Barclays Interim Results 2010

Thursday 5 August 2010

Analysts Question and Answer Session

Question 1 : Chris Manners – Morgan Stanley

Good morning everybody, it is Chris Manners from Morgan Stanley. So the question I had was just on the deposit growth. If you were able to gather £39 billion of deposits or raise the balance by around 12% in the half, that is you know a pretty impressive performance considering what we are seeing at some of the other banks. And obviously there is some associated liability margin compression there with that. Just trying to work out how much you are paying out for these deposits, how you think about where you need to take your loan to deposit ratio to as well? Obviously you have brought that down nicely. Thanks.

John Varley

I will ask Chris to add, but I think what you observe is a consequence of a conscious effort. So if you look at asset growth as Chris said, asset growth over the last 12 months. 5% deposit growth, 16%. There is cause and effect there. I think what we have done is, we have to be competitive of course in the deposit market. I would describe our position as averagely competitive, but there has been a very deliberate effort in each of the areas where we are natural deposit gatherers to try to ensure that at the very least and more as you can see, as we put on asset growth, we put on deposit growth plus. As a result of that the loan to deposit ratio at the Group level has improved from 130% to 124%. And you can also see an improvement in the combination of deposits and long-term debt where the ratio has improved from 81% to 78%. So you should expect us to continue to drive in that direction because I think it is an important feature, an important source of resilience for the Group in the future

Chris do you want to talk about the margins and the hedge perhaps?

Answer : Chris

The only thing I would add is the funds transfer pricing changes we have made are part of what John has described as a conscious effort to go forward and what we are doing is increasing the reward to the gatherers of long-term liabilities and we have increased by and we reckon by on average about 60 basis points. And at the same time we have reduced the compensation note. We have reduced the charge that people take for asset gathering. And that has had the impact of reducing asset margin by about 40 basis points. And that interest margin, that makes no impact at all, but it is clearly an important step towards incentivising the behaviours we have looked for.

<u>Question 2 : John-Paul Crutchley - UBS</u>

Morning. JP here from UBS. Two questions if I may, one on cost and one on BarCap if I can come back to afterwards. On costs, John I hear what you say clearly about investing in the business and that is fairly clear. I guess also I want to step back and actually when you look at the shape of some of the businesses you have got. I mean in most businesses revenue growth down in a number of them and obviously costs up. And I was just thinking about in terms of how you previously talked about pay as you go and earn as you go in terms of the costs. And you used to talk very much as business as usual costs (BAU), costs for investment and performance management. And the idea you used to be very aggressive on BAU or reduced BAU so you could actually invest in the business. That does really seem to be playing through as far as I can see in the numbers currently. So I guess the question is when we see that delta, revenues down, costs up, shouldn't you be thinking more aggressively about taking day to day costs out of the business to pay for that investment rather than adjusting the cost/income ratio move up? I will ask the second one on BarCap after.

Answer : John

Fine. I mean JP let me give some comments and Chris will probably want to add. This is part of a conscious policy as well. I mean what we are consciously doing is we have been investing some of the benefit in the profit line that inures through the reduction in impairment into the business. And we think this is a good time to invest, at a time of quite an acute point in the cycle. It is perhaps a contrarian view to be investing, but our strong view is that this is a great time to invest. And if you look particularly at the build out of Barclays Capital, the decision by Bob and his colleagues to go hard in early 2009 was a great piece of timing. It was a great piece of timing because we did a lot of the build out that we had planned to do by the end of 2009 and I think the timing of that will be seen over the years to be providential for Barclays. So that would be our approach. I stress the point about having something close to 30% flexibility in the total cost base because we want to be in a position where we can accommodate changes in the income line. And I think you are right to challenge us, that we must maintain a clear view as to what a competitive cost/income ratio looks like. And what you see is varying headcount policies by business area. In some business areas the very thing that you are advocating, a pushing down on business as usual costs to invest for example in technology, you can see that happening in headcount falls. But in other areas we have grown the headcount while we think there is a good long-term opportunity of value creation. That is the policy framework. We know that when we look at our medium term planning, we have got to be in touch with the best players in the industry at large from the point of view of productivity and efficiency and that remains our point of view. Chris.

Answer : Chris

All I would add is I showed you the data JP. When you look at the reasons behind the underlying cost growth, very little of it is business as usual. Most of it is investment, performance related and things that are inescapable like the regulatory costs.

Further question

One for Bob. Clearly it is very helpful you give us the breakdown of the main revenue lines by main categories and we can see the trends there. I wonder if you could just talk about what is happening in the newer businesses in terms of build out, in terms, you have also a lot of costs in investment, but we can't see the revenue benefit obviously in the top level numbers. I wonder if you can give us some granularity where you are in terms of revenues, where you expect to be? Is it taking longer, less time and how do you see that cycle progressing?

Answer : Bob

Broadly speaking the mission as John mentioned in 2009 was to capitalise on the incredible US franchise that we acquired with Lehman Brothers and the potential for a global franchise in cash equities and advisory. So I would say we are virtually done across Europe in cash equities, we began trading in October last year we went live. There is always little pieces here and there and up and down, but that is by and large done. In numbers, I don't want to stick to specific numbers, but I would point to the fact that we are number three in volume in LSE less than a year after we began trading, is the kind of thing that we challenge ourselves on. We are going to be top five in this business, that is always our ambition. But in terms of the costs, you have seen most of them across Europe and you have probably between 50 and 70% across Asia. Japan is done, cash in Hong Kong is done. We still have some things to do in some of the smaller markets.

In terms of what I call more broadly the IBD advisory business expanding through Europe and through Asia, I would say that is closer to 70-75% done. Probably a little bit ahead in Europe versus Asia, but we made a lot of progress. I think it is over 50 managing directors and directors in IBD in advisory in Asia since the first quarter '09. And John mentioned about half of those in '09 and half of those this year.

In terms of the results, I think it is indicative and I don't for a second point to these numbers as permanent because things change and flows change, but I do think it is indicative that we finished the first six months second in US MNA and fourth in global MNA and in the top five in US IPO's. Now it wasn't a standard for six months, I recognise that, volumes were light. And I would hope that if we are correct and we see a better tone in the market, particularly the equity market, because we have ticked off European stress test, UK election, US financial reform. And we have quite a strong pipeline. And I would rather have you see that in Europe and Asia rather than talk about a pipeline, I would rather you see the execution. But if we see a better equity market in the second half, we have quite a good pipeline.

John

Right. I apologise the crashing. Think of it as the restructuring taking place in Barclays Corporate!

Question 3 : Robert Law - Nomura

Robert Law, Nomura. Morning. Could I follow up on that question on the cost line please because if I look at the numbers. I think you are showing something like 21% year on year cost growth and there were some items in that that flat that like pensions. I could push that number up a bit if I wanted to. And your revenue line is down year on year by about a similar amount if you just take gross top line. So I take the point that you are investing, but can you give us some idea of the timescale that you would expect this to pay off, whether you regard this level of efficiency at the Group level as broadly right? Some kind of indication as to whether we think we have reached the bottom? How long is this investment pace going to go on for? Those kind of issues?

Answer : John

Fine, Robert let me just make a comment about the sort of the buckets of cost. I will ask Chris just to talk about the underlying income growth and Bob may want to add about the extent to which, although we put cost on in Barclays Capital, we are yet to see the income upside from that. So let's handle it in those three ways.

I do emphasise a chart that Chris raised in looking at costs where the delta is £1.7 billion roughly, that is cost first half 2010 versus first half 2009. And about £1.1 billion is in three particular buckets. One is £650 million of investment. Chris described that quite extensively and I won't add to that. There is then a foreign exchange hit of about £200 million and then there are what I would broadly describe as regulatory costs of £250 million. And I think it would be unsafe as you think about the future, to presume that those are in the run rate going forward or that we can't vary the level of investment if we want to quite significantly to take account of the changes in the income line. So I do emphasise that we have flexibility. If you ask me about what are the efficiency opportunities when the Group is running at a cost/income ratio of 59%. I think there are efficiency opportunities for sure, I do believe that. And one of the ways in which you will see that is as the benefit of the investment that we are making in the business starts to show itself in the income line.

So I am going to ask Chris just to talk about underlying income run rate and Bob to talk about the income momentum from the investment we are making in Barclays Capital.

Answer : Chris

Robert, the way I look at the income growth, the headline number is that 8% number we gave you, but we recognise in that there are a number of items that you should probably take out to get to an underlying income growth. And I take out own credit and I take out the gain we made on the debt buy-back last year. If I strip those out, I get to about a 5% growth rate half on half and about 7% against the second half of last year. And I think that is a better feel for the underlying income growth against which we are measuring the cost growth.

Answer :Bob

Robert you have followed very closely the build over the years in Barclays Capital, so let me talk about it a little bit different perspective. And I almost hesitate to say this, but I think what

Jerry and Rich and I would say is relax. You know this is probably the smallest investment programme that we have had in 13 years. BarCap has grown from 3,500 people to 16,000 people and the revenue is the fastest rate of growth in the industry, the pay as you go. Everything you have known for a long time prior to the Lehman acquisition. We are now building out Equity and M&A from an incredible strength. We have a client base in Europe that is saying to us, this is terrific, you are bringing us a first class equity business. We are not trying to find new clients. So we are adding a service in advisory, and adding a service in the cash equities business to an existing client base. This is not the most complex build that we have had. And I think what I would point to is the strong growth of PBT. I think I would point to Q2 where we feel terrific. Q2 is a tough environment. Flows were down. I think we were leading the market with top line revenue in BarCap down 15%. And that is what we said. Number one, you should expect us to be able to monetise these investments, two, I would say, this is not a complex build. This is you know we have done much bigger, more ambitious builds over they years and this is a natural extension of an incredible business that we have acquired in the US. And lastly I would say that we do challenge ourselves in this and we say it publicly. We should outperform in tougher market environments. I think Q2 did show that we did outperform in a tougher market environment.

<u>Question 4 : Manus Costello – Autonomous</u>

Hi, it's Manus Costello from Autonomous Research. You mentioned US regulatory reform a couple of times, I wondered Bob if you could give us some kind of quantification of how you think the Dodd-Frank bill might impact your business? And Chris if you could give us some idea of how you think it might impact the Group structure, particularly US Bank Holding company which is somewhat under capitalised relatively to peers?

Answer : Bob

I feel okay about the US financial reform. I think if I went back two years and you told me this was going to be financial reform, I might have been shocked. But I think during the period there was some aspects of this, the Lincoln spinout for example which I think would have had material adverse impact on the US as a financial centre. The US banks more than Barclays. And most of that is workable. So I think we have a US financial reform package that at the end found a pretty good balance between making the financial system safer and sounder, but also allowing banks to work with their private sector and corporates around risk management, around financing, so that the derivatives business can continue to be robust. Keep in mind that with Jerry's work, we were the first of the big banks to create an electronic platform for derivative trading and we are strongly supportive of more transparency and more centralised clearing for standardised derivatives and there is still an opportunity to work on structured derivatives with end user clients. Wind farms, mining companies in the US. So I wouldn't change our outlook for BarCap based on US financial regulation. I think the good news is that it is done. It is behind us, it is workable, we are working on implementation now and it releases Secretary Geithner to work with his G20 colleagues on the Basle rules of implementation. So probably I think we are in a better place today than we were a couple of months ago.

John

Amazing how we have become sort of conditioned to changes in the regulatory environment. If you had said to me three years ago there was going to be a bank levy on liabilities I would have been hysterical.

Bob

You were!

John

It gets introduced and I shrug my shoulders and say well that is the sort of thing that happens! Chris.

Answer : Chris

Manus, you know as you would expect, we are still looking at the options, but currently what we have as you know is the US Bank Holding Company that owns a bank, Barclays Bank at Delaware and a broker dealer, Barclays Capital Inc. And it would be the combination of those that would put not only the capital into the bank and the broker dealer which we have already got, but into the holding company as well. One of the potential solutions is to reorganise, to take the bank out of the bank holding company and make it a direct subsidiary of the Group. So there are some things like that which are possibilities to change structurally which we are looking at.

<u>Question 5 : Alistair Ryan - UBS</u>

Yes it's Alistair Ryan from UBS. It is a reasonably small part of the balance sheet, but it is clearly a large part of the P&L at present. So just on Spanish Corporate again. I think the average Spanish bank is reporting 4% NPL in its corporate book. And according to Robert, numbers you are at 27. Now just to the extent that it is possible for you to judge these things, how much of that is definitional, that your accounting is different to how the Spanish account and how much is whether your book is differential? And Robert gave a pretty comprehensive bad debt guidance on most of the parts of the business, but I couldn't really take away whether you were confident that you were over the hill in the Spanish Corporate book now or whether it is still something that is kind of an open issue? I mean obviously there is a £7-8 billion book. Over time it fades away, but in the immediate future, it could still be meaningful. Thanks.

John Varley

I will ask Robert to reply. Just remember that he made the point that we have decided to take in the first half, the impact of the Bank of Spain adjustment on property valuation. So that mark to market that Robert has described as 50% and 30%, that is included in the numbers that we have reported to you this morning. Robert.

Answer : Robert

Just to be clear because I didn't take the time in the Presentation to address that. The Bank of Spain issued some guidance fairly recent, toward the end of the second half on how it wanted Spanish banks to look at provisioning. And it included the 50-30 drop and the target date for that is the end of the third quarter. We looked at it and felt it was good to do it in the first half. So it is hard for us to compare where other Spanish banks may be on that.

And to pick up your level of non performing assets question. One of the things that has changed this year compared to last year is that last year banks in Spain were still doing a lot of debt for asset swaps, different than debt for equity. But debt for asset swap was where a company might have some properties and the bank has a loan and the bank accepts those assets, the title of those assets and forgives the loan. So there is no non performing loan. And there is no coverage needed and there is no impairment needed. And about £80 billion Euros I have heard as public estimates of debt for asset swaps have been completed which adds about 4% to non performing loans. So the 4% might look like 8% if you consider those non performing. The difficulty is for me, I can't make those definite comparisons. We believe our portfolio is consistent with the Spanish industry, between property and construction about 50% of our portfolio. And we believe our lending standards are not worse and we believe our concentrations in names are smaller than many of the Spanish banks as well as many of the large international banks have leant in Spain. There are about ten large property developers in Spain. We have been a lender to two of them and we have avoided eight of them. So our performance has been hurt, but we don't believe we are a relative worse performer than what we can see in the industry, but difficult to analyse more carefully.

Question 6 : Ian Smillie - RBS
Thanks, it's Ian Smillie from RBS. If we look at Q2 versus Q1 costs to top line revenue in BarCap, it increased to 66% from 54%, so I guess three sub questions. The first one is do you still stand on the previous guidance that the normal clean revenue quarter expectations should be about £3.9 billion plus or minus 10%. Secondly could you give us some idea of the phasing of the 10% headcount growth that was put on during the first half, so that we can understand whether the full cost of that is layered into the Q2 cost base or not? And thirdly, could you give us some sense as to what seasonal pick up which is anticipated in BarCap costs with the year end true up as bonuses come through in Q4?

John Varley
Right, do you want to talk first of all about the quarterly income run rate?

Answer : Bob
Yes I think what I had said in February and a number of times in terms of guidance, that you can't give a guidance on this, but what I said is something you should look at is '09 second half annualised, not '09 first half annualised in terms of top line income. And I think we are broadly consistent with that in the first half with a slightly better first quarter than the second quarter. I said, you then want to adjust that for two things. How are flows overall? And I think the first quarter was normal and the second quarter I would say was below average. And you want to factor into that the growth in the businesses that we are building. So my guidance would not change at all from that in terms of what you should look at.

John
Bob on the headcount, my recollection is that there was slightly higher headcount growth in the second quarter or higher headcount growth in the second quarter than in the first, would that be right? Yes, Rich is nodding. So the concentration Ian on that part of your question. There was a cost delta in the second quarter not experienced in the first quarter because of the headcount concentration in that quarter. Chris wants to make a couple of comments about cost/income ratio if that is helpful.

Answer : Chris
As you know, in terms of our cost to net income ratio, we have set ourselves a target of 60-65%, if I back out own credit from this and I do that because of the relativity of that number, I end up with a cost to net income ratio of 62% for the half. And that I think is exactly where we wanted it to be.

Question 7 : Arturo de Frias - Evolution
Hi its Aruro de Frias from Evolution. I wanted to ask you about the return on equity. You reported a return on equity of 9.8%. If we exclude the gains in own debt the return on equity falls to somewhere in the region of 7.5%. I know that you have mentioned that ROE is not where you want it to be, and I am sure we are going to see some improvements going forward in the Spanish impairments and better revenues in BarCap etc. But given the regulatory pressure and given the economic situation in Europe and the deleverage and so on, I think it would be unrealistic to expect the ROE to double or anything like that in the next couple of years. So am I right in concluding that you are not going to meaningfully exceed the cost of equity for at least the next 2-3 years? And if not, where do you think my analysis is wrong? Thank you.

Answer : John
It is a very good question. You are tempting me into giving you more information than I ought to, so I will foreswear selective disclosure at the start of this. But I try to be very candid in what I said which is that because of the regulatory capital that we have to run today, and I think you require it as well as our regulators require it. That has had a depressing impact on return on equity and the return on equity is not where it needs to be. And as you know, we have said that our first task is to get to parity with cost of capital, 12 ½ %. There will come a time by the way when that number goes down, but I don't expect it just for the moment. And then we have got to be in a position where there is positive delta between the two. And you can imagine that when the Board discusses this point, it is very clear that it wants to see in the medium term plan, with capability of achieving that and better. Very clear. So we, the reason why we put the emphasis that we have on return, and you can see the return on assets moving I think quite nicely over the period from 1 to 1 ½ %. The reason why we have put it on is that we fully understand that that is objective number one. We have to get the returns up. Now I can't give you a precise answer, even if I was allowed to. I can't give you a precise answer until such time as I know where Basel and the Financial Stability Board will land on capital. But I, you know what the regulators have said in the past in any event is that the market should not assume and indeed we the regulated should not assume that these

high levels of regulatory capital will be perennial. But I think you have to assume that they will be quite sticky. And what that means there is an intensive effort going on within Barclays I assure you, an intensive effort going on to ensure that business line by business line we are maximising the direction of capital into those parts of the business that are driving the best returns. So that is furious contention within Barclays, a very positive thing by the way. Great contention for capital with our being single minded in directing it to the areas of highest return. Chris.

Answer : Chris
The only thing I would add is to support what John said in terms of the effort, and you will have heard from Antony when we did the GRB (Global Retail Bank), Investor Day that we were looking at for his businesses a 13-15% return on equity in terms of the hurdle rate. You have heard Bob say in the past that for BarCap we are looking at a 15-20% return on equity and those are very much the metrics that we are using for planning and capital allocation.

John
And those views are unchanged.

<u>Question 8 : Michael Helsby – Bank of America, Merrill Lynch</u>
Good morning, it's Michael Helsby from Bank of America, Merrill Lynch. I have got a question on bad debt, one on leverage and just a quick one on margin. I hear you on the bad debt guidance and if you are at the better end of the range you are looking like £6.7 billion, it sounds like, for the full year. I am just really struggling to square the circle, because you put up a presentation where pretty much all the trends are improving on an underlying basis and you tell us that you still expect them to improve. And yet your guidance has got after £3 billion in the first half, clearly a step up in bad debt in the second half. Is that Spain, is that what you are telling us that Spain is going to be a lot worse in the second half or what am I missing? That is question one.

John
Can we take them one by one Michael? Just a general comment and then Robert or Chris will add. I think Robert tried to be very, in a sense, straightforward with you. He said we are sticking to our guidance, he said he could envisage us breaking through the better end of the guidance, he could envisage that. But because he is a conservative soul, he thinks it is right for us to stick where we are at the moment and that is our point of view. We have tried to be, I hope you feel we have been conservative in our approach to this subject over the course of the last years. I think it has been right to be on that side of a line as opposed to be on the wrong side of a line. We will have the opportunity of course at the IMS (Interim Management Statement), of updating you with a closer proximity at that stage for the year end. Robert anything you want to add?

Answer : Robert
Just briefly if I may. I do the numbers, very round numbers. So if it was relatively £8 billion of impairment last year. 20% of that is 1.6. And taking 1.6 off gets you 6.4. So think of that as

20%. And as John said there is some variability in that. Your more specific question is, are we trying to signal that Spain will get worse? No we are not trying to signal. We are saying Spain within BarCorp had a steady performance on loan impairment from the second half last year to the first half this year. So part of an overall business, the UK goes down, Spain goes up. Within wholesale, wholesale goes down significantly, we are pleased with that. We are pleased with Retail. So we are very pleased with the progress. And I think about it as a portfolio and have given guidance on the portfolio. Will Spain go up or down? And I recognise I didn't answer the question when Alistair asked it either, I am sorry. We think it could very likely go down, but we can't guarantee it. I think the things that might drive that would be;

Could more corporate loans become under performing?

Can more deals get re-financed?

And what happens to property valuations?

I mentioned to you that we have adopted more conservative valuations in the first half. I also mentioned in my presentation, we took £125 million charge against an equity position. And that is our single largest charge across the whole bank. So these things do move in big blocks. That is the nature of corporate lending. It does move in big pieces. So we are not trying to signal a worsening in Spain, but we are subject to how the environment develops and it is a very changing environment right now.

Further question

Thanks. I can't remember if you said to Alistair, how much did the move in the Bank of Spain provisioning cost you?

Answer

We didn't say specifically but it is a good part of the £553 million.

John

That was a great try Michael!

Further question

Leverage. I hear what you said on regulation and clearly it is still very uncertain. I think the Basel Committee has helped us quite a lot by giving us a bit more colour on the Tier 1 leverage ratio that they are going to be looking for and it is a 3% minimum. And when I look at your position at the end of the half, you are clearly running with a 5% leverage ratio, you are at the bottom end of your range. So I guess the question is, we are in an uncertain world, do you feel comfortable allowing that to drift up and if so when will that start to come through?

Answer : John

Yeah, I mean we have been trying Michael over the years, I am talking about the years since summer 2007, to anticipate what may happen in a regulatory environment as well as prove to ourselves and to you, I hope, that we can be appropriately nimble around the direction of regulatory travel. So I made the comment about where we had moved from and to and leverage to show that we have variability and we can control it. So I would say without trying to pinpoint exactly where we will be or indeed where the Financial Stability Board will recommend to the Heads of State in Soul in November of this year. I think we have got appropriate confidence in our ability to move that number as we see fit.

Further question
And just finally on margins, it is a bit of a nightmare for us because we try and follow the margin stats and you have not really stated the divisional numbers. I wondered if you could give us a little bit of colour on the underlying trends particularly on the assets and liability spread in the retail UK particularly, that would be really helpful?

Answer
Let me do it in relation to UK Retail Bank. It is not dissimilar to the picture you see at the Group level. If you look at the asset margins you will see that they went half year on half year, from 151 to 117. If you take the impact of the funds transfer pricing, that is about 61 basis points. So the underlying from first half 2009 is 151 first half 2010 is about 178. If you look at the liability side, we disclosed, came from 128 to 161. If you look at it on an underlying basis stripping out both the funds transfer pricing plus the margin compression, this is broadly flat at about 128 basis points period on period.

John
We are overrunning a bit, for which I apologise, time for a couple more questions and then we had better wrap up.

<u>Question 9 : Fiona Swaffield – Execution Noble</u>
Can I ask two questions, firstly on the BarCap revenue. Sorry it is Fiona Swaffield from Execution Noble. Page 33, the rates business, Historically BarCap out performed in rates for a long period of time and I am quite surprised by the low level. I wondered if you could talk about, is that unusually low or is that a normalisation and where do you see that going?

John
Shall we take that first of all, Bob

Bob
Jerry do you want to take that one?

John
Jerry del Missier will help answer here.

Answer : Jerry
I don't know that there is any particular trend evident. We would look at the quarter as actually being a good quarter one where we saw growth in market share, where Sovereign franchise actually performed extremely well, particularly in Europe. It was a quarter dominated by financing activities by Sovereigns. I think you are really looking at a

comparison to a period that was really quite extraordinary in 2009. So it is probably a normalisation of market conditions.

John
Thanks Jerry, you had a second question?

Further question
Liquidity buffer, I think you talk about £160 billion liquidity, I wanted to know whether that could come down over time or how that ties in with what the FSA asks you to have? And also how much it is costing you? I think historically you may have said £650 million. But I assume it has gone up?

John Varley
Good memory, Chris

Answer – Chris
It is at the sort of level we think it needs to be for our own purposes. We run our own risk appetite models. It is slightly below where the FSA would be if they implemented the latest Basel proposals. When I say slightly, a few tens of billions of pounds. So nothing that is not manageable within raising say within a year or two. And the total cost we estimate has gone from £650 million to about £1 billion.

John
Right one last question.

<u>Question 10 : Leigh Goodwin - Citi</u>
Thanks very much. It's Leigh Goodwin from Citi. I just wondered if I could invite you to elaborate on the comments on current trading actually in July made in the release. I thought a little bit cautious given that markets have clearly improved a lot in July. I thought that we would be seeing a bigger bounce back in Barclays Capital than perhaps is implied by the wording here, but maybe I am reading it wrong.

John Varley
We are happy to comment. Chris do you want to talk generally at the Group level and Bob might want to talk about. We have done something unusual actually for us which is to fillet it down into two week periods and we have talked about the first half of July and the second half of July, but anyway.

Answer : Chris
You sort of break it into three parts. You break it into the Retail and Commercial banking business where the trends we have seen in July are very similar to the first half. We see the Investment banking business, you will have heard us say the first two weeks of July were relatively slow. The second two weeks were much better. And the third thing we just caution about is the volatility of own credit based on spread movements.

Answer : Bob

I think we are all trying to read too much into it. Our best sense is that the slow down we saw across the industry in May and June as I said earlier, there was kind of a cloud hanging over the markets. It was Europe and Greece, it was the stress test, it was the UK election. It was financial regulation in the US I think was a very big part of it. And as we move beyond those, I think what we are encouraged by, but it is very early in the quarter and the summer is always difficult to read, is we are really seeing more client activity, more client risk taking in the last couple of weeks of July. Why is that important to us? In a tough market, we think we will out perform on a relative basis. But what is exciting is if we do see a bounce back in clients willing to invest and take risk and a bounce back in the equity market, we have a very, very strong pipeline of business to bring to the market. So it would be nice if we see that. That is certainly how it feels in the last couple of weeks of July but I wouldn't try and read too much into it.

John Varley

Thank you all very much all of you for being with us. We really appreciate the time you have given. I am sorry we have overrun by a few minutes.

End