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BARCLAYS PROFITS FAIL TO IMPRESS

BANK TRIMS BONUSES AND BRACES FOR LOAN DEFAULTS

CHRIS DORRELL

BARCLAYS shares plummeted nearly eight per cent yesterday after it reported disappointing results for the final quarter of 2022 and its forward guidance spooked the market.

Profit in the final quarter of 2022 was eight per cent lower than the same quarter last year, at £1.3bn, after it set aside nearly £500m to cover bad loans.

Barclays said that the loss provisions reflected the "deteriorating macroeconomic forecast".

Across all of 2022, the bank recorded £7.0bn in profit, 14 per cent lower than last year.

The fall in the bank's full year profit was largely a result of hefty litigation costs, including a \$361m (£298.7m) fine from the SEC for a clerical trading error. In the fourth quarter however,

litigation costs were actually lower than last year.

CEO CS Venkatakrisnan said the overall results were "very gratifying" but noted he was "determined that incidents like this (the trading error) should not happen again".

Venkat took a £403,000 hit to its bonus as part of a wider £200m bonus pool cut following the disappointing results. The bank said it chose to "focus the reductions on more senior colleagues".

However, markets were particularly unnerved by the net interest margin in the bank's UK division. The net interest margin is the difference between what banks pay out and receive in interest payments.

Barclays UK's net interest margin in the final quarter was 3.10 per cent, lower than market expectations. On

top of that, Barclays UK said the margin will not widen much this year.

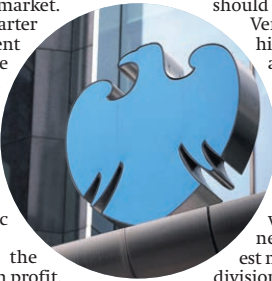
UBS described the margin figures as "particularly disappointing" given the Bank of England's 10 successive rate hikes – the most aggressive since the 1980s.

Barclays' disappointing net interest margin figures sent shivers through the sector, as Natwest and Lloyds both finished the day trading lower.

"Barclays' net interest margin... suggests weakness in the housing market is starting to show up in a bigger way for the banks," Sophie Lund-Yates, equity analyst at Hargreaves Lansdown, said.

"Traditional products, like mortgages are a small part of Barclays' business compared to more domestic-focused Natwest and Lloyds. That means that net interest margin weakness would have a bigger impact on these businesses," Lund-Yates said.

Natwest released figures for the final quarter of 2022 tomorrow, while Lloyds will report next Wednesday.



CREDIT RATING CUT Morrisons downgraded amid debt concerns

HENRY SAKER-CLARK

MORRISONS has had its credit rating cut after recording weaker sales and profits.

Credit rating agency Moody's downgraded the UK's fifth largest supermarket chain as it cautioned that its ability to repay its roughly £7.5 bn of debts had moved to "negative" from stable.

The downgrade comes after a turbulent period for Morrisons following its £7bn takeover by US private equity firm Clayton Dubilier & Rice in 2021.

Last month, the retail group also revealed a fall in annual earnings amid pressure from depressed consumer confidence and rising costs.

The supermarket's sales have come under pressure in recent months, resulting in rival Aldi overtaking it as the UK's fourth-largest supermarket chain.

Moody's analysts said its concerns over Morrisons were linked to its private equity ownership and a "high leverage" and "aggressive financial strategy".

CONTINUED ON PAGE 2

FTSE 100 smashes 8,000 mark for the first time despite banks dipping

JACK BARNETT

LONDON'S FTSE 100 breached the 8,000 point mark for the first time ever yesterday despite Britain's biggest banks sliding after Barclays posted a big profits drop.

Yesterday's move higher crystallises

the premier index's bullish start to 2023 that has seen it surge more than seven per cent.

The new year rally builds on advances that saw the FTSE 100 leave its Wall Street and European rivals the S&P 500, Dow Jones and Stoxx 600 in its wake. London's top stock index hit an

intraday high of just over 8,003 points, before paring back gains to close up 0.55 per cent at 7,997.84 points.

Its domestically-focused mid-cap peer, the FTSE 250, added 0.77 per cent to finish at 20,172.59 points.

"It's redemption day for the FTSE 100 as it breached the 8,000 mark after a

long spell in the wilderness," Laith Khalaf, head of investment analysis at AJ Bell, said. Market watchers have bashed the London market for years due to it having so few big tech companies. However, heavy exposure to so-called "old economy" stocks like commodity giants Shell and Rio Tinto

propelled the FTSE 100 higher.

Michael Hewson of CMC Markets said "a combination of a sharp decline in headline January CPI and a weaker pound" helped boost the index even as Barclays posted disappointing revenues and profits numbers for the fourth quarter.

HOT PROPERTY

EVERYTHING YOU NEED TO KNOW ABOUT THE LONDON PROPERTY MARKET



TAKE ME TO CHURCH

Churches are becoming arts venues... and it's making money, says **Adam Bloodworth**

These spaces were built for their acoustics," says Sammie Ellard-King, marketing director at K&G Hospitality. It's an obvious statement to make about a church, but then again, why haven't more been turned into music venues?

It's predicted that 350 churches will close before the end of 2026, as fewer and fewer Brits identify as Christian or attend services. Amazing Grace is one new gig venue and bar that's acting as a template for what the future of churches - and arts spaces in general - could look like. In short, we could all be saying "take me to church" more often.

Opened within the 17th century St Thomas Church in Southwark and developed by K&G Hospitality in collaboration with the Cathedral Group, the multi-functional space is gorgeous on both the eye and the ear. The lease has been signed for 15 years, a sign of how confident the backers are in the gig venue-cum-bar,

and they say reimagining churches in this light is providing vital new spaces for the arts. They plan to roll out more across London and the South East over the coming years.

"Our sound system has been mapped so the experience is first class," says Ellard-King. "We're very careful about that - we get nothing but positive feedback from bands that play here."

DJs and live bands play until 1am at weekends and there are gigs most nights, ranging from R&B bottomless brunches to 'take me to church' evenings where a live band collaborates with a DJ. Food from Northern Thailand is prepared by street food vendors KraPow and there's an Amazing Grace lager on tap as well as all your typical favourites.

Contemporary mosaic flooring contrasts with original fixtures to give a taste of the old and a slab of the new. "We've brought our own touch," says Ellard-King, but the stained glass windows, doors and woodwork from the

17th century set the tone.

The popularity of the Southwark venue may be a signifier of London's desperate need for more arts spaces. Gig venues and pubs are in almost as sharp decline as churches. Around 50 pubs close each month in the UK and it's estimated that a fifth of London's music venues could be forced to shut due to increased costs, even though the UK live music industry is worth £4 billion a year.

Ellard-King believes Amazing Grace is proof that arts venues can be profitable: "It's paramount that landlords provide opportunities for the arts industry or it won't continue to thrive," he says.

"Some of the best artists in the world come from the UK and we need to provide platforms for them."

However, there's a hesitancy from landlords when it comes to funding church conversions for public use for things like bars and gig venues.

"We've not really dealt with any private landlords yet who are willing to put their money where their mouth is," he says. "I think more of them are looking at flats or rented accommodation, Airbnb style. That's made people a lot of money over the years."

But the message is investors are missing a trick on a new venue concept that has it all. "You used to go round the corner for a pint, you might grab a quick burger then you'd go to a show," says Ellard-King. "We're bringing all of that under one roof, in a church."



It's predicted 350 churches will close by 2026, an opportunity for investors



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