

Barclays PLC

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Barclays profits dragged lower by litigation and misconduct charges

Barclays PLC (LON:BARC) posted a 9.5% drop in pre-tax profit for the first nine months of the year after taking a £2.15bn hit for misconduct and litigation.

Pre-tax profit for the period ended September 30 came to £3.12bn, down from £3.45bn a year ago.

Conduct and litigation costs included a £1.4bn payment to the US Department of Justice to settle a lawsuit over claims Barclays misled investors over the quality of mortgage-backed securities they were sold in the lead up to the financial crisis, between 2005-2007. It also included £400m to compensate customers who were mis-sold payment protection insurance (PPI).

Excluding litigation and conduct, pre-tax profit increased 23% to £5.27bn, boosted by an improvement in credit impairment charges, recoveries in wholesale banking and portfolio adjustments that were affected by the new IFRS 9 accounting standards, and a reduction in operating expenses.

Richard Hunter, head of markets at Interactive Investor, said: "The phrase 'excluding litigation and conduct' is peppered throughout the statement. Unfortunately, these charges affect the business and cannot be taken in isolation, given that they appear to be a regular feature."

Total income was little changed from the previous year at £16.06bn, with the Barclays UK division generating stable income of £5.52bn and Barclays International reporting a 2% drop in income to £10.81bn due to a decline in the consumer, cards and payments division.

For the three months to the end of September, pre-tax profit rose to £1.46bn from £1.11bn a year ago and net income was flat at £5.13bn.

Investment bank delivers profit growth, flat income

The under-pressure investment bank delivered a 9% increase in pre-tax profit to £2.5bn for the nine-month period, reflecting lower credit impairment charges, while income was broadly flat at £7.61bn with growth in markets offset by a decrease in banking.

Activist investor Edward Bramson, whose Sherborne Investors holds a 5.4% stake in Barclays, reportedly wants to shrink the investment bank and has said he wants a say in who replaces chairman John McFarlane.

"Performance was mixed at the investment bank, though expectations had been set low last time Barclays spoke to the market in August," said Laith Khalaf, senior analyst at Hargreaves Lansdown.

"Given currency headwinds and a hint from Jes Staley that October has seen better banking revenues, the market is likely to give a cursory nod to the numbers.

Price: 171.86

Market Cap: £29.76 billion

1 Year Share Price Graph



Share Information

Code: BARC

Listing: LSE

52 week High Low
176.19 131.036

Sector: Banks

Website: www.barclays.com

Company Synopsis:

Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services, with an extensive international presence in Europe, the USA, Africa and Asia. With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs 147,000 people.

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"The recent volatility we have seen in global markets should also help out a bit with trading income at the investment bank, though questions will still linger, not least as activist investor Edward Bramson reportedly wants to shrink this division."

Margins decline amid tough competition in mortgage market

Like the rest of the banking sector, Barclays has also seen its margins weighed down by tough competition in the mortgage lending market. The group's net interest margin declined 31 basis points to 3.24%.

READ: Barclays admits to errors on thousands of PPI claims

Barclays ended September with a common equity tier 1 ratio - a measure of banks' capital strength - of 13.2%, compared to 13.3% in December, dragged lower by litigation and conduct charges and dividends.

Barclays on track to meet ROTE targets

Return on tangible equity came to 11.1%, up from 0.8% last year, putting the lender on track to achieve its targets of more than 9% in 2019 and greater than 10% in 2020.

"In spite of macroeconomic uncertainty, and particularly concerns over Brexit which weigh heavily on market sentiment, 2018 is proving to be a year of delivery on our strategy at Barclays," said chief executive Jes Staley.

"We remain focused on generating improved returns, and on distributing a greater proportion of excess capital to shareholders over time."

Staley said Barclays still intends to pay a dividend for 2018 of 6.5p per share.

Shares rose 1.04% to 167p in morning trading.

SFO pressing for criminal charges to be reinstated against Barclays

The Serious Fraud office is pressing to get criminal charges reinstated against Barclays over its capital raising from Qatar investors during the financial crisis.

The bank was charged with conspiracy to commit fraud and the provision of unlawful assistance in 2017 related to the deal with investors Qatar Holding and Challenger Universal in 2008 but the case was thrown out by the Crown Court in May this year.

The SFO has made an application to the High Court in a bid to reinstate all dismissed charges.

Barclays said in its results statement that it was defending the application brought by the SFO.

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