Q1 Interim Management Statement

A briefing for analysts and institutional investors hosted by Barclays Group Finance Director Chris Lucas.
Wednesday 27 April 2011

Question & Answer Session

Question 1
Edward Firth, Macquarie Research
Good morning. It was just a quick question on your trading on the last paragraph of your announcement. You talk about you are happy with consensus. Just two questions on that. Firstly, what is your understanding of what consensus is?

Answer: Chris Lucas
Consensus for 2011 profit before tax is just about £7 billion.

Further question
And I suppose my question is, if you look at the first quarter, I think you made what, £2 billion? And included within that is around £200 million of one-off benefits from Protium. If I look historically, Barclays has generally made about 30% of your annual earnings in the first quarter. So are you effectively saying that we should going forward expect a somewhat smoother progression of profits across the year or is there some other change which means that you are still comfortable making the £7.2 billion?

Answer: Chris Lucas
No just, the profit-before-tax consensus is about £7 billion. We don't think that includes the levy, so if you take the levy out, you get to about £6.6 billion and that is the number we feel comfortable with.

Further question
So the £7 billion you think excludes the £400 million?

Answer: Chris Lucas
Yes

Edward Firth
Okay, thanks very much.

Question 2
John-Paul Crutchley, UBS
Good morning chaps. A couple of questions if I could pick up on. Maybe one from Antony first on Barclaycard which looks like one of the better performances in terms of the Divisions in the Group. You talk about impairment down there, but the margin looks like it is under a bit of pressure which I was a bit surprised about given that rates have been fairly stable over the

quarter. I was wondering is that a reflection of debt being repaid and if you could comment on that in a bit more detail and also when the Egg balances and the acquired balances are coming in so we can think about that?

And the second question was just on the UK Corporate Business, which actually looks like it has stepped back quite a bit from the Q4 run-rate. And I was wondering if there was anything particular we should be aware of there either in terms of impairment or income?

Answer: Chris Lucas
JP good morning. Let me ask Antony to deal with Barclaycard and Rich and Jerry on Barclays Corporate.

Further answer: Anthony Jenkins
Okay, so on Barclaycard, just as a reminder there are really three businesses inside Barclaycard. Our UK credit card business, our international credit card business and then our business-to-business services which include corporate cards and merchant acquiring. In general in our credit card businesses, domestically and internationally we are seeing consumers continue to be quite cautious and pay down balances. That having been said, particularly in the UK, our share of new account acquisition is very strong and we believe we are the only issuer to have actually grown new account acquisition in the UK in the last six months or so. So what we are seeing is the result of those things that balance growth is basically non existent, but our balances are broadly stable.

On the rate part of the equation, we continue to see increase in competition in the top line pricing in the markets as our competitors try and catch up with us, particularly in the UK. And we are seeing the impact of some hedging that we have put in place for Barclaycard in the expectation that rates will rise. And when you put those two things together you have seen a little bit of downward pressure on margin in Barclaycard. But if you look on a risk adjusted basis which you must always do with a credit card business, of course the risk adjusted margin is very strong as we see the benefit of impairment.

So that would be the story for Barclaycard.

John-Paul Crutchley
That is helpful thank-you.

Further answer: Rich/Jerry
Hi JP it's Rich and Jerry. On Barclays Corporate, the step down from Q4 is really due to seasonality. The fourth quarter tends to be, particularly in the UK businesses, a good quarter for the Corporate Bank, given Christmas and some of the seasonality cash balances and the whole Christmas season. So there is nothing unusual in there.

John-Paul Crutchley
Okay. Thank you.

Question 3
Leigh Goodwin, Citigroup London
Morning guys, a couple of questions please. Firstly on the dividend. At one pence, it just struck me as slightly cautious and I think you gave us the consensus for the full year at 6.8 pence. I just

wondered if you wanted to make a comment about why you stayed at the same interim level as last year and maybe how you think about how the full year might pan out?

Answer : Chris Lucas

Yes, good morning. We have told you that we were going to adopt this payment approach of having three interim dividends at a relatively small amount and make the fourth one variable. That is entirely what we intend to do and you have heard us say that our overall approach to dividends is to be progressive but prudent. And that is exactly what we intend to do certainly over the course of this year when we see what the final capital levels required are. So the interim dividends are exactly what we said they would be, but the variability will be in the year end fourth quarter and that we will look at when we see what the performance is like for the year and what we see the capital levels required to be.

Further question

Just to press you slightly. You have chosen to leave the quarterly interim at exactly one pence rather than increase it slightly. Are you signalling anything in particular or is it mainly just the caution because of the uncertainty over the capital rules?

Answer : Chris Lucas

It's nothing in particular. It is the caution there in terms of the improvement and progressive until we know what the final capital rules are.

Further question

Okay, the same questions just on impairment. I think that if we add back the 190, it looks like you are running at about 90 basis points. I don't know whether that is a figure you recognise as a loan/loss rate annualised. I wondered how you would encourage us to think about how that might progress through the year? And so you know when we do our sort of, we look at the first quarter and we think about the run-rate that we should be adopting for the rest of the year, I wondered if you could help us on that please?

Answer : Chris Lucas

Definitely, let me ask Robert to give you some thoughts.

Answer: Robert Le Blanc

Good morning Leigh. I am glad you mentioned the 90, that is how I also look at this as well as looking at the absolute numbers. Without the affect of approaching the 90, happens to be very close to our 20 year long-term average loan loss rate. And in broad terms I don't see many reasons for us to expect to push through that significantly this year, given the overall economic climate. So while we are not giving any guidance or forecasts for this year, it happens to have settled on a number that I think is not unreasonable for the full year. Taking out Protium therefore the first quarter is probably not a bad indicator of what the year will look like.

Further question

That is very clear and very helpful. Thank you. And just finally back to that question on the margins, I know you used to assemble all of the businesses excluding Barclays Capital together and give us a sort of margin number. I think it ended last year at 203, was it 203 for last year? Although it was helped by some guilt sale gains towards the end of the year. I think it was probably more like 198 or something through the year otherwise. I wonder if you could give an idea of where that is going in overall terms please?

Answer: Chris Lucas

In overall terms it is very flat with what we saw at the end of last year. So there is some slight uptick in the asset margin offset by remaining impacts of margin compressions. But taking it all together the margins that we see at the end of the first quarter 2011 were very similar to those that we saw at the first quarter 2010.

Further question
Okay so back to the similar level to where we started last year, I think the first half was 198, if memory serves me right?

Answer : Chris Lucas
In that sort of range yes.

Leigh Goodwin
Okay. Thank you.

Question 4
Asheefa Sarangi, RBS
Good morning guys. Just a quick question for you. We were trying to understand the RWA weighting with respect to the $750 million investment in Helix. If we are doing our numbers correctly there is a potential that if you are fully consolidating Helix there will be a 1250% RWA weighting against that which would be £5.7 billion of RWA added to the balance sheet. And potentially if the fund continues to raise money and you are fully consolidating it, there could be an additional 1250% for anything that is raised beyond today. So we are just trying to think about what that looks like?

And the second question has to do with the Protium assets you have taken back on balance sheet. We were just wondering what your thought process is. You are clearly talking about accelerating asset sales. I was just wondering whether you are willing to sell them at a book value loss given the RWA weighting or whether you will continue to manage for value, add book value or both?

And the last question, we were just wondering if you could give us a brief update with respect to Lehman, because as we noted in the Annual Report you are continuing to run with the £0.6 billion provision and we know that there could be a further £2.6 billion to come?

Answer : Chris Lucas
Asheefa let me answer the last question first and then we will work our way back through them to Protium. In terms of Lehman there has been no change since we announced in February. The Court has heard hearings in advance of timelines and their orders. We will not be doing that until May 9 or 10 or something like that. So until that event there has been absolutely no change in circumstances since we disclosed in February.

In terms of Protium and Helix, the way I look at it is the investment we are making in Helix is the diversion of some of the cash that is currently in the Protium structure and therefore its overall impact on risk weighted assets, given you are replacing the assets in one structure with the assets potentially in another structure is we reckon minimal. Where the advantage comes is in being able to work down the assets before you get to that 2013 event which is when the capital changes for Basel III take place. And as a result that is the target we have set ourselves. Whether we would sell them at a loss or a gain I think depends on the individual circumstances. But the guys who are looking at it think there is a fair bit of upside there.

Further answer : Rich Ricci
Asheefa. Sorry its Rich Ricci. We think that you know we have always maintained that the quality of these assets was good. As Chris mentioned, there has been a rally in the underlying assets of some $4 billion since we first set up the structure. We think there is real opportunities to liquidate these assets and realise value. I mean I think that again we have always maintained these assets are good and there is a lot of interest in these assets and we are quite bullish on liquidating and realising value.

Further question
So the assumption therefore is that you think you can liquidate all £7 billion of assets?

Answer: Rich Ricci
As far as interest, I think we will put a big dent in it between now and 2013. Obviously it depends on market conditions, but as I mentioned there is a lot of interest in these assets and we are quite bullish that we can, that there is value in them and that we can liquidate them.

Asheefa Sarangi
Thanks so much.

Question 5
Manus Costello, Autonomous London
Morning all, I have a couple of questions please. Firstly I just wondered what was happening in Spain. I saw you had a big increase in your NPL's in Spain which was quite ahead of the market increase in Spain in the first quarter, so I wondered if you could explain whether that had anything to do with assets or the change in management or anything?

And my second question was just more general really about the ROE and your future guidance. Because if I take out the Protium write-back you did about 11% return on tangible this quarter. As Robert suggested, you are close to your longer term provisioning ex that charge of about 90 bps. The cost to net income ratio in Barcap is within your range right at the top end, within your range. And Chris you said you are pleased with the income performance this quarter, you thought it was quite good. And we all know that Q1 is a big quarter. So if I stack everything up, I don't understand which P&L metrics are going to move to help offset the increase in equity we are going to see to get to 15%. So I wondered if you could help me make that bridge?

Answer : Chris Lucas
Yes let me deal with the general question and ask Jerry to come back on Spain. When we announced at the end of the year our 13% ROE targets, we set out the steps we would have to take to get to about the 13% and that you will remember are the £6 billion of profits we made, reduced losses in Western Europe, reduced costs of liquidity pool and market depression unwind as rates rise, improvement in the cost run-rate and improving in impairment outside of Western Europe. What we have reported in the first quarter I think is some progress against those. So there is plenty more work to do as you suggested across the whole range of specific areas that we have identified. What I think we have done in the first quarter and I think a quarter is a short period of time, is starting to make progress in that direction and I am pretty pleased with where we have got to.

In terms of Spain?

Further answer : Jerry del Missier

What I would say, it's Jerry del Missier here. You know we have said all along that impairment we believe peaked in the second quarter of 2010. Since then it has been a trend towards decreasing impairment. We continue to work on managing the portfolio. And obviously it is still an economy with a lot of challenges and we will have to stay very focused on it but it is heading in the right direction.

Manus Costello
Okay thanks.

Question 6
Tom Rayner, Exane BNP Paribas
Good morning Chris, Tom Rayner here. Can I just go back to the consensus question from the beginning because obviously you are comfortable with the full year. I don't think you will disagree that after Q1, the consensus revenue for Barcap of £13.6 billion looks challenging. I just want to get a feel for where you guys think you will be getting it back? Is it continued cost discipline in Barcap and across the Group? Is there an impairment story you think might be better than current consensus? I just want to get a feel for if I am right on the top line Barcap number, what your thinking is on being in line still with full year consensus?

Answer: Chris Lucas
I think whilst you may regard the consensus income levels as demanding, we would say there are still nine months of the year to go. But even recognising that, you may be right relative to performance, we are looking at impairment as we have described as coming in better than we may have expected. And we are looking at the cost performance to continue through the remaining part of the year. In particular as the cost performance should accelerate as we get more and more of the way through the programme. So I would look at those as the major offsets to any softness you may see in the income line.

Further question
Okay. If Simon Samuels told me he would be happy actually to contribute to that cost discipline!

Could I just have one quick further one just on the restructuring charge because obviously £69 million is still fairly small scale. My impression is there is a much larger restructuring of the Group being planned and probably already being started. I wonder are we likely to see at some point a more material restructuring charge in order to fund a more material restructuring of the Group, is that something we should be looking out for?

Answer: Chris Lucas
I think the answer to that is yes Tom, we described our expectations for the year as 500 gross, 250 net of the 250 restructuring charge for the year. And that still is our best view.

Further question
Okay, it is still quite modest I guess relative to restructurings that you might be seeing elsewhere?

Answer: Chris Lucas
We are spending wisely.

Tom Rayner
Okay, thanks very much.

Question 7

Peter Toeman, HSBC

I know you described the income performance as sort of good, but actually in the Retail and Business Banking the revenues are flat. And I think in the Presentation about a year ago you talked about the need to get the sort of metabolic rate of retail income up to about 5%. Is that still a possibility or do you think that this flat outcome is going to persist for the remainder of the year?

Chris

Let me ask Antony just to come back on that.

Answer : Anthony Jenkins

Yes what we said at the Investor Day in the middle of last year was that our assumptions for income growth over the planning period of three years was that income growth was going to be very muted because of the macro economic environment in which we participate. And we also said that we were committed to delivering strong profit growth and good returns. Notwithstanding the fact that income would be quite muted. What we are seeing is exactly what we expected, that the economies where we participate are quite subdued and therefore there is not a lot of opportunity to grow income on the top line. However that having been said, we are delivering on the strong profit growth. As you have seen, profits are up 38% for GRB and indeed in terms of return, our two big businesses UKRB and Barclaycard are now within our target of 13-15%. Africa is approaching that range, nothwithstanding the impact of the disruption in Egypt in the first quarter and we continue to work on Western Europe and we are making good progress there. So I think in the round, we are very happy with the performance of GRB in Q1, it is progressing towards the targets that we laid out at the half year last year. But I will say that our expectation around income is that it will be continuing to be quite muted given the macro economic conditions in which we participate, but we are not backing off on the direction of travel that we indicated in terms of profit growth and return.

Peter Toeman

Thank you.

Question 8

John Kirk, Redburn

Morning everybody. I was hoping to get a bit more detail about the credit market exposures portfolio overall. I know you have commented on Protium in some detail, but I was wondering if you could elaborate on the portfolio as a whole? And the sort of questions that I am trying to get to the bottom of are firstly, how fast do you think you can run this portfolio down? I know you have alluded to 2013 as obviously a key moment from a capital perspective. So how fast you think you can run it down?

The second thing is what risk weighted asset savings, you have given guidance on this before, but I just would be interested in your updated view on what risk weighted assets you can save whilst doing that?

Third question is, what revenues are attached to that portfolio? So what we will lose in terms of top line?

And then finally, just have you any view on what disposal costs you might incur while that process is underway? Thanks.

Answer : Chris Lucas

Let me ask Jerry to start off and then we will add.

Answer : Jerry del Missier
In terms of the credit market exposures, I think the environment Rich has alluded to, has been growing increasingly favourable over the last year and a half. And I think that is really reflected in the pace we have been able to sell assets. And our strategy here is very much to dispose of assets in a very economically rational way. The market has been improving. You have seen us move specific real estate holdings, some sell downs of our leverage loan portfolio and we would expect that to continue. We have been optimistic about the environment for credit market assets in the remainder of 2011. I think it is a strong likelihood you will see us accelerate the pace of those disposals and again done in a very economically rational way. Where we don't foresee any sort of material losses associated with the sale, and if anything there is upside.

Answer : Chris Lucas
John if you go to page 12, we give you an update of our credit market exposures and they fall into three categories, commercial mortgages, other credit markets, particularly leverage finance and the Protium loan. And those are broadly a third, a third, a third. And we talked to you about Protium. We talked to you about the progress we are making in commercial mortgages. And the leverage finance, there is opportunities, it comes down to a matter of price and return. I think when we talked about risk weighted assets, we said that this portfolio currently is about £24 billion of assets, £40 billion of risk weighted assets. When we showed you the Basel III migration, we said that these were in excess of that, what I would expect is as things get realised, the RWAs to be redirected into the business making a higher return.

In terms of income forgone, I think it adds quite a hard number to get to, but we don't think that will be of material impact on the decision to liquidate.

Further question
Sorry just to draw you a bit further on the revenue attached, when you say it is not material in your decision making, does that mean it is only a few percent for example of Barcap's top line?

Answer: Chris Lucas
I think because we believe we can redeploy the RWAs at higher returning businesses. So whatever we lose in one we will be net gainers in the whole transaction.

John Kirk
Okay, thanks very much.

Question 9
Arturo de Frias, Evolution
Yeah, hi, good morning. Two or three quick ones please. First of all back to your guidance once again. Can you give us some detail on what Protium impairments have been included in that guidance? Are you assuming further buy backs or are you assuming a stable, because obviously this could become a big mover when we take a lot of PBT by the end of this year?

Answer : Chris Lucas
Arturo let me take your questions one by one as it may help. I think in terms of overall impact, we are not expecting a significant P&L impact from these for the rest of the year. We have seen a gain come through as you saw in the first quarter. We have restructured, there is no P&L

impact from that. So if anything we see a slight uptick but I think for the purposes of this we would expect there not to be a significant amount.

Further question
Okay that is very clear. Second question, the tangible NAV per share, despite the return on equities is positive the TNAV is falling slightly, can you tell us why this is happening?

Answer : Chris Lucas
Yes there is a number of other things going through reserves and broadly speaking, if you look at the retained earnings, that is about £700 million. What you have got there is a currency translation reserve movement from an FX hedge which broadly offsets that, which takes off about £700 million. And then there is other Treasury shares and employees share awards that is £400 million. Add all of those together, you get to the slight reduction in tangible net asset value.

Further question
Okay, is that mainly linked to the dollar devaluation?

Answer : Chris Lucas
It is across all the currencies, but dollar predominantly yes.

Further question
Okay, thank you. And final question on Spain. You announced recently that you are closing a significant number of your branches there. What you have just said before in this call that you see decent progress. What is the view? Are you going to exit? Are you going to remain with what you are or do you have to bulk up? I would say I don't know, my gut feeling is that with what you have left, there is not much you can do in terms of generating or in terms of carrying out a decent retail business there. So what do you want to do? And I would strongly appreciate also a comment regarding your views on potential acquisitions? Are you interested in any Cajas that could come to the market etc? Thank you.

Answer : Chris Lucas
I think in terms of Spain, we see the immediate next steps as being able to resolve any remaining credit issues in the books to start to build out collections processes and recover those loans. The second point, we would expect is to work hard on the cost base to bring that down to a level lower than it stands at the moment. If we can do both of those we then have a series of options in terms of what do we do with the institution, which as you quite rightly identify on one end is sell and at the other level is to build up. We would only make that decision once we have done the first two things that we have described.

Arturo de Frias
Okay, thank you.

Question 10
Robert Law, Nomura
Good morning everybody. I wanted to put together some of the guidance comments you have given this morning if I may. Firstly could I ask you to comment on the consensus expectations that there are for Barcap in your profit outlook guidance? So I am looking at the email you put out yesterday of £4.7 billion and the top line of £13.6 billion in the light of Q1?

Answer :Chris Lucas

Robert I think we were trying to be helpful in terms of our guidance and really looked at in relation to the Group numbers that we gave you at the end of last week. I think whilst we feel comfortable with the comments we have made at a Group level, what we don't want to do at this stage, given we are three months into the year, is to start commenting on individual components of that.

Further question
I can see that but you must have an assumption in the back of your mind at least when you look at a Group number?

Answer : Chris Lucas
I do but there are a series of offsets so it is the Group numbers that we feel comfortable with and we have made our comments about.

Further question
Okay, if I move beyond that. In the comments you have given this morning about impairments that suggest the Q1 run-rate is a reasonable level for the rest of the year of £1.1bn pre-Protium, so that would imply something like £4.2bn for the year as a whole. And your pre-tax guidance of £6.6bn implies £10.8bn of pre-impairments down from the £2.8 billion run-rate I think you have achieved I think in the first half of the year, including the levy, and I was wondering where you are seeing that decline in the rate of pre-impairment profits that is consistent with these indications that you have given?

Answer : Chris Lucas
Again we give a profit before tax consensus number of £7.1bn. We take from that the levy. That gets us into the range that when we look at our own internal forecasting, we get very close to. And the component parts you have seen are getting us to those numbers. As I said, I don't think I am going to go beyond that today.

Further question
Right, but you are implying or would you disagree with what I have suggested to you that you are implying for the rest of the year a lower level of pre-impairment profit than that you have reported in Q1 today?

Answer : Chris Lucas
I think that is premature to reach those conclusions. I come back to the number we had in our minds we felt comfortable with is that £7.1 billion, minus the levy.

Robert Law
Thank you.

Question 11
Jason Napier, Deutsche Bank
Good morning, two brief questions if I may. The first which I guess is a follow-up in many respects to that of Robert's. As far as Barcap revenues are concerned, what a normal quarterly run rate is, is a figure that you put out a long while ago and the business has achieved a couple of times since then on a quarterly basis. Obviously Q1 in some respects had helpful volatility, you know perhaps for FX and commodities and sort of unhelpful volume consequences in you know MENA and Japan and the like. Could you give a sense as to whether you stick to about £3.4 billion as a normal run-rate for Barcap going forward and what sort of operating

conditions you think you might need relative to today to achieve that in what remains of the year? And I have a second question as well.

Answer : Chris Lucas
Let me ask Rich to update the thinking on this.

Answer : Rich Ricci
Well let me first of all say that we affirm the £3.6 to £3.7 billion that we have stated previously as what we think is the run-rate in a normal environment and what we would want to see I think is continued growth in Asia and the United States and to continue on that path and improve conditions in Western Europe and in the UK would also help. I am hoping that some of the green shoots we are seeing in those markets continue to the end of the year. But we feel comfortable at £3.6-3.7 billion.

I say that for a couple of reasons. One we continue to maintain our share in the FICC businesses, our market share. That was good performance in the first quarter in terms of that. Clearly the markets are a little more muted. I look at the progress we are making in investment banking and equities where we are up 10-11% in those businesses, Q1 on Q1 and we stand by the guidance we gave the market of those businesses adding a net £2 billion to top one over the next couple of years. So you know there is room for encouragement I think and we are firm in that £3.6-3.7 billion with the traction those businesses are gaining. And hopefully we will continue to see some economic improvement and we get to that number sooner rather than later. But I think it is too soon to speculate given the nature of the economy at the moment of when those conditions might be there. But we think in that environment normal we will be there.

Further question
And just to be clear, the three key businesses in which you have invested, was it £2 or £3 billion you say it would add over time? Or was it just that we have got more of that revenue in the base now?

Answer : Rich Ricci
£2 billion

Jason Napier
£2 billion now

Answer: Rich Ricci
It always was £2 billion

Further question
Okay. And then the second question relates to Group costs. The restructuring charge for the first quarter is a little bit over a quarter of the £250 million you have guided for the full year. I appreciate that you believe you see cost opportunities across the Group, but you know, costs were one of the better features of the first quarter results. You are annualising quite a lot better than consensus might indicate. Is there anything sort of more helpful that you might say around where you see costs or why you have not let it out in perhaps more detail for the market?

Answer : Chris Lucas

We are working through the programme and we would like to think that the delivery that we had in the first quarter is evidence of progress we have made. But to give you a broad outline, we are looking at £500 million gross for 2011. That broadly splits into half of it which is broadly people related and the other half which is other expense related. And we have a series of programmes that total up to just over that £500 million. And it is that which underlies the targets we have set ourselves for this year. And I think we have made good progress against this in the first quarter.

Further question
Chris would it be wrong to exclude Wealth and Barcap from the sort of pool of costs from which you think you can take expenses out?

Answer: Chris Lucas
Not at all Jason. We believe every part of the business is included.

Further Answer : Rich Ricci
Jason let me add some colour, I think what Bob did at the beginning of the year was set for us as an Executive Committee across the Group sort of a change of mindset in looking for ways to do things more efficiently and move away from maybe being such independent sort of loosely aligned confederation of businesses to more of an integrated infrastructure platform. And we think there is real opportunity to generate those saves. And Jerry and I can attest that Barclays Capital and Barclays Corporate and I am sure Tom Kalaris would acknowledge as well that Wealth are certainly not exempt from the review. And we think actually there is benefits to our businesses in looking at it this way. So there is lots of work in progress and I think we will be back with more specifics, but it is a Group wide initiative.

Jason Napier
Thank you.

Question 12
Cormack Leech, Canaccord Genuity Inc
Hi, it is Cormack Leech here at Canaccord Genuity Inc Just two questions please if I may. The first is related to the top line revenue at Barcap. It looks a little bit weak I think both sequentially and versus the first quarter of 2010. I was just wondering if I can invite you to perhaps give a little bit of colour to where you think you may have gained or lost market share relative to international peers, ideally breaking it out you know rates, credit, FX in some granularity?

And then the second question just in the context of the ICB Interim Report. I was just wondering if you have seen any material change in your longer term wholesale funding costs relative to international IB peers? And perhaps going forward do you expect to see any material impact on your funding costs? Thanks.

Answer: Chris Lucas
Let me answer the second part of the question and then invite Rich and Jerry to do the first. In terms of the funding costs in the funding markets, no we have seen if anything tighten for us. We think that is probably name specific and as you know one of the factors we have seen is that our funding costs have remained low relative to the market for many years and they continue to do that. In terms of going forward, that depends on a whole series of different answers to questions around, for example, what is defined as UK Retail and we are only really going to be

able to judge that as we get more detail from the Commission for Banking. But the short-term answer to your question is, no we are not seeing any major impact.

Further answer: Jerry
Cormack in terms of the revenue performance, we actually don't see market share loss and certainly if you look broadly across all of our businesses, if anything we have seen a growth in market share. And as a way I guess of describing that or illustrating. For the first time I think in a number of years, if you look at the overall poll of underwriters, or the league table of league tables if you will, Barclays Capital was number one at the end of Q1, that is the first time that it wasn't JP Morgan for a number of years. And we think that is reflective of the strength and growth of our franchise. In rates you know, we retain global leadership in Government bond markets and interest rate markets. In debt underwriting on both the investment grade side and high yield in its growth. Foreign exchange market shares are up and frankly given some of the turmoil we have seen in the commodity markets in 2010, we think our position has been straight. But from a market share perspective, we actually feel quite good.

Further answer : Rich Ricci
In a sequential statement I would also say you will know that in the fourth quarter, we outperformed most of the market and you will have seen us come very close to that performance in Q1. There wasn't any kitchen sinking even in the fourth quarter. And I think that the performance is resilient and good actually. And as Jerry said, you know the market share numbers across the piece are very strong.

Cormack Leach
Thanks guys.

Question 13
Mike Trippitt, Oriel Securities
Morning. I just wanted to ask one further question on the investment in equities and investment banking. Just to clarify I think it was Rich's answer. The additional £2 billion, can I just check with you what is your starting point? Are you taking 2010 as the base for those two businesses or what is the starting point? And when I looked at this at the end of last year, these looked like businesses that were probably running with cost income ratios or my estimate was approaching 90% and I was just wondering really what the net impact would be of achieving that £2 billion top line, what would be the kind of cost/income ratio run-rate for those two businesses?

Answer: Rich Ricci
Let me take the first one. I think the base is clearly 2010 we were referring to.

Answer : Chris Lucas
And in terms of the sort of run-rate of costs, we look at it as you know, across the whole business and that is 60-65% costs through net income and that would be no different with this business as opposed to without it.

Further question
But the cost income ratio mix across Barcap is, I would have thought there was a vast range of differences. And if you are growing, if we have got an income mix of switching towards equities and IB and away from, slightly away from FICC, I just really wanted to understand what the cost/income ratio would be attached to that IB and equities revenue stream?

Answer: Rich Ricci
I think of course you will notice that equity is and IBD generally have very high cost income ratios, but very stable in terms of returns. So we manage the business on a return basis first. We have said that we can get to the 15%. I would expect the cost income ratios in those two businesses to improve. Obviously as the revenue comes into line and the investment now you know slows. But I am not going to give you specifics as to what the impact would be precisely in those numbers, but we do like the returns of those businesses. We have committed to the 60-65% in Barcap overall and we have committed to a return number of 15% plus. And the way that mix pans out is something that Jerry and I will manage, but that is our commitment and that is what we are striving for.

Further question
Can I just sneak in the final question on the return, the ROE, because I think Bob was fairly clear at the full year numbers of an ROE in Barcap of still the 15-19%. Are you sort of saying, we can do 15%. What is your best feel as to the longer term ROE of this business? I appreciate a lot of moving parts.

Answer: Rich Ricci
Obviously there is a lot of moving parts. I do think what Bob said at the end of the year and what we have said consistently is 15% plus. I don't think we gave a range. You know clearly there are a lot of moving parts as you suggest. We printed 20% you know Ex own credit in the first quarter here which is very good. We feel confident that we have got the levers whether they be the traction we are getting, the improvement revenues in the businesses we are building, the dominance we have in the FICC businesses, our cost control management and discipline has been strong. Our effective use of capital. We are very confident we can deliver that 15%. Clearly we have got to see what some of these final capital implications are, but as we look out over the next three years, we think we are comfortable saying we will be there.

Chris Lucas
And that is the challenge we have set ourselves and we will deliver. Thank you very much indeed.

End of Q&A