BARCLAYS

Barclays PLC Full Year 2011 Analysts Q&A Session
Bob Diamond, Chief Executive

Question 1 : Tom Rayner, Exane

Thanks, Tom Rayner, Exane. Can I have two questions please Bob? John Varley would never let me, but you are softer than him.

Answer : Bob Diamond

As long as you give us a compliment you can have two!

Question

Okay I will start with that. Very strong cost management in the fourth quarter I think in the face of difficult revenue conditions in Barclays Capital. Even so, if you take the second half, the cost ratio for the second half of the year is still running above 80%. And obviously the return on equity consistent with that is not as good as the full year 10%. So what I would really like to get is some thoughts on the outlook for revenue in Barclays Capital going forward and what Plan B might be if you don't see any meaningful recovery from what is obviously a very soft second half of 2011?

And my second question would be on Basel 3, thanks.

Answer: Bob Diamond

Let me take the first and we will come back on Basel 3. Let me kind of give some context in my mind and then pass on to Rich and Jerry. I think you would have been surprised given some of the comments you have made recently in your research about the tough environment. The second half is about as tough as it gets and I think a 10.4% return on equity shows how well this business is being managed and also shows how it is in a premier position in terms of market share and client flows. So we think a 10% plus return in that environment is actually a pretty positive sign. But your question was more on how do Rich and Jerry feel going forward.

Further Answer – Rich Ricci

Hi Tom. I think if I take you back to the Investor Day we had last June, we talked about a revenue profile of somewhere between £12-14 billion as being what we believed is a rational view of what our franchise can deliver given a more normal environment. That is not talking about a big robust environment taking us back to 2009. In fact it looks a little bit more like the first half of 2011 or the second half of 2010. I think in the first half of 2011, as an example, we printed £6 billion of revenue. So there is no doubt that the second half of the year was difficult. We look at that as more of an anomaly and think that 2012-14 allows us to deliver 15% plus returns over time to the shareholder.

Further Answer – Jerry del Missier

I would just add Tom. On the "what if the market doesn't recover?". We have clearly seen a return to a more normalised conditions, although event risks are still clearly there. And as Rich says, we are certainly not planning on a buoyant environment. I think the key is not about having a Plan B, the key is actually about being consistently focused on and disciplined on cost and capital management. And that is what allowed us I think to outperform. I think it is something that you have heard from us before, the ability to outperform in challenging markets. The fact that we have scale presence in all of the key markets businesses. The balance of the US and of our European franchises with strong and growing presence in Asia, is the key for continued outperformance. And we won't lose that focus on discipline, regardless of what is happening in the underlying market.

Further question
Thanks very much. The second question was on slide 19, the Basel 3 slide. And it is a similar question I think to the one I asked at the Strategy Day. The mitigation of the risk weighted assets. Can you give us an update on your thoughts on what impact that might have on revenue or the P&L in general, putting those initiatives through?

Answer: Chris Lucas
We are working pretty hard on it. And part of the reason we wanted to give you an update was to show you where our thinking is going. It has to be said though that when you take the fact that rules are still to be written, there is still a significant amount of variability in the results of the application of the rules. It is pretty hard to land to a spot example or spot answer. What does give me comfort though if I think of the Basel 2.5 experience we had when we first gave you some numbers I think the impact on RWAs was about £70 billion. And when we finally implemented that was about £30 billion. And that was through a whole series of actions including pricing, modelling, wavers from regulators, a whole range of things, additional sale of assets. And I think we are in the middle of doing the same piece, the same activity. The sale of the assets and the sort of assets that have high risk weighted asset components actually are generating relatively small amounts of income. So we think it is possible to work down without having a massive loss of income.

Further Answer : Bob Diamond
It is a bit tricky Tom and we don't have all the final rules, which is why I mentioned we will come back in the Fall when some of it is more clear and do it again. Not because we want to kick it off, but because I think we will know a little bit more. But I would go back to what Chris said. We have always said, Rich and Jerry, Chris and myself, that the starting position is 15% returns over time in the Investment Bank. Frankly I know our shareholders have said it. If we can return 10% in environments like this, they know we will be returning 15% in more normalised environments. I hope you take some confidence in how well we have managed the capital and the RWAs day to day, because a lot of this is kind of day to day combat. But the big picture of that success is because we are seeing customer flows at the leading end of the market. And I think when you have those client flows, even in slower markets, it keeps the returns at these kinds of levels.

Now I didn't say it when I started, but one question each.

Question 2 : Manus Costello, Autonomous
Thanks. It's Manus Costello from Autonomous. I have a question for Chris I think, on the net interest income outlook please. Chris I notice you have changed the working slightly around the impact of the structural hedge to highlight that it will decline year over year. I wonder if you could just give us a bit more colour? Would you expect the impact of the product hedge to be bigger delta in 2012 on 2011 than 2011 on 2010?

And secondly, on the equity structural hedge where you saw an £824 million impact in 2011, how much of that was capital gain and would any of that be repeated? Because there is clearly some headwind on NII going into this year?

Answer : Chris Lucas

There is and that is why we changed the wording to reflect that. I think if I look at it and we can go through with you the different components. But when I look at the impact of hedging on the, what I call the banking businesses. And by that I take the structural hedge move, the equity hedge move and the gains on sales of hedging instruments. All of that has a positive impact of about £100 million year on year. So therefore what we have been able to do is manage a declining contribution from the hedges. But that won't go on forever. And I will leave it to you to work out what is the level of decline, but we are definitely seeing some headwinds.

My final comment would be again when I look at the interest margin across again the banking businesses, is flat year on year. And I think that is a pretty good achievement and pretty good management of margin in a difficult environment.

Further question
Sorry just to be clear on the equity structural hedge, of that £824 million, how much related to capital gains? And can you foresee similar actions happening in 2012?

Answer – Chris Lucas
The net year on year impact of gains on sales across the Group is about £500 million. We would expect that to be, there is always going to be an element of it. There is always going to be an element of it and therefore we would expect there to be some reduction, but not a complete reduction. But that gives you the sort of flavour of the capital gain.

Question 3 : Gary Greenwood, Shore Capital
Hi, it's Garry Greenwood at Shore Capital. I just wanted to ask you about the LTRO and your thoughts in terms of pros and cons of using the LTRO when it comes up at the end of the month?

Answer : Bob Diamond
I am happy to talk in general about the impact it has had on the market which I think is positive. I think we have had a policy of not disclosing our activity in things like this over time. But what has been the impact on the market? I think it was very positive and I think, you know in many ways it is the actions of Governor Draghi were very positive for a market that was very skittish on funding. So it was a real relief to the market. But I think it had with it aspects of quantitative easing, aspects of buying the periphery, aspects of confidence in the banking. And I think the fact that they are coming back to the markets in February with unlimited three year 1% funding, is very positive in Europe. And so it is, I think it is part of the reason that we have seen investors confident to come back into the markets.

Further question
Do you think there is any stigma attached to strong banks like yourselves using it?

Answer : Bob Diamond
Well you know, I think a number of people have talked about this and I think it has kind of been a good debate. But I think any bank that doesn't worry about issues of stigma and given what we have been through over the last 3-4 years, of course we have to think about brand and reputation, in our case being rock solid in funding, capital and liquidity is our number one priority. And you can imagine that was a big part of our thinking.

Question 4 : Michael Helsby, Merrill Lynch

It's Michael Helsby from Merrill Lynch. I see on the risk weighted asset reduction in the fourth quarter, that about £37 billion of it was due to FX and lower market risk/VAR counterparty risk. On that basis given that activity levels have bounced back a bit in Q1, should we expect the risk weighted assets to jump again in the first quarter? And I guess if you could, therefore should we expect the previous RWA guidance that you have given for Basel 3 to still hold in terms of the absolute levels?

And just attached to that, I was wondering, based on the full year balance sheet that you have just reported, if you could give us any idea of what you see, Chris, as the fully phased in impact of the deductions from 2014 to 2018?

And if you will let me, I would love to ask Antony a question on credit.

Answer : Chris Lucas

If I start. You are absolutely right, there was a reduction at the end of the year. My numbers which are year-on-year show a reduction of about £30 billion business adjustments and about £10 billion FX. If I look at the £30 billion, of course some of that will spring back as volumes increase. We are absolutely delighted when they do that as we make a better return and net net we are better off.

It is difficult to say how much of it springs back in which sector. What I would say is that of that £30 billion, about £10 billion is a permanent reduction in underlying assets and particularly some of the credit market exposures. And that we won't see come back. That is a permanent saving.

Mike I am going to duck at this stage on the sort of fully loaded Basel 3 numbers. We know you are interested in them, we have got a lot of work to do and we will come back to you in the Fall. But I do reiterate my previous comments, that if I look at the performance in terms of Basel 2.5, I am pretty confident about the future.

Further Answer : Jerry del Missier

The other thing I would add Mike is that as, yes generally speaking, you know as activity picks up it is a general statement to say that RWAs would follow. But the other thing you have to consider is that the pace of our ability to sell down legacy assets and manage on the balance sheet also slow down in Q4 as a result of what was going on in the market. And we would expect to see that again pick up back to levels to that we saw earlier in the year. So that is kind of an offset as well. You have better conditions to be able to continue to manage down your exposures.

Bob Diamond

So Mike, truth be told, I said just one question. But I also had an aside with Antony before we started, I said that the results in Barclaycard are so strong that you are going to get more questions than Rich and Jerry. And since we have that aside, I will allow that question. In fact you can have two more for Antony if you like!

Further question

How about three? I guess I was just looking at the credit metrics at the back. And it looks like, certainly from the half year you have continued to see an improvement in certainly 30 day arrears and everything that looks like, on a forward looking basis things continue to improve. So I was just wondering, given people are still quite concerned about the outlook for the economy, I was wondering if you would like to draw out some of the trends and give us. Maybe Robert you could help and give us more of a forward looking view from how you see 2012? Thank you.

Answer : Antony Jenkins
Why don't I talk about the RBB businesses and then Robert can talk more generally. The first thing to note is that as we have discussed in the past, our businesses are generally quite conservatively positioned from a credit point of view. So our mortgage book is relatively low LTV, our credit card portfolios are at the higher end, the prime, super prime space. And so we are well protected from any potential downturn. That would be the first point.

The second point would be, as we talked about at the half year, what we have seen is that the rate of improvement has been slowing over time from the 2008/2009 position. But really if we look at the forward flows across any of the businesses, we are not seeing marked deterioration at all. We are seeing broad stability. And our view is that that will largely continue through this year. Now the exception to that would be if we saw a major downturn in the UK economy or a major downturn in the Eurozone. But again in that circumstance I would refer back to my first point which is, because of the relative conservative nature of our books, we will be able to manage through that volatility. And the second thing is as we demonstrated in the 2006/7 downturn in the cards business and in the 2008/9 downturn across the piece, we are skilled at managing our collections and so on through these difficult times when they come.

So I would say, in summary for the business and retail banking franchises, we are cautiously optimistic for this year. I wouldn't expect to see very dramatic improvements, but I don't expect to see dramatic deterioration either.

Further answer – Robert Le Blanc
Let me add. Thank you. There is a lot of detail we could get into, but won't get into that and try and just do the big picture. But as a point of context which is certainly true for the UK and for our Retail businesses also in Europe, in the US and other areas. A couple of factors just to mention very quickly. Households are being very careful about their spending. And they are reducing household debt, and that can be seen in a lot of statistics. And that has a couple of effects. One effect of course is that the economy is slow. The other effect is that debt performance is better and our credit portfolios can improve and have improved and that is really a big factor that has driven it. Unemployment of course is always the most difficult factor for a credit portfolio. And unemployment has stayed high, particularly youth unemployment. But of course not many young people have mortgages with us and not many young people have large loans from us. Antony runs a very client driven and client focused business and I think the target criteria we have been able to apply to our loan books over the last several years have really driven the improvement in credit performance, has been very steady. So if you look forward, it is always best to sort of look at what happened last year to understand what will happen next year. And we had a 33% reduction in credit impairment in 2011 year-on-year. And that was very broad across virtually across all our retail books and all of our wholesale books internationally with a couple of exceptions. And when we look at what it means for next year, I think we can, for this year I should say, I think we can see some further improvement in some books because of the circumstances that are playing back and forth. And I think probably most of our books will be steady performers rather than seeing a significant increase like we have seen for the past few years.

One thing to note for example is that in the Investment Bank the loan/loss rate was only 8 basis points last year and our models would tell us that we shouldn't expect that to reoccur, but we don't expect it to jump up significantly. So there will be different parts moving back and forth.

If you look at the analysts' consensus for us for impairment for next year, it is about the same as last year. So in other words about £3.8 billion. And I think that is a reasonable place in a tight range and wouldn't want to steer anybody away from that. And of course if we do see things changing, we will update you for the half year.

Bob Diamond
Before I call on the next question, I just want to remind you that for the first time we have Maria Ramos, who is a key member of our Executive Team, on the phone. We always have the ABSA results the same day, so keep in mind that £1 billion earnings from Africa, almost 20% of the Group, one of the fastest growing regions in the world, a real important part of the earnings. And if there are questions for Africa, Maria is happy to take them. Who's next?

Question 5 : Edward Firth, Macquarie Research
Hi, it's Ed Firth here from Macquarie. Just a couple of points of clarification actually. The first one is just in terms of your answer to the last question. If I look at UK Retail, it looks like in Q4 the performance was well down on Q3. Is that a seasonal issue or was there some sort of seasonal variation there rather than, I think income was down and provision was up?

Answer : Antony Jenkins
I wouldn't read too much into that. The trends on impairment are as we have said. And on the income side, I would go back to the discussion that we have had since the mid part of 2010 where we believed at that point that the economic environment where we knew business was going to be quite challenging, we did not expect to deliver very significant income growth. We were orientating the business towards that so focusing on cost. And sadly we have proved to be right about the economic environment. But the income performance you have seen in the Retail Bank I think, last year was good in the circumstances, very good actually. And I think we feel pretty confident that that is about where we are.

Further question
Great thanks. And just to my principal question. On note 15 on page 75, you have given us a lot of new disclosure about pension liabilities and I think you have disclosed the £5 billion deficit at September 2011. I think that is the first time you have disclosed that. You have also given sort of quite detailed guidance about contributions you are going to make right up to 2021. I guess my question is, do any of these have P&L impacts? You talk about making additional £500 million next year. And then I think £650 million from 2017. I suppose my question is, is there a P&L impact to that? And what is the rationale for starting your contributions in 2017 not somewhat sooner?

Bob Diamond
It's a long question, let's take it now.

Answer : Chris Lucas
Let's take the first two bits anyway. This is the result of the formal triennial valuation that you work through. And as we saw, and as you quite rightly pointed out, there was a deficit on the pension fund valuation. We then go into a process of agreeing a payment schedule with the Trustees which we have done and that comprises some quite significant up front payments this year and last year to work the deficit down. And then a gap and then some further committed payments in 2017 and onwards. Now of course what happens is you do the next valuation before the 2017 payments ever get made. So to a certain extent the ones that I really look at are the ones that are committed short term. And that is what you have done. So you see the valuation of the scheme at 31 December, after

the payments is actually in asset rather than deficit. So of course the Trustees are fine. The funding bears little resemblance to the profit and loss account charge which as you know is to do with service cost and the service elements of the people who get pension benefits. So this is important because it has an impact on capital, but it is less important in terms of P&L but I hope that helps just set out some of what has happened.

Bob Diamond
Let's go to the call on the phone and then we will go here and then to Robert.

Operator
Good morning gentlemen. We have two questions on the line for you. The first is from Fiona Swaffield from Royal Bank of Canada.

Question 6 : Fiona Swaffield, Royal Bank of Canada
Hi can I ask two questions? One is very short. On Fixed Income I am just trying to compare you with your peer group. And it looks to me like you have been somewhat weaker than some of the others. And I just wondered whether you could talk about where you think you have outperformed and underperformed?

And secondly, on this issue of pensions, you used to adjust for pensions in Basel 3 and now you don't. Yet I read there is a £1.7 billion adjustment to equity happening so I am trying to understand why that is not about 30 basis points? Thanks.

Bob Diamond
Chris why don't you take pensions, then Rich and Jerry on Fixed Income.

Answer : Chris Lucas
I am going to have to admit the deduction from capital is because of the contributions we are making and that is reflected there, you can see it. Beyond that I think there is no further adjustments because you have to take the deficit reduction programme for five years into capital. And what we have actually done is taken three years because we have then a two year gap. So we have taken into account the contributions we make up until 2013. And that is what you see in the capital calculations. Jerry.

Answer : Jerry del Missier
On Fixed Income, actually we wouldn't see underperformance, on the contrary, we are actually very pleased with how the business has performed relative to competitors. What we can say is that within the fixed set of businesses, the rates, credit and commodities businesses had a more challenging year than in 2010. And that was somewhat offset by a very strong performance in foreign exchange which saw significant increase in market share and given the volatility in the market, actually had an outstanding year.

Question 7 : Peter Toeman, HSBC
Peter Toeman from HSBC. I can appreciate that you have a positive view about BarCap's future returns, but when I look at the numbers, if one assumed that quarterly revenues got back to £3 billion, and you applied the 65% cost/income ratio target, you would end up with sort of post tax profits of about £3 billion and when you last updated up on the Basel 3 consequences on BarCap you spoke about £270 billion of RWAs. So it seems to me that on these numbers BarCap would be at 10

or 11% return business and that is before factoring in say the higher cost of unsecured funding which could be a consequence of the ring fence?

Answer : Bob Diamond
I am not sure if there is much to add. We have given you a pretty clear guidance on how we have managed Basel 2.5 and the returns in this environment and the 15% outlook going forward. Maybe we just agree to disagree.

Further Answer : Rich Ricci
The only thing I would add Bob is we have demonstrated the point in the fourth quarter of flexibility around costs and being able to delivery. So using a 65%, we are still at a range of 60-65 depending where we fell on that revenue spectrum, I think we have demonstrated an ability to be pretty nimble around driving returns. So again, in that range of £12-14 billion we remain pretty confident, given the efficiency we have shown, the sureness of foot, the nimbleness, our ability to reduce our RWAs, that we can get to the returns we have committed to.

Bob Diamond
Happy to spend time offline. It is tough to follow when you do some kind of numbers on the back of an envelope and calibrate them all. So happy to take it offline, but we feel really confident. Our business is increased in market share in almost every area. It is 11% market share in Fixed Income. Fixed Income might be a tough environment, which it was, to be number one with customers and clients with 11% market share, when you know that business will come back. And I think the progress that we are making in the advisory business and in the equity business. You know, having you know, being on the lead of Facebook, being on the lead with Estrada, these are big important transactions where we are newly placed with the acquisition of Lehman Brothers business and then the build out in Europe and Asia. We would have loved, as many people would have, for better market conditions last year with the pipeline we have, but that will come. But again, happy to take it offline.

Question 8 : Robert Law, Nomura
Thanks very much, Robert Law of Nomura. Could I sneak in with two as well please?

Bob Diamond
If you call one a principal question, I think I learned that.

Robert Law
One is a principal and one is a supplementary unrelated! In terms of the principal. I can see why you moved away from the 13% RoE target and the outlook is obviously pretty volatile.

Bob Diamond
Didn't move away from the 13% RoE target, let's make this very clear.

Robert Law
In 2013, but you are focusing on what is within your control so could I invite you absent volatility or unexpected events, to give us some kind of quantification of the kind of progress you would expect, given the moves that are within your control that you are planning?

Answer: Bob Diamond

You know I think I made clear last year that we would expect 13% in 2013, so what has happened since last year? We have had some things that are outside of our control. And I kind of listed them. So let's go through. A bank levy was not in the 13% numbers, that is easy to adjust for. We are running our core equity at 11%, we are expecting 10%, we think that comes back. That is probably 1.4 or 1.5%. It is going to be a zero interest rate environment in terms of flows a bit longer than maybe we expected. And it is possible we move back you know from the kind of slow down that fear of European contagion caused.

What is in our control to be perfectly frank, most of that operated better than we had expected. We are going to hit £2 billion in cost savings, not a billion. Barclaycard for the first time, over £1 billion in earnings. Africa for the first time over £1 billion in earnings. We now have four businesses at that level. A lot more work to do to fix Europe and Antony and I are on top of that. But if it were not for those, we would not be backing our 13% in 2013. So another way to say it is if we had a faster normalisation of those things, we would be sticking with 2013. So don't treat this as anything other than we are very committed to both that the 13% is the right target but also very achievable. But we need to be honest. Some of the external environmental factors out of our control could affect the timing.

Further question
And let's say the returns at the moment are probably somewhere around the 7% level or something of that sort of order, do you expect you can improve the RoE 1% a year, 2% a year?

Answer - Bob Diamond
It's tough to give targets but you should expect a smart acceleration towards those levels, absolutely.

Further Question
And moving to the second area, it was really on the information you have given on the hedges. Could you comment on what the unrealised gain is on the product hedges at this point and how it has moved over the last 12 months? And obviously as interest rates and long yields have come down, it is going to be more difficult to replace that with the same kind of duration. Would you consider going out on the level of duration to improve or sustain the income? Or would you consider going out on the risk curve in terms of the assets you hold in that portfolio to sustain the yield?

Answer : Bob Diamond
I suspect you know, Chris has the answer. But I will give him the option which is, we have given a lot of transparency around this. We have probably said as much as we can. You touch the risk thing whether it is the hedge or anything else, the one thing we are not going to do is increase our risk to hit 13% returns. It is our underlying core businesses that we are going to continue to drive. And that is why it is important for us to say, if the macro economic environment, if the regulatory capital environment is different than we thought, what we are not going to do is do something silly. We are not going to increase risk in order to get to 13%. It is going to be our core underlying businesses.

Answer: Chris Lucas
The only thing I would add to it is, these are hedges so therefore you don't have complete freedom in moving the duration of it, it has to bear some resemblance to the underlying assets. But we have reduced duration as you know, which realised some quite significant profits. And if the opportunity remains or appears within the hedging requirements, you should expect us to do more.

Bob Diamond
We have another question from the phone. Thank you.

Operator
The next question, gentlemen, is from the line of Mike Trippett from Oriel Securities.

Question 9 : Mike Trippett, Oriel Securities
Thanks, good morning. Bob just looking for some clarity on the cost target actually, the £2 billion by the end of 2013. I think you said if I am reading this correctly, is that all of that is in the non performance area which saw £592 million reduction in 2011. I am just trying to really get a measure of what is the starting point now going forward as to how we would look at the cost reduction over 2012 and 2013?

Answer : Bob Diamond
In terms of calibrating, Chris do you want to take that?

Answer : Chris Lucas
Let me have a go. The way I look at is we made a saving and I am talking gross numbers before restructuring costs. We made a saving in non performance costs in 2011 of about round sums, £600 million. If you annualise that, that is about £1.2 billion. So that is my starting place for 2012. And what I am expecting is there to be about a £400 million increase in 2012 and another £400 million increase in 2013. Getting to that £2 billion. The start place is our plans which are all agreed, medium term plans, which have in there costs of somewhere between non performance costs, £15.5 and 17 billion, that sort of number over a year over a three year period. So that gives you a starting place and the projection I see of gross savings.

Further answer : Bob Diamond
I think, importantly, that the work we did last year gave us such confidence that we can become more efficient in the way that we operate, that it was a quite comfortable leap if I can say it that way, from £1 billion to £2 billion because we could see it developing as we worked through it.

Question 10 : Chris Manners, Morgan Stanley
Good morning everybody, it's Chris Manners from Morgan Stanley here. So I had just a couple of questions. The first one was on Africa. I mean it looked like a pretty decent result despite the Rand. Are we looking like this business could generate a billion of PBT going forward? And maybe I don't know if Maria is on the phone, but just a comment about loan growth, because it looked like it was negative, even excluding the rand impact in the year?

And the second one was just on the fight for retail deposits. Some of your competitors are indicating that competition really is stepping up there. Is that something that you are seeing and will that be one of the crosswinds in your RBB margin as well?

Bob Diamond
Is that a general deposit question or Africa?

Chris Manners
Sorry that is more of a UK deposit question actually.

Answer : Bob Diamond
Okay. We will start with Maria, let me just clarify, because we can be confusing. You saw £900 odd million in PBT for RBB Africa. We are over a billion if you look at all of Africa, including what is happening in Wealth, what is happening in BarCap. So that is why I say two different numbers. I think you are saying, can RBB Africa be over a billion? Right. Maria did you, were you able to connect, I hope?

Answer : Maria
Yes Bob. I am on the line, can you hear me? Great. I think that is absolutely right. In total actually PBT is closer to £1.3 billion. So £908 million of that is in RBB, but if you add back cards which is about £233 million, it has seen strong growth for the last year. It has also been a very big contributor to the numbers. I think going forward we do see this strong opportunity for growth across the business. So across RBB across card and in fact the costs across corporate. So I think we are looking for good growth on the income side. We have also seen good progress on the cost side. So for last year we saw costs down 1% in the business both across the entire spectrum. So the whole of Africa, including ABSA, and we have seen strong improvements in impairment. So impairments are down 17% for the region. So I think this is a good story going forward as well. So we expect to see contribution to PBT strong in the year ahead.

Bob Diamond
One of the things we are finding so exciting about this is the more time you spend in Africa, the more you realise the incredible connection between what is going on in Africa with China and in India directly. And it is not as we traditionally thought, going through New York and going through London, it is really a direct trade relationship. And it gives us a real competitive advantage, even here in the UK, as John Winter would tell you, that the UK businesses are increasingly having trade relationships not just with Europe, but also with Africa. So it is, we think it is pretty exciting. It is one of the fastest growing regions in the world from a GDP point of view as well. So it is nice to have that position in an area above developed economy growth. Antony on the deposit question?

Answer : Antony Jenkins
Thank you Maria. Well Chris on deposits, of course it is quite competitive out there in the market place as people seek funding and seek funding relative to their other choices in terms of cost. But actually as you will see in our numbers, our numbers of savings accounts increased significantly and our overall deposits increased 3% which I think is a fantastic performance in a very challenging market. And the way we have been able to do that is firstly because we focus on the customer and the customer relationship. And secondly because we have been able to launch innovative products like our flexible bond where customers can take a proportion of the money out of the bond even before it expires. So this is about how we compete day-in and day-out on the high street, the quality of our people, the quality of our products, the quality of our brand. So while we think the market will be quite challenging, we think we will be able to deliver a very strong performance in the market going forward into 2012.

Question 11 : Chintan Joshi, Nomura
First question would be on just looking into the credit trends in the peripheral Eurozone countries, if you could elaborate on how we should be thinking about your corporate exposure, particularly in Portugal and Spain?

And the second question is on equity.

Answer : Robert Le Blanc
Looking at the peripheral countries, let's focus on Western Europe. On the retail side we have seen good performance with a slight increase in early and late scond delinquency in the mortgage books of Spain and Italy which I wouldn't call peripheral, but let's talk about them as they are part of Western Europe. But those are increases from very low levels. We have very conservative LTVs there in the range of 40-60% across those two countries and the performance there is good. And the other retail performance has been improving.

On the corporate side we saw our higher level of impairment on the corporate side back in the first half of 2010 and the impairment charge for corporate exposure in Spain has been declining every half and declined again through 2011. And we are not worried about a reversal of that this year. You will have seen some significant impairment charges for Spanish Corporate being taken around the industry and other banks. We think we were recognising those problems very early. We have got something like a 58% coverage ratio of our non performing loans in corporate exposure in Spain. And we don't think we have got any big moves ahead of us there.

The one more difficult market there right now on the retail and small business side is in Portugal where the economy remains very weak. And we saw some increase in retail and wholesale impairment in Portugal and we will probably see another increase this year. It is a small part of our overall book for Western Europe where the trend remains positive.

Bob Diamond
That is now three from Nomura, I am counting. And right behind you.

Question 12 : Ian Gordon, Investec
Thanks, it's Ian Gordon from Investec. Just one question from me please. A follow on from Peter's. On ICB you referenced in your remarks that it is improving clarity. Can you share any update on your remarks to the Parliamentary Select Committee in December on the quantum of impact, the timescale of impact and do you share the views of one of your peers, that there will be an enduring negative impact on achievable RoE in the medium term?

Answer : Bob Diamond
There hasn't been anything really new since the Treasury Select, to your point. I guess the Bill goes before Parliament or is prepared for Parliament this summer. That will be the next new thing. For us, preparing for this and all of the things we are doing around resolution and recovery are somewhat similar. So we think of it as how do we best prepare ourselves, Barclays, for the new world where resolution and recovery is important. But there is nothing specifically new. And there is not a lot to add to the fact that this would not have been our first choice. It does add cost to banking in the UK, but the decision is made and we are getting on with it.

Question 13 : Andrew Coombs, Citigroup
Good morning it's Andrew Coombs from Citigroup. Just two questions, one on ABSA and one on Barclays Capital please. Firstly on ABSA, it was mentioned that volumes have been a little bit weak. I think the market share within South Africa the mortgage issuances have been down. And my understanding is that is due to a change in the mortgage distribution strategy that has now been

reversed. So just a thought perhaps on when volumes pick up in terms of ABSA, mortgage lending there.

And my second question is in regards to the outlook statement on page 7 of the report. You talk about the start to the year in January being in line or consistent with 2011 in RBB and Corporate. Whereas for Barclays Capital you talk about encouraging start to the year, but you don't say it is in line with 2011 or you make no comment on those lines. So does that mean we should think about a meaningful uplift from Q4 but perhaps lower than Q1 of last year?

Answer : Bob Diamond
Do you have any idea how careful we are with every word that is in that sentence. There is a lexicon I think, it gives you exactly that. Why don't we go to Maria first to answer the question on mortgages in ABSA and then to Rich and Jerry on how it is going in BarCap to start the year?

Answer : Maria Ramos
Thanks Bob. Yes we did pursue from most of last year a strategy where we use our own internal channels for mortgages and that was really very much a strategy that was focused on serving our own customers, keeping costs down, utilising our own distribution points. I think that that worked and you know did achieve what we wanted to achieve. It improved the quality of our book significantly. What we have though recognised is the fact that a lot of our customers feedback was that they also wanted to be able to use other channels, including mortgage originators. So we have now taken the decision to use mortgage originators again. We have renegotiated fees with mortgage originators and what we have not done however is change our credit policies. So we are using mortgage originators, we are using it for our own customers. We have started to see volumes increase again in the last quarter of last year and so I think it is a strategy that we are going to be pursuing, but we are not opening it up significantly outside of our very large customer base. I think it is worth noting that ABSA remains the largest Bank from a Customer point of view in South Africa. We have got 11.6 million customers on the Retail side and we have grown our customer base by 3% to 12.1 million customers last year. So that is the perspective we have taken on it.

Bob Diamond
Thanks Maria, now capital.

Answer : Rich Ricci
Bob wasn't joking, we do look at these words very carefully. And I think that we wouldn't be saying encouraging if it certainly wasn't better than the fourth quarter. I don't think anything that we could say about the fourth quarter would have the word encouraging in it. Certainly it has been a big start to the year for us. We are ahead of where we were last year at this time, but you know six weeks don't make a year. And we are cautiously optimistic. We talked about the year hopefully feeling more like the first half of 2011, second half of 2010 rather than the second half of last year.

Question 14 : Mike Helsby, Bank of America Merrill Lynch
Thanks. I have got a question for Tom actually and then I just want to pull out on bonuses because I think that is very topical. Tom, Wealth is clearly going okay, but the revenue trends have been pretty flat quarter on quarter throughout the year. There is a lot of change going on in the Wealth management industry at the moment. I wonder if you could just comment on what you think you can do in the next couple of years?

And just on BarCap Comp. The pay numbers that you have disclosed actually probably overinflate what you have achieved because I note your current year bonus is down 68% which is quite phenomenal really. So I guess the question is, could you give me an equivalent for what it was in the third quarter? I am just trying to gauge what the claw back was in Q4?

Answer : Bob Diamond
We don't really do things like that. So the bonus discussions are at the end of the year. Trying to compare a quarter over quarter, just would do no good. So we will go over that one. But it is good to wrap up with Tom making some comments on Wealth and then I will make a few comments before we cut it.

Answer – Tom
This is the traditional last question.

Bob Diamond
They are always after you Tommy

Answer – Tom
Absolutely. It is pretty simple. We have laid out the strategy that is a five year strategy. We are two years into it. We are exactly where we should be after two years. In terms of financials and also in terms of delivery. So we have a plan here which we think is executable regardless of what happens in the environment. There is lots to play for here and we feel quite comfortable with where we are two years into the game.

Closing Remarks – Bob Diamond
Thank you for coming. Just a couple of comments. We are really, really serious about, although that was a tough environment in 2011. What made us so pleased is when you look at the businesses. Everyone of our businesses is performing very well in an environment and in increasing its business and increasing its market share. Five of our seven businesses increased their income in that kind of environment. We are also really serious about the real economy and doing everything we can to make sure we are focused both on how we behave and what we do. And in terms of what we do, the impact we can make through our lending and through our capital markets businesses in helping the real economy get going. And what we can do with graduate programmes and apprenticeships to help get people back to work.

And lastly, we are really, really serious about 13%. We are not wavering a bit on 13%. There are some environmental issues that will affect the timing, but they won't affect 13%. We are very convinced on it.

Thank you very, very much for coming. We look forward to hanging out with you for a few minutes before we will have to go off. Thanks.

End