts. There's also a little bit of seasonality in there, we typically expect slightly higher income in Q1 and Q4 just because of the patterns of holiday spending in the US. I think the other point though, just to note is that we have seen an improvement in risk performance I would say, real risk performance quarter-on-quarter. That's coming from a couple of things, it's from the stabilisation of the delinquency trends. It's also from the fact that Gap is now fully embedded and is seasoning out and performing well in line with our expectations. So we're seeing that in the impairment line, as you can see that we also see it in the income line because it impacts these. So overall, very happy with it. It's going in the right long-term direction. This is a business that we want to grow as Venkat said. So I wouldn't read too much into the quarter-on-quarter movement.

On your particular point around presentation, we hear you. Actually, there are two important businesses within CC&P and we are quite reflective about how we might think about and present those in the future. US cards is obviously one of them. We'd also call out Wealth and Private Banking, which we've now brought together into a single division. So we'll reflect on that and update you in subsequent quarters, but we are very thoughtful about it.

And then to your second question, we're not seeing any real difference in deposit trends following the exit of Q223. It's been fairly consistent actually through Q223 and into Q323 so far. As I said, the trends that we're observing, we don't believe are different to those of the industry. The one that's a bit different from our expectations, is this use of more current account deposits, simply customers proactively managing their financial situation. So I wouldn't call out any specific impact on the hedge.

C.S. Venkatakrishnan

And if I may just step in for a second, Chris. You and some of the previous questions have focused rightly on sort of where we want to grow, what the balance is with the investment? Equally, I hope it's clear that it's not just how we're thinking about avenues of growth, but we really value doing it in such a way that creates returns for our shareholders. And we want to prioritize that. And so that's a big part behind continuing with the dividend program and the buyback program at £750m. So it is a balancing act, and I just didn't want you to miss the other side of the balance, which is what we've been returning to shareholders.

Benjamin Toms, RBC

Firstly, on mortgage spread compression, it's a fairly significant headwind to NIM this quarter. But if you look at data, it looks like the headwind fades as we go through half two, as the spread of mortgage rolling off the book comes down, and the pressure looks like it comes back again in 2024, albeit to a lesser extent than we're seeing currently. Is that the right way to think about the shape of the headwinds, is the first question?

And then secondly, back on the structural hedge I'm afraid. But in terms of the extra disclosure given that's really helpful. I guess the key question is the quantum of the total gross income in 2024 and 2025. That's not disclosed, but you described as being strong. If we look at latest market pricing, it looks like the tailwinds could be something like an additional £1bn of revenues in 2024 and another £1bn of revenues on top of that in 2025. Can you give some kind of sense about whether that's the right kind of ballpark way to think about it?

Anna Cross

Thank you, Ben. So you're right about mortgage margins at the moment. The mortgage market is very competitive, very focused on refinancing. That means that spreads remain attractive but relatively thin. We don't see that changing much through 2023. Remember, we know exactly who is maturing this year and what rate they're on. And in fact, in the disclosure that we've given you, is that many of them have refixed already. So we've got a very good view about what the forward impact of that is. We would expect it to be much less, probably largely neutral actually in 2024, because what we're really seeing at the moment is the vintage written in 2021, which was on much wider margins and on 2-year fixes, it's that's rolling off, really. So by the time we get into 2024, we'd expect the impact of mortgage compression to be much more neutral. And in many respects, the margin story for 2024 is much simpler, which leads me to your second question.

It's a bit early to give very precise guidance around 2024. What I would say though is the following: Given the scale of maturities that we have and the yield on those maturities, we would expect a strong pickup. And clearly, we would expect that to mitigate any continued depositor behaviour that we see through 2024. So I would expect it to provide a stabilising effect as we go into 2024, noting again that mortgages will be broadly neutral and actually base rates, we would expect to be broadly neutral. So it's really a much simpler picture in margin terms in 2024.

Adam Terelak, Mediobanca

I want to dig into NIM into 2024. I know you just mentioned the hedge. Can you give us a sense of the deposit assumptions in this year's guide? And then how much the deposits might be able to move further beyond 2023 and into 2024. So I'm just trying to think about what the volume of deposit repricing opposite, that hedge benefit you're talking about could be, to scale the 2024 NIM from the 3.15% you're expecting this year?

And then a question on completely different topic. US regulation, they got a new look on what their Basel III finalisation might look like. How does that impact your US IHC, how does that impact your cards growth plans there? Because I know at the minute capital ratios between your UK business and international franchises are fairly well balanced. Does that change if you're going to see material risk-weighted inflation on the US regulations? And does that change your greater plans?

Anna Cross

So let me talk about our deposit assumptions for 2023 first. So as I said, in Q223, we've seen that sort of increased proactivity from our customers. We expect that to continue into Q323. And by the time we get to Q423, normally what happens is we actually see a build of deposits in Q4 because people save up on their way into the holiday period. We're not assuming that this year, but we are assuming the movement in deposits will somewhat stabilise in the fourth quarter. So that's our version of that seasonal effect in this forecast.

So what we're expecting in NIM terms, is that for the NIM to step down in Q323 and then be a bit more stable into Q423. And remember, we've got really good visibility on the hedge. So of the £3.6bn in gross income this year, we've already locked in £3.3bn of it. We know who our mortgage customers are and when they're going to refinance. So really, what we're doing here is answering three questions.

The first is, what happens if and when base rates go up again. And we are clearly saying that we expect that to not have a positive impact on NIM, it might actually be slightly negative. And that's because at these rates and beyond, we'd expect pass-through to be high. The second question we have is around deposits, and I just told you what we think. Sets down again in Q323, somewhat stable thereafter into Q423. The third and really important question is, what do we expect to happen to unsecured lending? In the current environment and given the proactivity that we see from our customers, we are not assuming that it is going to grow. You're seeing some headline growth, but that's not interest earning growth. Now as I say, this is having some downward pressure on our BUK NIM, but it is also impacting the impairment, and we are seeing very strong, low levels of impairments coming through in BUK.

Adam Terelak

Can you say anything on deposit migration in 2024 and changes in mix beyond Q423? Or is it too crystal ball?

Anna Cross

So, it's too early to tell, as I noted before. All I would say is that given the strong pickup in the structural hedge, we would expect those two things to be offsetting.

C.S. Venkatakrishnan

I just want to emphasize the point Anna made at the end about the relationship between NIM and impairment. Having spent a lifetime in credit markets, what I will say to you is the NIM you want is not the highest NIM but the best kind of NIM. The one that balances your return with risks of credit impairment. We think, we increasingly see the evidence that we've got a very good kind of NIM because what you are seeing is a reduction in it, but reduction for the right reasons. And the reasons are that people are using extra balances to pay off mortgages and reducing the impairment risk on the portfolio. So as you think through these numbers and as you think through our credit portfolio, I would urge you to keep it in mind because that's the way Anna and I think about it. And that's the way we've been targeting and developing, and shaping the credit profile of this bank.

Anna Cross

Absolutely. On your second question, Adam, which is about Basel 3.1 in the US, again, it's a bit early. We're expecting that guidance today, so it will take us a while to work our way through that. We've guided to the overall expected impact from Basel 3.1. And of course, we'll update you on that as these rules become clearer and more final.

Rohith Chandra-Rajan, Bank of America

I had a couple on CIB, please, if that's all right. The first one was just on Transaction Banking, where there was clearly a very strong revenue trend last year as rates were rising, and that's come down slightly over the past couple of quarters. So in Transaction Banking now, is that margin piece done and this is now a kind of volume-driven revenue line? That would be the first one.

And then just on cost management in CIB. So costs have been coming down, but they've not kept pace with the revenue trends. I was just wondering how we should think about the cost trajectory there going forward. Should we expect the investment spend to drop out at some point or efficiency improvements to kick in? Or is this more about market share gains and revenue growth and market recovery going forward, so the revenue line more than the cost line?

Anna Cross

And thank you for the question, which, of course, is on another very strong NIM story for Barclays. So the one we talk about a lot is Barclays UK, which is half of our net interest income, Corporate is a quarter of it and CC&P is the other quarter. So thanks for the question. What's happening in Transaction Banking is continued stability in deposits. These are very long sticky relationships with our Corporate clients. We've seen earlier migration there as we would expect, that's a bit more stable now. And really, what you're seeing over the last couple of quarters is, they're both slightly odd in their day-counts. So Q123 is relatively small in business days. Q223 has got more calendar days, but fewer business days because of the bank holidays that we had through May. So it's actually a slightly odd quarter. So we saw probably fewer fees coming through there because of the fewer business days, but higher deposit income because of the more calendar days, if you can decode all of that.

But just stepping back from all of it, given that it's based on Corporate relationships and given that our structural hedge also impacts this business, we see it as being pretty stable actually as an income line. And Corporate lending is a much cleaner picture this quarter as well because it doesn't have any leverage loan marks in it. So that's a much closer picture to what I would expect that to be a clean quarter.

On CIB costs, we've clearly been investing in our CIB for the reasons that Venkat has gone through. What you're seeing at the moment is that, the cost trajectory around investments is reaching maturity really. And what you're seeing over time is the income growth, whilst there might be difference this quarter to quarter, that income growth is coming through behind it. So you're seeing what were quite strongly negative jaws, now alleviating somewhat. I won't talk about specific quarters, Rohith, but clearly, our objective here is for this business to have strong returns and cost income ratio is a key part of that. So we are focused on it. And you'll see that it's part of our overall story, but we don't think that our CIR is out of line with our peers. And clearly, we're seeing the benefits of the growth coming through, but very RoTE focused. Just noting we've had double-digit RoTE in this division now for 10 out of 14 quarters. So we feel like we're investing in the right things.

Edward Firth, KBW

Venkat, I just wondered if I could bring you back to the strategy question because I think that probably is the key one at the moment. I heard what you said about the success of the CIB over the last five years, and what it's worth, I agree with you. But if I look at your share price over that time, it's down between 10% and 20%. So I guess, although we agree, the wider market clearly disagrees or clearly doesn't see the value in what you've created. And so, I guess in that context, I also heard your comments about strategic review and perhaps fee income being a focus. But how sure are you that is enough to start closing the valuation gap on the peers? Are we not approaching the point now after perhaps five or 10 years of this strategy where we start to think, doesn't something more radical need to happen to actually start closing gap, because you're now at a huge discount. I mean, Lloyds is on 1.0x [price to tangible book], NatWest is on 0.8/0.9[x], you're down 0.5[x] or less. Is there a sense of how we can do something to close that, does that make sense?

C.S. Venkatakrishnan

Yes. So what I want to say to you, is obviously first of all, thank you for your comments on the CIB. I'm glad you agree that we've been making progress on it. It's clearly insufficient, right? That's what the price to book will tell you.

I think there are three or four aspects of that. One aspect is the proportion of the bank's revenue, profits, risk-weighted assets that are sitting in the CIB. It does feel that, that is a drag on the overall valuation, when it's at 60-70%, right? So in other words, the success of the CIB has been great, but it's now, the rest of the bank has to pull its own weight. That's the part, again, where I'd say both within CIB and the rest of the bank, that we've got to increase the proportion of relatively capital-light, relatively fee making revenue. And we are putting in place the pieces that allow us to think about this, and operate this in a good way.

So the merger of the Private Bank and the Wealth business from the UK is one such piece. The investments we continue to make in our cards portfolio in the US, although I repeat the point I made earlier, not just to make investments in the card portfolio to make it more capital efficient is another part of that piece. And I think it's important also that we don't surprise the market in the way we did last year with that securities issuance problem. So we're spending a lot of time improving internal end-to-end management and efficiencies for that, we don't have negative surprises. But then ultimately, you come to the last part, which is to run the businesses at a very high level of operational efficiency, which includes in some part, scale, so that people believe that you can produce these higher returns sustainably over long periods of time and guide you to how we might do that. And I think we're spending time thinking about that. And at the right time, we'll share.

Edward Firth

I guess a follow-up to that. I mean, I get what you say about the sort of balance of the business, but growing organically, changing organically is not really going to change that materially in the next five years, I don't imagine. So unless you're going to do something really material in terms of buying some retail banking or buying a big stable banking part to rebalance it and/or sell or close down a significant part of CIB. So the balance is not going to change materially, I mean it's been pretty much 60-40 for 7/8 years I would imagine.

C.S. Venkatakrishnan

Look, I think you've got to approach it in a very careful and deliberate way. That's what we are doing.

Robin Down, HSBC

Just a couple of quick ones for me. Firstly, apologies if I missed this earlier, but the webcast kept cutting in and out. But can you give us any sense as to where mortgage completion margins were for you in Q223? And the second question, perhaps a little bit more, slightly philosophical question about the structural hedge. Why are you reinvesting at the moment? Because if you reinvest in the structural hedge today, 5-year swap at 4.8%, SONIA probably after next week's base rate rise is going to be around 5.5%, there's a negative spread there. And it feels like you've gone beyond hedging your current accounts and equity, and you're partially hedging now sort of deposits where you have effectively 100% deposit beta. So just philosophically, why are you reinvesting the structural hedge now? Why are you not actively looking to kind of run it down, whether it's a kind of negative to sort of near-term income.

Anna Cross

On your first point on mortgage completions. I think, we've been pretty consistent in not quoting spread. All I would say to you is that the mortgage market is extremely competitive, largely intermediated, and you wouldn't expect our spreads to be markedly different from the market as a whole. What really matters though in mortgages, is the current churn impact that we're getting, which, as I said, we'd expect to lessen into 2024.

As to your second question, on the structural hedge and the philosophy around that. So the reason that we have the structural hedges to smooth the income of our banking book businesses over time. It is not there to be an expression of where we think rates will go, either up or down. It's there to protect and smooth the income pathways on those really important banking businesses for us, whether they be in Corporate or in Retail.

And what it's done is it led to a slower income pathway on the way up. And to the extent that we keep reinvesting in it, it will stabilise our longer-term income. At any point when rates start going back down again, it will protect income on the downside. So for us, it's not an expression about how we feel on rates, it's actually an expression about how we manage our income and how we think about our risk actually in these critical franchise businesses. But thank you for the question.

With that, I'd like to thank you all for your questions this morning and your continued interest in and focus on Barclays, not only for Q223, but the great questions on our longer-term strategy. If you've got further questions, please follow-up with the Investor Relations team, or I will see many of you the week after next at our analyst breakfast. But to everyone, I really hope you have a great summer break, and we will see you soon.

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, 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 document 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.

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 International Financial Reporting Standard (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 US Securities and Exchange Commission (SEC) (including, without limitation, Barclays PLC's Annual Report on Form 20-F for the financial year ended 31 December 2022, and Interim Results Announcement for the six months ended 30 June 2023 filed on Form 6-K), 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 in our results announcement for the period ended 30 June 2023.