Barclays Q1 2025 Results

13 May 2025

Analyst meeting transcript (amended in places to improve accuracy and readability)

Anna Cross, Group Finance Director

Good morning, everyone. Thank you for coming to join us on such a sunny day outside. As always, let me start with some introductory remarks, and I'm just going to reflect on some areas of focus from our discussions on the road. And then I'll open up for some Q&A.

So first, just taking a step back, a reminder of what our strategy is and what it's designed to do, what it's in service of. It's there to drive structurally higher and more consistent returns. That is our objective. With that in mind, I'd like you to reflect on Q1 as a demonstration of that and how we are driving change through the organisation. So effectively, all of the divisional improvements that you are seeing are reflective of the plans that we set out last year. So, where can you see those actions and our results?

Let me start with the Investment Bank, and here our objective again is to deliver higher, more consistent returns in a range of environments. Though in Markets, we've been investing in a number of businesses and particularly our three focused businesses to ensure that we're able to capture higher client volumes during times of volatility, and you saw that in the first quarter.

Two of those businesses are [our] European Rates business and our Securitised Products business [which] sit within FICC, and the performance within the FICC business was particularly strong as you saw. Equity Derivatives and Prime within Financing are another two businesses that we called out during the Investor Update, and they sit within our Equities business and contribute to the strong underlying result there. And our investment in risk management and in technology generally, but particularly electronic trading, began well before 2024 and that's allowing us to monetise opportunities without taking outsized risk.

Elsewhere in the bank, our decision to grow strategically in the UK is being facilitated now by multiple brands, which is a change. March was the strongest month for applications and completions within the Kensington brand since its acquisition in June 2023, and that is supporting higher risk adjusted margins across BUK. Going forward, the way we think about it is we now have more options to deliver products and different pricing strategies across our brands. And the deposit performance contributed to our confidence in lowering funding costs for Tesco and supporting our increased expectations for net interest income for the full year for Tesco, up to circa £500 million from circa £400 million previously.

So moving on to the second theme, our performance in Q1 was broad based with four out of five divisions delivering double digit income growth and RoTE and importantly, positive operating jaws. And in the UK, the health of the consumer and corporate sector continues to support that balance sheet momentum. We've now deployed £14 billion of business growth RWAs into these highest returning UK divisions, and that's of the £30 billion that we plan to by 2026. It's fair to say

that volume growth exceeded RWA growth and we believe that reflects customers' current preference for secured products.

Our mortgage application share increased in Q1 and strong volumes, we've seen those even after considering the elevated activity ahead of the stamp duty deadline. So there's momentum in that market. In Cards, we saw a 34% year-on-year [increase in] acquisitions in the quarter, and we expect card acquisitions from 2023 and from 2024 to start translating into interest earning lending towards the end of this year and in earnest in 2026. In Business Banking, underlying growth remains encouraging as gross lending continues to pick up and as the COVID era government loans continue to roll off. Within the UK Corporate Bank, our lending balances grew 5% in Q1 by £1.3 billion and outperformed the equivalent peer set.

Another focus area, unsurprisingly, is US consumer health, and we showed you our March data, which was stable and reflects the super prime nature of our card book, and industry data in April remains resilient in line with our own experience. Finally, we expect the level and consistency of our returns to improve further, as we continue to execute the actions and initiatives set out in the strategy. So we believe these actions will drive income growth and operating leverage, all underpinned by sound risk management [and] amplified by share count reductions from our buybacks. Beyond 2026, we see tangible opportunities to improve our operational and financial performance across the bank, and that reflects sustained tailwinds from the structural hedge, a continued drive for greater efficiency and operating leverage, particularly in Barclays UK and the IB, and improvements in the level and consistency of our returns.

So in summary, as we approach the midpoint of our three-year plan, we're pleased with our progress. We continue to be focused on execution and we're confident in delivering our 2025 and 2026 targets with further ambition beyond. So put simply, our self-help story has further to run. With that, I'm happy to take your questions. Please can you introduce yourself with your name and institution.

Ben Toms, RBC

Morning, Ben Toms from RBC. Thank you for the questions. The first one is on consolidation in the UK space. You've been quite clear before where you've talked about how you wouldn't want to undertake into any transactions that potentially would disrupt the strategic plan. But if others consolidate around you, is there any potential for that to change your view on how you think about consolidation in UK? And then secondly on net interest income. Can you just talk a little bit about how you see the cadence of net interest income developing as we go through the year? Is it a little bit up each quarter? Is that the right way to think about it? Thank you.

Anna Cross

Okay, thank you Ben. Just to reflect on the UK market, we think that there are clearly some factors here which are driving a degree of consolidation in the market. Clearly the economic environment, the rapid rates up, rates down scenario can put pressure on some business models. Equally, the pace of regulatory change, and I would say both prudential and conduct regulation, again, puts pressure on business models, and we've seen that in some of the transactions that have happened, whether that be Tesco for ourselves, Sainsbury's, Co-op etc,

so we see that running as a theme. However, our position remains the same. Our plan is an organic one, and our objective is to use the now multiple brands that we have in BUK in particular, but also a refreshed momentum that we have in the other businesses really to grow in line with the plan that we've given you, and we really don't want to distract the businesses from executing the plan that they have in hand, which is not unambitious. We've still got £16 billion to go and we think that we've got the momentum there to deliver that. So we don't want to distract [the businesses].

The exception to that would be if we saw something that was not distracting and added to our capability or accelerated our existing plan. So Tesco would have been an acceleration of that existing plan and Kensington gave us the capability that we didn't otherwise have. So that's how we think about it. I mean, we certainly don't lack scale in the UK and we're really watchful of the environment around us.

On net interest income, you can see what's happening here, because now almost one of the factors is out of the way, because previously what we had was that downward pressure that was coming from deposit migration and deposit margin compression. And what we've really observed towards the back end of 2024 and into 2025 is real stabilisation of that position, which is why we've now upgraded our net interest income. We believe that that stability will continue, that's why we are now guiding to the hedge notional being more stable and again that provides that momentum. So what we're really looking at here is continued tailwind from the hedge, and we would expect that to build with successive quarters all the way out to 2026 and indeed beyond. And then at the same time, what you've got is growth in the asset base which is ticking over very nicely, going at the kind of scale and momentum that we would expect. So we are expecting progressive increases in net interest income. Now of course there's some calendarisation in there, so Q1 tends to be a little bit lower.

Perlie Mong, Bank of America

Hello, Perlie Mong from Bank of America. Can I take you back on capital? So, I guess there's now a little bit of a divergence in terms of you know some of your peers saying they're going to go down 13%, and others being very clear that they're comfortable with the full range. So the upper end of the range is the guidance. I understand that some of that is to do with general uncertainty, and some of that is to do with the timing of the regulatory change. But even then, the [Maximum Distributable Amount hurdle] move was only about 20 basis points. So just wondering how you're thinking about that. On the call a few weeks ago, you also said that it is not inconceivable that sitting at [13.9%], in the next couple of quarters we might go through that range. So would you stay there, or would you always pay back to the top end of the range as it were? So that's number one and number two is on US cards.

So I guess maybe the dust has settled a little bit since liberation day in terms of consumer behaviour, what have you seen? I guess the question is less about asset quality, but more that in the past, certainly the full year, there was some guidance and ambition about growing more in the retail segment of the consumer market. Is that still where you're comfortable going? Is that where consumers want to spend? Thank you.

Anna Cross

Okay, thank you Perlie. So at the full year, what we said was you should expect us to operate towards the upper half of our target range of 13 to 14%. The reason we said that was really two things. Firstly, it was the Pillar 2A impact of IRB, but it was also the fact that some of the reductions that we might have anticipated in Pillar 2 are now further out, because the implementation of Basel is further out. But we also said that would leave our distribution plans unaffected. So you should take from that that we'd always plan to be in that kind of zone. We were just being clearer with you with that disclosure.

In terms of where we are now, I would distinguish how and why? So how are we there? We're there because that is what the strategy is designed to do. The strategy is designed to create higher, more consistent levels of returns, that will in turn generate higher levels of capital. So we shouldn't be surprised by the capital trajectory in the firm. That is the modus operandi of the plan. So now we find ourselves here, what does that mean? We are clearly reflecting the uncertainty in the economic environment, we're very mindful of that. And as we make decisions about how to deploy our capital, we are still very mindful of the hierarchy that we gave you, that remains intact.

So it's number one, ensuring that we are robust from a regulatory perspective. Number two, delivering our distribution plans, which is at least £10 billion over the three years and number three, investing in our businesses. So from our perspective, the outcome and what we see now is very much in line with what we originally planned. It's conceivable that we go through the top end of our range, but again, that would be in the context of the plans that we set out for you and the priorities that we've given. So I wouldn't add any more than that.

In terms of US cards, our book is biased, if you like, towards super prime. That is a great position from a credit perspective, but actually leaves us with some opportunities as a risk adjusted margin matter. You should expect us to continue to seek out retail partners as we have done in the past. That is a long term strategic goal, to rebalance this portfolio away from the concentration that it currently has in travel. Clearly, we'll be very thoughtful about that, but that strategy remains intact. And we do look at risk adjusted margins, that's really important to us and we believe that by doing so, the risk adjusted margin of this book will continue to increase, that's our opportunity.

In terms of customer behaviour, no significant change, only what we called out, I think, for a couple of quarters now, which is customers continue to repay at very high levels. So if you look at customer repayment rates [on slide] 38. If you look at the customer repayment rates, they're at 32%, which is significantly elevated still versus the pre COVID position, even after all of the credit normalisation in the US. So if it's having any effect at all, it's probably having a bit of a drag effect on the ability to build balances, but we're happy with that balance at this point in time.

Sanjena Dadawala, UBS

Sanjena Dadawala from UBS. Two questions. First on IB, specifically around cost. So revenues beat by 9%, but cost miss is only 1%. So how should we think about costs in the IB, and in relation to revenue, and maybe phasing? Then secondly, I just wanted to clarify the position on ring fencing and reform, what's the customer protection which the firms cannot achieve on their

own, so their own measures which that provides, and the other factors which stop you from supporting any reform?

Anna Cross

Okay, thank you. Let me just start with costs in the IB, I mean not cost, but efficiency. So efficiency is a really key part of the plan to create higher and more consistent returns in the IB. So you're going to see absolute costs flex up and down depending on how the growth of that business continues. But ultimately it has to have a cost base that would support a return in line with the Group in a range of environments.

So, expect us to continue to drive operating leverage in the IB, that's coming through both from good old fashioned cost control but also our technology plans, our efficiency plans to look at this business from end-to-end and drive out pockets of ineffectiveness and inefficiency in all of the processes. Ultimately that has a very strong client lens as well. We're trying to make the businesses better, cost is an output. So that's how you should think about it.

I would expect this business to deliver positive jaws more often than not. It won't do so in every quarter, just because of the nature of the business, but I would expect it to do so [more often than not]. I won't call out its operating cost trajectory from here. I'd make two comments though, which are perhaps a little bit offsetting.

The first is we accrue our [compensation] in line with the returns of the business. So you typically expect Investment Bank [compensation] to be a bit heavier in the first half of the year, but equally we also called out that our structural cost actions were a little light in the first quarter across the bank. That's not an IB comment, but across the bank as a whole. And therefore we would expect to spend in line with our normal levels, so between £200 million and £300 million for the rest of the year.

In terms of ring fencing, our position is, as Venkat set out on the day [of results], we believe that at the heart of ring fencing was a desire to protect customers in the UK. Consumer deposits and specifically the deposits of retail investors and small corporates. And the regulation enshrines that around corporates of £6.5 million and lower, they have to be within a ringfence, and that is how our ring fence is constructed. So it's constructed specifically with that in mind.

Having gone through the process of ring fencing, clearly there are inefficiencies that [it] drives. You would recognise that [in] what some of the other firms have said, it's certainly apparent, but now the ring fence is in place and firmly established. That is part of the way that we now do business and actually it's not significantly different in its intent from some of the provisions that we see elsewhere in the globe. We have an [Intermediate Holding Company], we have a ring fence, liquidity and capital position within Delaware, so it's just part of the complexity of running a large international group. And from our perspective, what trumps everything is the deposit of protection in the UK.

Okay, thank you.

Guy Stebbings, BNP Paribas Exane

Good morning, Guy Stebbings from BNP Paribas Exane. The first question was on the US consumer, on the deposit side. Slide 25 shows some really good growth, particularly in the core segment, so just wanted to get an update on what you're seeing there, and anything in terms of the economic, in terms of the funding cost benefit you get there, versus the other deposits in that franchise.

The second question is on UK mortgage flow, if you're able to give us a sense as to how much is coming from Kensington versus the heritage book and any sort of economics around that, particularly interested in terms of the spread difference you would see on that business versus the other business and wondering if it means that Barclays could even see mortgage spreads expand or least be flat, which isn't necessarily something we've seen for smaller banks.

Anna Cross

Okay, thank you. So we're pleased with the progress of deposits in US cards. So the difference here is really we've gone from something that was essentially a funding objective to something that is now much more strongly a retail proposition and specifically dealing with our partners. So I'd call out AARP (American Association of Retired Persons) and the launch of a tiered savings product that happened in Q3 of last year, to underpin our strategy to drive retail deposits up to around 75%. So it's a really core part of our desire to grow the NIM of this business. Because when we set out on our plan, there were a couple of things that we really noted about our business.

One was, as we compared it to our US Peers, was really the comparative margin and risk adjusted returns, and the COVID experience is what's drawn us to seek more diversification across partners, but the funding costs were higher for us. Now I would expect them to be higher than a money centre bank, but I wouldn't necessarily expect them to be higher than many of the solo card providers. So that's really what underpinned this strategy. I won't give you the differential between the different funding types, but it is significantly cheaper than the brokered deposits that we have, but all of that is contained within the NIM guidance that we've given you of getting to greater than 12%.

So we expect to continue to drive that strategy, completely digitally, of course. It's been very successful and, if anything, probably a little bit more successful [and] faster than we might have anticipated. And our Treasury colleagues have found themselves with a little bit more funding than they might have expected there, which has clearly had some downward pressure on NIM that will dissipate.

In terms of mortgage flow in the UK, if I deconstruct our book, clearly we are now taking a much stronger flow from Kensington. We bought that at a point in the cycle where it probably wasn't going to come to the fore, now it is. That's helping us to fulfil our desire to take on a bit more high loan to value mortgages. I think previously we said it's around 15%, now it's 22% in our first quarter, so a much stronger part of the flow. That does have an impact on the blended margin coming through, clearly makes those margins higher. And at the same time, we do not have a significant churn effect from the back book. So from our perspective, despite the fact we've

seen some volatility and swaps, and that played through in some tightness in spreads generally, the forward momentum in terms of mortgage margin is positive. Thank you.

Robin Down, HSBC

Good morning, Rob Down from HSBC. Two questions please. The first, just a quick one, UK corporate, as you mentioned earlier, we saw pick up in loan demand coming through Q4 and into Q1. Can you talk about the loan demand, and what picture you're seeing today, whether or not we can continue to see that growth coming through for the remainder of the year or whether you're seeing counterparties perhaps postponing their lending?

And then the second question, I know we're already halfway through the current programme, but given you started talking about 2027, can I just ask you a couple of quick questions there? You've got structural hedge tailwinds coming through that you mentioned, I'm guessing you're expecting to see loan growth and deposit growth continuing, assuming base rates don't fall, that should give you a healthy revenue picture. You talked about cost efficiency within the UK and the IB, so I'm assuming we're talking about positive jaws, so you get the operational gearing effects on the bottom line. What we haven't really talked about is capital and the capital mix. You've also got an ambition to get to 50% RWAs in the IB by the end of 2026, how do you see that playing out further on? Will we see more investment going back into the IB? Will the efficiency gains from capital perspective have expired then, or do you think the 50% could continue to shrink as part of the Group? Because I think that's important when I look at your UK domestic peers, I think we're probably all forecasting high teens RoTEs for 2027. I guess you're [>12%] for 2026. So can you close that gap in 2027?

Anna Cross

OK. Thank you. Let me start with the UK Corporate Bank. So we are seeing momentum in UK Corporate, as you call out. There's normally a fairly significant lag between putting the facilities out and corporates drawing down on them. If I were to call out any particular behaviour at the moment, I would say that's perhaps lengthening out a little, so it's not a change in demand as such, maybe just a slowing of the process.

Obviously, when you get into individual sectors, that picture will be different. If you get into sectors where they have a significant exposure to import-export, then clearly they will be more cautious. But as the sector as a whole, I wouldn't say we see anything more meaningful than just a slowdown in the pull through.

When I get to 2026 and beyond, I'd call out a couple of things. The first is, 2026 was designed to be a point in time. We gave you a three-year plan, it's not deemed to be an ending point for any of the metrics that we set out for you, whether that was RoTE, whether that was the proportion of capital deployment. The plan had the ultimate aim of raising the returns of the Group and making them more consistent and we believe that is driven by deploying a greater proportion of capital in the Group towards the higher returning, more stable businesses. That plan remains intact. So I wouldn't see the 50% or the 12% as being a resting point, you should expect them to progress beyond that. I'm not going to give you numbers now, I can't give you the endpoint. Think of it as a sense of direction and momentum that we would expect it to continue.

Really importantly for us, we see value in having a diversified business that allows us particularly to perform in a range of environments, but we have to get the right capital balance across the Group and we're on a journey. 2026 is a staging point, that is the one that we are 100% focused on delivering right now and we'll come back to you in due course. Thank you.

Kian Abouhossein, JP Morgan

Kian Abouhossein from JP Morgan. My question is around the US cards business and you've discussed in the past the diversification effect of the US cards business, on the CCAR process and capital requirement in the US. We will get transparency most likely in the summer around CCAR, and you will see at least, maybe we will see as well, what capital diversification effect you will get. I don't know how much detail you get today, but is there any thinking around, if the effect is actually not that material, [how] that changes your mind around the US card business? How do you think about this optimisation element, considering we will get that detail, and hopefully on the on the public side, we'll get it as well?

Anna Cross

The fundamental value of this business is we believe that it delivers business diversification, I will come to capital diversification in a minute. But it delivers us the opportunity to participate in one of the largest consumer markets in the world, where we have, we believe, sufficient scale. But we still have room to grow in terms of market share, and the opportunities that we have around us. So I've talked to Perlie before about the balance between, the non-retail and the retail parts of the book. Retail is a much bigger partner market in the US, that gives us real room to grow. But a key part of that is getting this business back to a position where it delivers, first, in line with the Group and second, to a point where we believe it can deliver a mid-teens result as it has done in the past, even after IRB. That is our objective. We're confident we can get it to that place, and on that basis it provides a business diversification to the Group.

Beyond that, it also provides a degree of capital diversification. You're right, if there's a change in US stress testing, of course we need to refresh our understanding of that. But it seems unlikely that the stress test will change significantly in nature, as in the diversification benefits that we get are the same as those as we enjoy in the UK, which is first, you tend to get a market stress, then you get an unsecured stress and then you get secured stress. And to the extent that you have a diversified business, you have your businesses being stressed and then recovering at different rates, and that provides you with a more robust revenue position all the way through any stress environment. Barclays was the only UK bank that did not make a loss in COVID. So we believe that diversification works.

The current discussion around US stress testing is more about transparency than changing the nature of it, and the transparency of the process. So we need to wait and see, but I would really distinguish those two things strongly. Business diversification, reaching mid-teens, of course, if we're unable to do that, then we should look at it very, very critically. But if we can, then we think there's value to the group. And then beyond that, just being clear about the additional strategic capital diversification this gives us within the US.

Sheel Shah, JP Morgan

Sheel Shah, JP Morgan. First, in the US cards, coming back to the NIM. Can I ask if you think that greater than 12% is still achievable for 2026, given you're holding maybe a bit more excess liquidity from deposits, revolver balances are maybe a little lower than you'd expect?

Secondly, on the markets VAR, the £23 million in the first quarter, that's a lot lower than your 2024 average of around £26 million, or even lower than your 2023 average. What are you doing behind the scenes here? I know that inventory risk is lower, using capital more efficiently, but any tangible examples you can give around this?

Anna Cross

Let me start with US cards, yes, we believe it's [still] achievable. What you're seeing in Q1 is a slightly odd picture, impacted by a couple of things. The first is, as Fed rates reduce in any particular quarter, you're going to see some degree of compression in NIM, but then offset in non-interest income. We've got floating rate assets, largely fixed rate liabilities that take time to reprice. We do hedge the position, but it's not the kind of structural hedging that you see within BUK, and the income from that hedge actually flows into non-NII. So it's a little bit messy, but you can see year-on-year that non-NII is much stronger, and that's really the effect of that hedge. But on an underlying basis, no real pressure on income.

The other thing that's going on in Q1 is, what I would describe as a full NIM, it's not a banking NIM. So we have some cash sitting on the balance sheet ready to do a securitisation repayment, and that's undermined the NIM by creating a larger denominator. [The] pathway from here, I can see clear building blocks to get us to that greater than 12% position, and they come from all of the areas that we talked about before.

So, the repricing that was completed last year, and flows through into NIM as customers use those cards and pay down the pre-repriced balances. The second thing is the deposits that we talked about previously. Thirdly is just the overall risk mix, clearly we'll get another move on again once we onboard [General Motors] later in the year. The building blocks are still in place, Sheel, so we're comfortable with that progress, it's a really key part of our plan.

In terms of Markets VaR, I wouldn't call anything [out] in particular, because it's actually a business style and philosophy across the entirety of the market business. Again, it reflects the strategy that we set out at the beginning of this planning cycle for you, which was a real focus on the fact that we had deployed a lot of technology into the Markets business. That means that we're taking more risk intra-day, not so much in terms of inventory. So that's really the thematic, you could see that across a number of businesses, and it's really a reflection of the investments that we've made. So when I say we've monetised the opportunity within the current environment, that's really what I'm talking about here, and we have been really nimble in the way that we deployed capital. So I wouldn't say anything more specific than that. Thank you.

Andy Coombs, Citi

Morning, Andy Coombs from Citi. Firstly is on the Fixed Income result. You correctly pointed out that there's this big year-on-year improvement greater than your peers. If I look back further in time, if I look at your market share over the first quarter, you're around 6.5% this year, you were around 5.5% last year. But you were about 6.5% in Q1'22 and Q1'23. So my question is, is Q1'24 the outlier here? Is there anything in Q1'24 which was impacting that year-on-year [comparator] that you want to call out.

Secondly, the structural hedge. You change your assumption from 75% to 90%. Your peers are all 100%, in one case even more than 100%, and even seeing some growth in the notional. So any reason why you didn't go to 100%? Why that reticence still?

Anna Cross

So, how do we feel about FICC? I would say a couple of things, the first is we are definitely performing better across a range of products. If I go back to some of the periods that you call out, we would not have had the same kind of Securitised Product business, Trading business that we have. Our European Rates business, as we said, has been an area of focus for us. That was very strong historically, we lost market share. We started off focusing on building that market share back through last year, it was definitely a journey through last year and it performed much better in Q1.

The other thing I would call out is Fixed Income Financing within here, equally as part of our Financing businesses, are a much more stable source of revenues and Financing in general is a business that we've invested a lot in. We see good balanced growth and robust margins.

So I would say the underlying position is objectively good. In any particular quarter, your [comparators] will either help you or weaken your result, that is just the nature of this business. I would say Q1'24 [was] maybe a little bit weaker, but then if you look at the trajectory and exit rate from 2024 into 2025, I think that would take you back towards this stronger position. From our perspective, what we're really focused on is, are those businesses performing well and in the way we would expect them to, [with] the market share as an output.

On the structural hedge, I think Robin touched on this on the day [of results], I'm going to say the same thing again, we said broadly 90% as a planning assumption. We've also said we see stability in margins, we see the hedge being broadly stable. As we saw in Q1, so it's a planning assumption for the maths. What we actually see is probably a bit more stability than that. Dan, what would you add?

Dan Fairclough, Group Treasurer

We're seeing a bit more deposit stability in line with the rest of the UK bank market, so to some extent there will be a market dynamic, rather than Barclays versus peers dynamic.

Alvaro Serrano, Morgan Stanley

Good morning. Alvaro Serrano from Morgan Stanley, a couple of questions please. One, maybe an uncomfortable question, on Dealogic data and the quarterly run rate at the moment. It does look pretty weak, it did look pretty weak in Q1 and then it turned out to be okay. Obviously April was quite a meaningful month. So I'm guess I'm trying to ask for some help to how to think about that market data that's coming through, because in Q1 it turned out to be, I think, wrong. So if there's any hand holding you can do there to help us interpret the data.

Second, is on RWA efficiency, the large leverage finance position, Twitter / X, was largely disposed of. Are there any other legacy positions or any other low hanging fruit in terms of RWA efficiencies that are left, that you think there's more to go? Or you are where you want to be in terms of leverage finance appetite? Thank you.

Anna Cross

In terms of Dealogic data, clearly there is a subdued Banking environment. We saw that through Q1 and it's, if anything, more intense in April and particularly in ECM and M&A, there's probably a lot less activity than perhaps people expected at the beginning of the year.

From our perspective, we planned for a market that was 10% down year-on-year. Q1 was broadly in alignment with that. What we have focused our businesses on is, clearly the scale of the market will go up and down. We are focusing them on making the market share gains that we've asked them to make, so even in a lower market [environment], are they making progress? So that's how we are thinking about it.

And so far, we would say that things are getting postponed [and] pushed out, rather than cancelled. So that's what we see. There's just uncertainty in the market and therefore you can imagine the CEO community are reluctant to progress. It's very difficult to say anything more than that.

Alvaro Serrano

But you've called out ECM and M&A, should I interpret that as DCM is more or less business as usual?

Anna Cross

No, I don't think it is either, but I think there's sort of event driven pieces and when you get into investment grade, you see the knock on impact there as well, for those event driven pieces. So it's just our concern, if you like, because of the uncertainty, people are just stepping back. But we're not seeing things cancelled, they're just getting pushed out, but it feels like that's an industry impact. In this environment, you tend to see offsetting impact between Banking and Markets. That's certainly what we saw in Q1. So to the extent that volatility suppresses Banking activity, you would expect to see some offset to that in Markets.

In terms of RWA efficiency, I'm not going to talk about specific clients. You can see that in Q1, we have less in credit in the IB, and that's being deployed into counterparty credit risk and market risk. So that's what I meant about being nimble with our capital, within the overall framework of

the IB. I would say our overall Leverage Finance book is well positioned. We've gone into the current environment probably with low levels of inventory. What we've had has cleared, as we would have expected to, so nothing to call out [in] Markets.

Priya Rathod, Jeferries

Hi, Priya Rathod from Jefferies. Just a few questions for me. So first is, going back to your comment on March being the strongest month for application and completion in Kensington. How much of the strength was driven by customers moving ahead of the stamp duty changes? And do you have a view on what the sustainable rate is going forward? And secondly, going back on to Brookfield, and I appreciate the insight you've given already, but if you could just remind us of the strategy and the long term benefits of that partnership, please? Thank you.

Anna Cross

There was undoubtedly a degree of pull forward into Q1. I think we've called that out and I think many of our competitors have done also, and you can see that in the strength of the data. That said, there is general momentum in the housing market in the UK and mortgages goes hand in hand with that. That comes from real wage growth, relative economic stability, relatively low but robust HPI and all of that flows through into good real housing activity. So, as we go forward from here, you might see a little drop back for a while, just reflecting that pull through.

But generally speaking, there's momentum in the market and that comes from both sides of it. So you're seeing both purchase activity happening, both first time buyers and house purchase. That's good because it drives real economic activity in the wider economy, and it also tends to be slightly higher [loan-to-value], so slightly higher margin [versus] other participants in the market. Also, there's a pretty robust remortgage market as well, because what we've seen in the last few years is a shortening of terms, so there's definitely quite a remortgage churn in the market too, which gives us a good gross market to operate within, so some step back, but generally good.

I would say in terms of Brookfield, how do we feel about this business? We feel that it is a really important service delivered to our clients and that is from the largest corporates all the way through to SMEs in the UK and about a third of the payments in the UK flow through that process every day, so it's a large scale business. However, it is also, (a) a scale business; (b) a low margin business and (c) one that has high technology requirements. And our view here was that we wanted a partner who could help us scale the business and help us deploy technology effectively across its waterfront.

So, particularly into the smaller participants in that market, so the SMEs, where the technology has changed quite markedly over the last few years and arguably we have not kept up. So we didn't feel like we were the best able to do that on our own, particularly with the technology in mind. So that's really what's driven our desire here for a partner. But from our perspective, it's a business that we feel with Brookfield, we can deploy that technology. They also have businesses elsewhere in the globe that are using similar types of payment rail, so we can leverage that. The expertise that they have for us to bring this to a level of return, commensurate with what we would expect one of our businesses, because it's not there at the moment, it's marginally loss

making, so it needs to be turned around with that partner. Then ongoing, reflecting our commitment and our interest in this business, we would expect, even after an exit, to retain 20% of it. So that's the general plan.

Amit Goel, Mediobanca

Thank you. It's Amit from Mediobanca. So two questions, one follow up from the [Q1 results day] call. I want to check again on the maturing hedge yield as you look out beyond 2026. It's just because some of your peers have slightly lower maturing hedge yields ahead of 2027, and then they have to step up. So I just want to check that there's nothing in particular, when thinking about what that maturing hedge yield will be, driving the continued growth in the hedge income.

And then secondly, just coming back to your points on USCB in terms of risk adjusted margin. At the moment you're targeting something like 8 percentage points between NIM and loan loss provisions. So as you look to pivot the book a little bit more away from travel, and you look beyond, just curious where you think you can kind of get that to, whether that's nine or ten, or how you think about that? Thank you.

Anna Cross

Okay Amit, why don't I start with the second one and perhaps Dan can come back to the first. So we haven't given a target for risk adjusted margin beyond 2026. I mean, you're right in terms of the maths for 2026. The disposal of the [American Airlines] portfolio alone will move this, so we haven't changed our targets at this point in time, because we're still reflective of the exact timing of that [American Airlines] deal and what we do in terms of filling in the volume behind it, if you like. But [American Airlines] disposal alone will increase the NIM, but also increase the loan loss ratio from the numbers that we've given you to a more beneficial outcome. So it would be higher than eight, where it actually ends up obviously depends on the timing of that sale. We do expect it to be in 2026, but then the onboarding of GM, the onboarding of potential other partners, organic growth. So we'll update you in time, but I think you should expect us to grow it beyond the number that we've given you already, and actually onboarding GM and off boarding [American Airlines] will do that all on its own. Dan?

Dan Fairclough

Yes, we obviously haven't given you much guidance from 2027 and beyond, but obviously we have given you the locked-in income for 2025 and 2026. And we've also said that the structural hedge will continue to provide momentum beyond 2026. So I think you should just look at the five year sterling swap level and then the average yield on the portfolio, and you'll sort of just see that is the potential that will continue to create momentum, and that momentum will be beyond 2026. There's nothing in the maturing hedge that would impact that broad message.

Chris Hallam, Goldman Sachs

Chris Hallam from Goldman Sachs. So the first question on the banking wallet, a bit of a follow up from Alvaro's earlier question. I guess we should continue to think about the wallet

assumptions, -10% for this year, +5% for next year, 2026 being lower than 2024, as more sort of prudent planning scenarios and assumptions rather than a forecast. But what is your best sense of what will actually happen? Or how would you assess client readiness to transact, given the backdrop this morning is different to the backdrop two weeks ago?

Secondly on US cards, I appreciate the comments on the resilience of the business through April, in line with the industry more broadly. But I guess in the last few weeks you must have done quite a lot of fire drills around potential macro scenarios, potential adverse outcomes. Has any of that work changed at all how you think about where you want to grow the business or how you want to put more capital to work? Thank you.

Anna Cross

Thanks, Chris. So, the way you characterise Banking is the way you should characterise how we approach business in general, which is that we will plan on, I would say, a reasonable basis and the $80 billion for the current year is roughly the 10 year average, well actually $84 billion is the decade average. So it's nothing more than that, it's not scientific, we just think it's a reasonable number for which we should plan.

In doing so, we're trying to put some operational tension into the businesses, because clearly I want them to reach the returns goals and by doing so, that must be on the basis of a blend of market share gain consistently delivered, prudent management of risk and driving the efficiency and effectiveness of the business. It cannot be on the basis of a heroic or high market assumption, so that's why we do that. But it is a prudent assumption, [and] you should expect us to monetize at any environment around us and that's why we've invested in the business.

Again, expect us to be ready as and when the market picks up. It feels like that readiness to transact, if you like, won't be universal because different sectors are clearly getting clarity at different stages of time. Different geographies are getting clarity at different stages of time. So if you're running either a US corporate or a large global corporate, it actually depends on the specifics of your business model, and we hear that very strongly as we talk to clients. So I think it feels unlikely that we'll wake up tomorrow and the world will have gone back to wherever we thought it was in Davos. But as clarity emerges in different geographies and sectors, hopefully we'll see some coming back, but in the meantime, we continue to drive operational effectiveness.

In terms of US cards, this is a business that we've run for 20 years, so it's not new to us. This environment is not new to us. Therefore, what have we done over the last few weeks? The answer is nothing significantly more than we would do ordinarily in this business, because that's just the way we run it, that's the way we understand it. So as you can imagine, even back in 2023, we were cutting unused credit lines, because we knew that unemployment was bound to rise in the US because it was at such low levels.

We've been extremely cautious about the lower FICOs. You can see that around 13 percent or less, is less than 660. And actually, if you look at [slide] 38, you'll see that the flow into those lower FICOs is lower than the stock. So that tells you that the credit risk decisions that we're making on the margins are very thoughtful. We are fully staffed in our collections capability and we're really thoughtful about that. So when we see a change in consensus, as we saw in 2023

and 2024 for US unemployment, we don't just change our IFRS9 result, we actually deploy the business to do something different. So whether that's the way we interact with customers, or the fact that we might be putting more people into that collection capability. So we're ready, but the business is very calm and very confident because we've weathered this kind of environment before. We're also very focused on these other [areas], which is deploying the deposit strategy, deploying the efficiency strategy, because from their perspective the most effective thing they can do is improve the returns of business.

Nicolas Payen, Kepler Chevreux

Thank you. Nicolas Payen from Kepler Chevreux. I have two questions please. The first one, coming back on the IB and the capital efficiency. We have seen a strong improvement in the revenue to RWA by almost 120 basis points. If I look at the mix actually, Fixed Income was very strong and usually it's a bit more capital intensive than M&A and ECM, which were kind of lacklustre. So just wondering, if we have a market coming back on ECM and M&A, should we expect another very strong improvement on that front?

The second question on BUK, I appreciate we have already discussed in the call, but the non-NII line was actually kind of weak, if you look at [it on a] historical basis. So just wondering if there is anything particular in that line? Thank you.

Anna Cross

Let me take the second one first. Absolutely nothing to call out in there. That line can be a little bit lumpy, because you can get some one-offs in there. But we would reiterate the guidance that we've given you, which is greater than £250 million. There's nothing specific I would call out in Q1. Just [to] remind you that sometimes Q1 seasonally can be a little bit weaker, because some of the income that flows into there, you've got some interchange income going in. So typically Q1 transactional levels are a little bit lower [from] day count [and] seasonally lower as people recover from the holiday season, so a little bit of that going on in there.

In terms of the IB and return on, or revenues over RWAs, I mean you're right about FICC, but at the same time, remember that [has] a Financing business within it. And you're seeing strong growth in Financing, and Financing is RWA light, albeit leverage heavy, but it's RWA light. So the growth in that will be driving revenue over RWAs, plus what I've talked about before with Sheel, which is just general recycling of RWAs and the velocity of capital, within the Markets business more generally.

But you are right in terms of, if I go back to the strategy of our Banking business. Just to remind you, there are two parts of that in terms of the rebalancing, both designed to make that business in and of itself more capital efficient. The first was M&A and ECM, which you rightly call out are lower RWA, but also the growth of our International Corporate Bank within there. So you're getting Transactional banking income coming through. For very much the same reasons as you're seeing in the Corporate Bank in the UK, so strong deposit flows there. Again, that is deposit income. So to the extent that you see a recovery in economic activity, because as you can imagine, trade finance etc, is a little bit subdued at the moment, both in the Corporate Bank and in the ICB. You would expect that also to pick up and that's also capital light.

Okay, with that I will call the breakfast to a close. Thank you very much for joining us. Really appreciate your time and we will see some of you very soon over the next day or so, but thank you and we will see you again in Q2, which is not long. Have a good day.

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