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Barclays PLC

Barclays PLC Q1 2015 Results

Analyst breakfast Q&A transcript (amended in places to improve readability only)

Tushar Morzaria

Thanks for joining us again here this morning. As always, please keep on sending your feedback through to IR to see if these sessions are useful, or any other comments you have on them. We'll try and make them as helpful as we can and we'll do them obviously only if you continue to find them useful, so all feedback is welcome; good or bad.

I just thought I'd make a few opening remarks and then we'll get on to Q&A. So you've probably heard me touch on this, hopefully consistently every time we've got together like this, but it's the four or five things that we're most focused on, and if we achieve these four or five things quarter in, quarter out, the strategy will [follow] its natural course.

With that, first and foremost, we're very pleased with how the first quarter progressed. What's pleasing this time is a double-digit ROE on a much larger equity allocation in our Core businesses; £40 billion was allocated to them, they now have £47 billion allocated to them. So a very significant increase in [Core] equity as we release capital out of the Non-Core, but still able to deliver double-digit returns on an increased equity allocation, which obviously means profits in the Core unit were up, so we're quite encouraged by that.

The second thing is, Non-Core needs to shrink, in any which way you measure it, whether it's risk-weighted assets, whether it's leverage, and as important, the losses that it throws off, and again we made good progress on that in the first quarter.

Capital; our capital ratios need to continue to improve. CET1 went up ten basis points, leverage was flat on the reported basis quarter on quarter. I think the important things for us here is obviously to get to this 11% milestone for CET1 and 4% milestone for leverage as quickly as we can and then we can continue to build above those levels.

I think what's pleasing for us is, if you look at the conduct provisions that we've had, for just FX alone, let alone all the other bits and pieces that are running through, but in the last three quarters we've booked over £2 billion of FX provisions. That's worth about 50 basis points of CET1 capital. On top of that we paid a dividend of 6.5p last year; that's about 30 basis points of capital so it's encouraging that we're continuing to increase capital pretty much every single quarter, and even after absorbing some fairly significant capital headwinds. Hopefully that will, based on the conduct side, slow down at some point, and then you'll see the true capital generation of the company come through.

The fourth thing is book value, tangible book value; trying to preserve that as best we can and grow it over time. And it's kept about stable, really, mostly over the last year and into the first quarter. And again that's pleasing in the sense that we've thrown a lot of conduct and various related items, obviously a dividend and things like that going through the tangible book value of the company. So to hold that flat while we're dealing with these things is pretty good, and it will continue to grow over time.

And then the fifth thing is costs. It's pleasing that we came under our guidance of last year, but that's last year and this year we're striving towards getting to £16.3 billion in the Group. It's going to be a little bit more complicated this year because FX rates have moved quite significantly year on year, but nonetheless we're pleased with our cost performance. One way of looking through FX rates – because it can make it a little bit murky quarter on quarter – is if you look at operating jaws. They were positive in the quarter both in the Core businesses and in the Group. And also cost income ratios improved in the Core businesses and in the Group and they're better indicators of the continuing improvement in operational performance, notwithstanding FX rates that may be favourable, may be unfavourable. They're quite significantly unfavourable at the moment, but we'll try and absorb all of that, and also the inflated bank levy which we'll also aim to absorb within our cost guidance. And we'll continue to talk about that over the course of this year as we get closer to the fourth quarter.

So just to recap; Core returns, Non-Core capital, tangible book and costs. If we keep hitting ticks in those four or five items, as we've done in the last handful of quarters, then hopefully you'll see the strategy take care of itself in some ways.

So with that, I'll just hand it over to Q&A.

Chris Manners

Thanks, good morning. It's Chris Manners from Morgan Stanley. I had a question for you on risk-weighted asset inflation and where do you see the key risks? In the Fundamental Review of the Trading

Book, mortgage risk-weights, where do you see that, how would you plan to mitigate those and your thoughts around that?

Tushar Morzaria

Okay. Yes, RWA inflation; there's an amount of RWA inflation that certainly we've experienced, and I'm pretty sure every bank has experienced, and we don't always talk about it. It's just day in, day out, tweaks to models, changes in the way models are applied, approvals from regulators etc., and I think the sector, including us, have got quite good at absorbing that inflation.

I think what's on the horizon are some more discrete points of inflation, and you mentioned a few of them. There's the trading book [review], there's maybe a move to standardised credit risk-weights as floors, either be they mortgage floors or just general advanced versus standardised calculations that are floored. Operational risk RWAs is probably another one that's on the horizon, and maybe others. I mean, it may be helpful just to take them one at a time.

If you look at the Fundamental Review of the Trading Book, it's very hard to be precise as to what that really means, we just don't have a precise rule set. There is another QIS running again this year. I wouldn't be surprised if we do get a precise rule set at some point over the course of this year, probably towards the latter end, but that timing's a bit uncertain.

At that point we'll have a much better handle on what it means. I suspect for implementation, therefore, the earliest it'll be is sometime late in 2016. My guess is probably beyond that, if only because of the infrastructure work that will need to go in to make this into a regular calculation. It's a fundamental rewrite of market risk capital, so it's a fairly significant operational change as well.

Again, as I say, it's hard to be precise as to what it means. Our market risk capital RWAs are probably more skewed towards standardised approach than advanced, as a general matter, relative to our peer set; that may be helpful in any change that's applied, but I don't think we'll be immune from a level of inflation if there is a level of inflation on the banking sector, which is probably not an unreasonable thing to think will happen.

We would look to absorb that. That will mostly happen in our Investment Bank, if not entirely. And we would look to absorb that within the capital allocations that we've given, the risk-weighted asset ratios that we've got in the Investment Bank relative to the rest of the Group. We said in May last year that we don't want the Investment Bank to be consuming more than about 30% of Group risk-weighted assets, and that's something that we'll continue to look to manage within that timeline.

Standardised; whether it's counterparty credit or just a general move to standardised or some floor with standardised measures, I think, will probably be on a similar timeline. So maybe we'll get some precision, confirmation, towards the end of this year and maybe implementation thereafter. And again for us, the same approach would apply. This one may have a broader impact again, in which case we would, at this stage, anticipate trying to absorb that within our £400 billion Group target and would absolutely look to do that.

It may well be, as you see at the moment, our risk-weighted assets are a bit below £400 billion, but it'll oscillate up or down as the rule changes come in or out, and as our Non-Core shrinks of course. So don't be surprised if it flips a bit over and comes back down, or bounces around in that territory. The ratio, of course, is the most important thing to us and we'll look to continue to accrete the ratio.

Mortgage floors; it really depends – the PRA's already put in some form of floor, they've got LGD floors and things like that already – and whether there's a move to absolute, direct mortgage floors remains to be seen. It then depends on where the floor is set. If it's set at 15%, which I know some people have thought about, that's not a significant impact to us. If you look at our Pillar 3 disclosures, you'll see our risk-weighted asset density, and it's already at about that level for mortgages so it won't make a huge difference to us.

If it goes up to 20%, let's say, again that seems pretty manageable for us. I won't throw out a number, but it's pretty manageable for us. I don't think it'll fundamentally change our business. It may have more of a broader sort of macro-policy-type implication. That's not for me to comment on.

Operational risk RWAs is probably the one that's more near-term and that, I think, will increase over the course of this year. I'd like to give people as much notice as we can of when that happens; could be Q2, I think it's more likely to be Q3. So I can't, again, give you a precise timing on that unfortunately, but sometime over the course of this year, maybe as early as Q2, probably a bit beyond that though. We're in discussion with the PRA at the moment on rolling out an enhanced model or an updated model, so that might be one of those situations where you see a little spike up in risk-weighted assets - maybe we hold the ratio flat or something like that in the quarter that it comes in, only because of a discreet step change. But we'll look to march forward as we have done for the last few quarters post that.

Chris Manners

So would it be fair to say then, that basically you're happy with all the business lines that you're in and you just continue to do them? Risk-weighted density goes up but c'est la vie, rather than you've got whole piles of assets you think are going to get challenged by new regulations so you'd try and sell them ahead of time before everyone else works it out, or different business lines that you think don't make profit so you need to adjust pricing on?

Tushar Morzaria

No, it's very much the latter. So by ensuring that we run the company with the relative and absolute capital allocation that we've guided ourselves to, we will make business adjustments to the extent we need to. These things can be quite hypothetical. If market risk capital goes up by, say, 50%, that's a profound change and that will fundamentally change some of the businesses that, I suspect, we'll be doing and other firms might consider doing as well.

If it's a 5%/ 10% [increase], it feels more regular inflation, we just don't know enough precision around that; same with standardised risk-weights, for example. If it's set at, say, no lower than 75% of standardised rules, that's completely different to if it's 100% of standardised rules, so we need that precision really to know. But we will adapt and adjust our businesses rather than we just wear the RWA inflation. We will look to absorb that as best as we can and adapt our business accordingly.

Chris Manners

Thank you.

John Paul Crutchley

John Paul Crutchley, from UBS. Two questions, if I can; you touched on the cost target for this year. I'd like to just ask you more about how you feel about it for the next years' cost target. One of the clear advantages you've got this year is the rapid shrinkage of the Non-Core, which obviously is a Group cost target, but next year, obviously, is a Core target. And just how you feel about the sensitivities around the bank levy and the FX and cost inflation around that, and how achievable that is, or do we actually maybe flip back to talking more around jaws and cost-income ratios?

And then secondly, I just wanted to ask maybe a big, a high-level strategic question actually about the bank levy, because clearly, as we can observe elsewhere, there's an awful lot of huffing and puffing from some other institutions about the scale of it and what their response might be. And it's not tax, the bank levy, because it's all about trying to raise a certain quantum of money. And I guess, do you have any thoughts at this stage as to, if you get the exodus of certain institutions and they still want to raise a certain some of money, then clearly the remaining banks have to have broader shoulders. What are the implications of that? How do you think about that in terms of your own representations and the size and shapes of businesses?

Because clearly your balance sheet can be quite a low ROA in parts of it. As that levy escalates, as a percentage it can become quite a constraint on some of the business activities you might look to do.

Tushar Morzaria

Yes. So on the cost target, at the moment with the £14.5 billion that you're referring to in the Core, we are absolutely targeting that and have a path to get there. I think the two wildcards are; foreign exchange rates - if you told me exactly what the foreign exchange rate is I could give you a very precise answer. You know, you can go back to May last year; Cable was just a shade under 170. We're doing a bit better than the path that we set ourselves, so while we're undershooting on our costs, we can absorb a decent amount of FX inflation so anything in the mid-150s will be okay.

Who knows what'll happen on Friday and beyond? But if Cable was to drop and stays low for a long time, that would be quite problematic for us. That's a very high-quality problem though. In fact, I'd quite like that problem. If Cable went to 140, why would I like that problem? Because we'll just make more profits; a weaker sterling is a better outcome for us and we wouldn't just slavishly try to absorb what then feels like close to 20% foreign exchange headwind just because of foreign exchange rates. You will be doing short-term destructive actions and, you know, we'll update you folks. Probably the second quarter will be a good time to talk. I think we might have a little bit of a sense of where foreign exchange rates are going.

But anyway, at, broadly speaking, today's level or a little bit higher will be okay. The thing to look at – and perhaps was what you were doing probably last year – just look at the exit rates in the fourth quarter and that'll give you a good view as to the safety of the following year's target. It's probably a bit too early in the year to get a sense of what the exit rate will look like from your perspective.

In terms of the bank levy – that's the other wildcard, of course – a 40% [rate] hike in the bank levy is pretty unpleasant, and if it goes up again, that does become quite difficult to continue to absorb. Now, for us, public policy is all about where taxes come from. That's not for me to decide, we just run our business as best as we can. If there is a substantial increase, though, in the way the levy is applied, let's say, to Barclays, for whatever reason – if another bank leaves or the Government chooses to tax the banking sector further – in some ways it's quite simple; if there are some businesses that remain profitable even at increased levies, because we can reprice them or the margins were sufficient, we'll continue doing them.

Otherwise we will have to look to exit businesses, we will have no choice. It's a complicated calculation; you guys are probably very familiar with it. Different liabilities attract different rates, so it's quite difficult to give a generic response. You can get into some quirky things, or even some corporate deposits start becoming quite challenged in a very increased levy. Some derivatives activity can be quite challenged. Companies that need a lot of TLAC, could be quite expensive all of a sudden. On a pre-tax basis it's about 30 basis points or so at the moment depending on your effective marginal tax rate, so your adding 30 basis points to raising costs of funding is not trivial for your worldwide businesses, and we just have to factor that into the mix of businesses that we do.

If you notice – and I've noticed other firms keep their bank levy in corporate centres or wherever – we do allocate it up the divisions and we're very deliberate about that. It's just a cost of doing business, it is what it is and each segment, each division, needs to earn its return rate. And if the levy can't be supported, then they need to adjust their business accordingly.

Raul Sinha

Raul Sinha, JPM Cazenove. Can I have two please? Firstly on this Lehman case where it looks like the Supreme Court ruled in your favour recently. I think the administrator's appealed it quite a few times, but I would be surprised if he manages to get this one away. So your thoughts on what that means for your provision and how you might book that. Does it come in Q2?

And then secondly, I was wondering if you can address the performance of the IB question mark, because you did describe the performance of the IB as an improvement, and clearly it has closed the gap to peers, but I think the market and a lot of investors still think it is probably lagging its peers. So if you can maybe talk to us about where the business is really valued in Q1, and where you think there's still scope for catch-up relative to where Barclays was last year in terms of market share or performance, that would be really useful.

Tushar Morzaria

Sure on Lehman; Lehman's a very complicated case and I'm by no means an expert on the US legal system, so just take my answers as approximately directionally right. I'm sure there's a whole heap of legal avenues that could be explored. But there are two things going on; when Barclays acquired Lehman businesses, it acquired some assets along with it. The trustee of the bankruptcy estate has challenged Barclays' right to take delivery of those assets. That's been a long-running saga and we've successfully won each stage of that legal process.

The trustee has then challenged those successful legal opinions on two levels. One is as a matter of contract law; that the court found in our favour incorrectly, that's what he appealed the Supreme Court to as a matter of contract law. The Supreme Court has denied leave of appeal, so in other words, they haven't opined that it was an incorrect decision; they've said there's nothing new here for us to talk about - the pre-existing opinion just stands. I'm not aware of what the next steps are - maybe to the Supreme Supreme Court or some other way of doing it, I don't know, but that feels a difficult one for the trustee to know where to go next.

The other thing that he's challenging is the scope of the assets, so even if it's correct that Barclays is owed assets as part of the business transfer, he wants to challenge the scope of the assets; not the principle that assets are meant to be transferred, just exactly which ones. He's lost that as well at every stage.

That one he can appeal, the last appeal that found in our favour was about two weeks ago. He can appeal that, he almost certainly will appeal it, it's very cheap to lodge an appeal and it's a lot of assets, obviously. I think he has until May 22 or something like that to lodge an appeal, which he will do. Now of course I don't know exactly how many times you can appeal these things. I mean, I don't quite know where we go from here.

Raul Sinha

What is the potential upside? Is it just the £600m upside in the Annual Report?

Tushar Morzaria

We've said it, you can look in our legal disclosures of the Annual Report you'll see exactly how much.

I won't give any more information than was in our disclosure, the £600 million you quote is referred to in that disclosure so that's all you should be aware of. But that's on the assumption that there's complete certainty that those assets we are now entitled to, and there's no legal avenue left to exhaust. So in the second quarter we will continue our dialogue and that's obviously a large receivable to the extent we feel that we can book that, that's probably something we would notify the market of. So you shouldn't just assume that we would look to in Q2 – we would pre-notify that probably given that it's a material item. So that's Lehman.

Yes, IB performance is going in the right direction, it's encouraging. Our returns are improving. Year-on-year, we were about 6% [RoE] on a reported basis, we are over 9% [RoE] now, so very significant profit growth. Pre-tax profits are up about 38%, so all going in the right direction. The job isn't finished though. What gives us good encouragement is that the underlying RoE is in double digits, and is comfortably above double digits. And we do a fully loaded, sort of, RoE, and not everybody's perhaps quite as conservative as we are; everything goes in there, whether it's AT1 coupon pressures, conduct charges, everything goes in there. There is also the bank levy, in the fourth quarter basis at least.

Nothing stays out of the books. There's very little in our head office, you can see our head office is almost empty. So it's encouraging that in a quarter like this, three quarters [into our strategic review], we can get to double digits quite quickly on an underlying basis. There's more work to do though, we need to be able to do that double digit performance quarter in, quarter out, and that's what we're working hard to do. I think you'll see more improvements come through the operational side. On costs, we had a large reduction of back office staff in February of this year that will start coming into the numbers over time. You will again begin to see the full effects of some of the front office reductions from last year. It takes a quarter or two for all of the folks to leave our books, so you see the full effect of the save coming through. You're also seeing good capital discipline. The IB closed at £123 billion of risk-weighted assets in the first quarter, again going back to foreign exchange rates. That's actually well below £120 billion the target we set in May, if you go back to May's exchange rates.

Raul Sinha
Is that why revenue is slightly weaker than peers?

Tushar Morzaria
No not so much, again one thing you'll hear us perhaps talk less and less about is just chasing top line. As comparisons come through on a proper full year basis, you're still comparing this quarter, first quarter, with a restatement, and they're not quite as clean as we would like to think. It's very hard to go through in a full transaction by transaction restatement. And even Q2 is going to have a little bit of noise in there, because there's really only half a quarter of, if you like, clean run, but Q3 and Q4 will be cleaner comparisons.

You get a better sense of the revenue run rate and good quarters we'll do better in and not so good quarters we won't do as well. But we won't be chasing top line, that's just not the business model that we're running now it's much more selective. And where it is important, we did well. So take DCM, we had our leverage finance market share shot up by 100 basis points in the first quarter, so that's a good business for us. Our investment grade DCM I think was our second highest print ever, which is again a good business for us it tends to be a strong part of us.

Our macro sales and trading which has been dramatically reduced, we've taken huge amounts of risk-weighted assets and people out of there, but still if you look at the comparative trend, we did okay in that, particularly in currencies. So it's a pleasing performance. Where market share is important, we felt like we did quite well.

Equities is another interesting business. You can see that we were a little bit better than this time last year and we still have this dark pool thing hanging over us a little bit.

But what's more important is returns and profits. If you ask people in the IB it's much more about returns and profits, not so much about we get x billion of revenues and everything will take care of itself. We are running it for profitability and you should see that come through over time. Now of course I say this every quarter and the IB say it as well: encouraging signs, plans on track, we feel good about it, but if we don't think we can get there, then we'll make adjustments. We won't try and solve something that can't be solved. But at this point we feel pretty encouraged by the progress.

The other thing that's really important for us is that the Core returns are in double digits. Again, even though the IB did okay in the first quarter, it still on a reported basis and wasn't in double digits, but our Core businesses were in double. So there is that diversification, it's very important. So the size and shape of the IB within the group feels that we can absorb that to the extent that the IB isn't firing on all cylinders. But again, that won't mean that we'll persevere with any division not firing on all cylinders – we will change if necessary.

Raul Sinha

How much is the cost overstated by in the IB due to deferrals, can you give a number?

Tushar Morzaria

No, I won't, but you could probably go to the full year results announcement and pluck out the number from that table. We're on an underlying basis in double digits [RoE], but on a reported basis [lower] because of these accounting effects and conduct charges. I could start putting up slides and just lay it out for you. I feel like the right time to put a slide like that is when we're confident it's every quarter, it's happening and it's just a reporting issue. At the moment we've got to keep on improving and it's good that we improve quarter-by-quarter, but we've got more work to do.

Peter Toeman

Peter Toeman, from HSBC. In the presentation on the retail bank, there was a comment about existing mortgage customers moving and thereby putting pressure on mortgage spreads, and looking back on past presentations on the retail bank, I thought the exposure to SVR mortgages was in the low single digits. So I just wondered what the cause was of the margin pressure?

Tushar Morzaria

Yes, it's a good question. You're right on our SVR, for good or bad reasons, we don't have much of an SVR book, which is a shame because it's a nice, fat, net interest margin product. But as an opportunity by not having it, we are much more comfortable in being aggressive in convincing customers, particularly other banks' customers, to switch into more favourable products. So we have campaigns running to go after that customer base which is not easy to do. These are really quite sticky relationships and people seem to be quite rate insensitive, surprisingly, so even though you could be paying 4 or 5% on a SVR and maybe 1.5% on a current, new, modern product, if you like.

But it's quite hard to convince people. We have had some success, and it's a free option for us, and we're throwing everything at it and are confident that we will get some folks refinancing towards us. I think where it really will unlock itself is, perhaps, when rates are back up; I think that's when people will, perhaps, be more in the general public's commentary about 'should people refinance'. And they'll take a look at their SVR rate and say 'gosh, I've just been reminded that base rates are at 0.75% and I'm paying 5% on my mortgage.' It will be easier for people to move then.

In our own business as well as all banks, you get something called switching, which is refinancing within a bank itself. So we have very high retention rates; when people do refinance they almost always stay with us it's a very high percentage. That does cannibalise you a little bit - us probably much less so than those banks with big SVR books because we don't have much SVRs to cannibalise - but there is some cannibalisation effect. And that's where you're seeing not only current production margins are getting lower as competition is quite high, you are also getting switches out of higher products, even though they are not particularly high margin products, but into new, lower margin products. So we have seen a little bit of that as well, but probably far less significant than I imagine in some other places, those with bigger SVR books. Having said that, we really like the mortgage business even though margins are under pressure. It's accretive, new product margin is accretive still to our stock of mortgages, so every time we print a new mortgage, it's accretive to our NIM rather than dilutive, so it adds NII and it improves our NIM.

So we still like the mortgage business a lot. We don't feel it's putting cumulative downward pressure on our blended NIMs. But of course, lower margin does have your NII depress, as you're not making as much interest income as you thought you might have done at the beginning of the year.

Chintan Joshi

Morning, one quick one and then one laboured point on investment banking. The quick one about Barclaycard growth rate; can you give me some sense of organic growth, as in organic growth trends that you've had in the past year and what we should expect in the foreseeable future? And then on the Investment Bank; when do you draw a line and say we give the Investment Bank enough time, but the current combination of leverage and RWAs don't work and therefore we must take another step? Or is this a three year plan that, you know, we just keep operating and let's see how it goes?

So that point on the Investment Bank, and related to that is, if you look at the Core Investment Bank, 12% which I'm not sure if it's the right [CET 1 ratio] number, probably 13% is the right number, but that gives you about £18 billion of capital. You take the bare minimum leverage ratio of 3.1%, that gives you £18 billion of capital, the prior one gives you £14 billion. There's a bit of a mismatch there but I understand you are giving the subsidy to the investment bank because the Group has got a better leverage ratio.

Is that the right way to think about the investment banking profitability? Should you not take away that subsidy so that it pushes them harder to get to a point and then you may give them at the endpoint but at this stage shouldn't you be taking that subsidy away?

Tushar Morzaria

On Barclaycard growth rates, we're in many countries in Barclaycard but we tend to talk about the UK and the US because they're our two largest, but, we're in Scandinavia, in Germany… The US is where we're growing more than elsewhere. We are quite mature in the other markets, in Iberia, we're in Spain and Portugal in Cards and it's a nice business for us at the moment.

But probably the US is the really interesting opportunity because the size of the market is so big, and we're growing quite nicely, and lots and lots of space to grow further. We're nowhere near any maturation point. The growth there is a combination of inorganic and organic. We do a lot of portfolio acquisitions - a very successful business for us as well as an open market product and other products that we launch.

I'm not sure I want to quote to you a specific growth rate in organic versus inorganic, only because it will vary month on month, year by year. But we are quite happy to do both. I would say, probably historically in the US, probably a little bit more bias towards inorganic, but that may not be the case going forward. So we're quite open to do both.

Chintan Joshi

Maybe the way to ask it is: do you have a budgeted growth rate?

Tushar Morzaria

Yes, we do and we have budgets.

Chintan Joshi

If I can ask, year on year L&A growth is 15%, I don't know if that is what we should extrapolate. 10% feels easy, but actually given your comment that you just made, even 20% is not unfeasible on a three year window. So that changes Barclaycard profit line substantially as you would expect, so just trying to put it in the right ball park.

Tushar Morzaria

Of course we have budgets, I'm not joking or anything like that, but the reason why you've got to be careful quoting these things out is, we're not just going to grow for the sake of growing and you've got to be price sensitive. And there's actually two very large portfolio acquisitions that we walked away from recently that would have been quite significant, we may even potentially have made a market announcement it was significant enough.

But price discipline is very important, so it's not good for our business to be putting out a growth rate so everybody knows what Barclaycard are up to. You lose a little bit of commercial edge if you're that open about your plans. But we are interested in organic opportunities. We don't set a specific target of 'let's buy X portfolios' or whatever. But it has been a successful business for us historically.

The Card business overall, all things being equal, you should see reasonable growth on a cumulative basis. The whole of the Card business, but probably mostly driven out of the US, will be contributing to that.

The IB, you had two questions. One was how long before you decide the plan's not working and then, capital allocation. How long before the plan is not working is when we don't think the plan's working. So we don't wait for three years for the IB to, if you like, fire on all cylinders and generate the return that we want it to return.

We are not going to put out there a stopwatch on it in the public, you wouldn't expect us to do that - it would be no way to run a business. It's a quarter by quarter progress, and you've got to be careful, you can't look at these things quarter by quarter. So it was a reasonable Q1 for us but, you're only as good as your last quarter, and the second quarter might be better, may be worse. So you've got to look at the trend and the flight path that you're doing. And if you're constantly improving and things are getting better, and you can see visibly that they're getting better, even though revenues may go up and down because of the cyclical nature of the business, you keep going.

At the point you don't see that we're really making any improvements and we're too reliant on, say, revenue growth that we don't want to be reliant on, then we'll make adjustments. So there's no stopwatch as such. We have a plan - it's working. At the point that we feel we can't make it work, we'll adjust.

Capital allocation; it's a good question. You saw in the May announcement I was quite clear on the ratio of leverage to risk-weighted assets so we want to run the IB at £120 billion in risk-weighted assets and £400 billion of leverage, and I feel that 0.3 ratio is about right for a group like that. So that does put the IB into the low 3% standalone leverage ratio.

It's a little bit better than that because of course you've got Tier 1 capital there as well. But that's one of the advantages of running a diversified group; you can run things at different ratios from a leverage perspective. But I think it's reasonable, what we don't want is to ever be offside, be it liquidity, LCRs and NSFRs, TLAC, leverage, CET1, we never want to be offside at all on any of them as we were in 2013. So we're very, very mindful of current capital allocations and liquidity charges, etc.

Chintan Joshi

I might have got this wrong but I took the Group leverage, backed out the Non-Core leverage and backed out the total assets in the traditional banking to get to a leverage of about £580 billion in Core IB which is not…

Tushar Morzaria

Yes, that's too high.

Chintan Joshi

Okay fine.

Jason Napier

Good morning, Jason Napier from Deutsche. Two please; the first, this may remain an entirely academic issue for quite some time, but first on normalisation of interest rates and how the Group performs from a NIM perspective. It seems straightforward that Barclaycard will struggle as the cost of float goes up and the IB will probably cost more to run. So I'm just interested in strategically, say, three years out when rates are higher in the US and may even be higher here, how you feel about NIM, because guidance for this year is certainly flat and it doesn't feel like we'll get huge expansion in the other parts of the Group.

And then secondly, just as far as loan losses are concerned, all of the banks to report so far are saying things are surprisingly good and I just wondered in the Core bank at 40, 50 basis points, whether that's on the low side when you think about medium-term returns, and what's normal for the stabler businesses you have? Thanks.

Tushar Morzaria

Yes, thanks for that one. On interest rates, yes, this is a hard one. Three-year view on interest rates? No idea, but in terms of maybe the dynamics in each of the businesses, Barclaycard, it will vary. So in the US it's quite easy to transmit interest rate increases into the product, so you shouldn't expect significant NIM compression. Now, it's easy to say in theory. We'll see in practice what pricing the market will absorb.

So I think your general statement about Barclaycard probably being under some NIM pressure in a rising environment is probably a realistic thing, although the terms and conditions of products do allow us to pass charging straight through. I think it will be easier in the US than it will be in the UK. UK I suspect will be harder to transmit through immediately. Although, again, terms and conditions do allow you to do that.

Under FCA rules, I think you can only increase hard interest rates twice a year as well, so there may even be [a limit] to the extent you can pass them straight through. There may be some friction in terms of the timing, of weighting, or if you can pre-emptively increase rates. So I think you're right, a higher rate environment may put a bit of pressure on Barclaycard NIM.

Now, of course, if that's coupled with a good healthy economy, then that's great. Obviously, if spend goes up and if GDP growth rates are reasonable, then that tracks consumer spending quite nicely. So that, in of itself, doesn't worry me. If it's a rising rate environment that causes stress in the economy, then it's a completely different ballgame.

In the IB it's much more of a spread business, it's not really a fixed interest rate business. Pretty much everything is swapped out and most IBs will run on spread rather than absolute rates. Of course absolute rates are still pretty attractive here, whether you're taking in long-term wholesale funding from various sources, the all-in rate is quite attractive still. So I think you'll continue to see probably quite healthy issuance out of the sector, if they can.

Loan loss rates, again, I'd agree with you about high 30s, low 40s, which is kind of where we're operating at the moment, is very low to historical standards. I think if you go back far enough, you could get to 90 basis points through the cycle in the Barclays pre recent times.

We're a different business mix now, more geared towards PCB which tends to have structurally lower loan loss rates, so that's probably a little bit higher than we would expect to earn now. Of course the Card business is also quite low levels as well - it's 300 basis, 305 basis points it's running. I wouldn't expect too much in the IB, though. That's not really the feature of our business these days.

But, yes, we feel very much at the low end of expectations, but have been there for a little while, so it's a brave person that calls loan loss rates to go up. Our indicators don't suggest that in the near-term. We can only look out so far. You can look out quite far in the PCB segments because you have much more of an operational relationship with these customers, be they current accounts, be they corporations that we bank, so we really understand very early signs of stress.

The credit card business is a little bit harder because we don't have that deep operational relationship with the customers. You don't really know when they've lost their job and things like that, so there's only so far out you can look there. But in any meaningful horizon, we're not seeing any signs of stress and I think that's probably typical of others as well.

Tom Rayner

Tom Rayner, from Exane. Tushar, can I understand clearly what your RWA guidance is, because at the moment roughly £330 billion in Core, £70 billion in Non-Core, £400 billion at Group. Are you saying that as Non-Core comes down, underlying growth plus a bit of RWA inflation is going to keep the Group figure around £400 billion? And if that is the case, and you're going to keep the IB at £120 billion, does that mean that if the RWA inflation that you've talked about does come through and lands on the IB of £20/£30 billion, will you be cutting the underlying balance sheet by that amount? Because it seems a big ask to get the returns where you want them to be against, if that is the right numbers, just by taking out costs, but it might be possible? I just wondered if you could add some colour. Thanks.

Tushar Morzaria

Yes, on the RWA the £400 billion is a guideline. You won't see us religiously be at £400 billion every single quarter in, quarter out, and you've probably seen that already. We've undershot a little bit because, again, exchange rates inflate the RWA amount. And the weak Sterling, so it's probably on a like-for-like basis even a bit lower than where we would've guided to last May.

The real thing is inflation is a little bit difficult to predict. I just don't have a precise set of rulesets, whether it's standardised, credit risk products, whether it's trading book reviews and all of those kinds of things. When we were sitting there in May we did our best guestimates but we'll get precision probably 18 months, two years after that.

The real most important thing is, rather than, if you like, slavishly follow an absolute RWA target, is to just remind the principles. We don't want to run a group where more than 30% of RWA is consumed by the investment bank and therefore capital. We do want to run a group that as we run down Non-Core, we try and reinvest that capital to the extent we have productive use for it into our more traditional banking franchises.

My sense is we'll probably be able to run down Non-Core quicker than we'd be able to reinvest into our traditional banking franchises; that's just the nature of those businesses. They don't consume risk-weighted-asset growth as quickly as you can sell them down in a Non-Core division, and those are the things I'd probably guide more to. In the near-term, around about £400 billion probably feels about right, and we'll continue to refine and update that guidance as we go through and learn more about the final rulesets, and what it may mean to each individual business.

So maybe the other way of answering your question, Tom, is if RWA inflation caused the IB hypothetically to increase, say, like-for-like to £150 billion, that can only really make sense for Barclays as a group if the Group's running at £450 billion of risk weighted assets. Otherwise our IB is consuming, as a proportionate amount, too much capital for the Group per the guidelines that we set. It's important that we retain the balance of the group and that'll be the way we'll manage it.

Michael Helsby

Thanks. It's Michael Helsby from Bank of America Merrill Lynch. Just a couple if I can, Tushar. Firstly, just a matter of detail, would you give us a guidance on what you think the absolute levy number might be for this year?

And then just on costs, I think on the call you acknowledged that your Core guidance for this year is around £15.3, £15.4 billion, given everything else that's going on. Clearly you've just said again that you're sticking to your less than £14.5 billion [in2016]. The shape of that, if I think back to the full year results, you were talking about the IB costs needing to fall more than a billion, so it feels like the IB is all of that, if not more than that, and then everywhere else is growing. Is that the right way to think about the shape of costs?

And then just finally, how are you thinking about the ring-fence in the UK from a product strategy and pricing point of view? I appreciate it's a way off but, you know, I'm struggling to get your mortgage pricing to stack up on a leverage basis on the ratios that you've got today, and it feels like when you go into a ring-fence, the leverage ratio is probably going to be higher than the Group which makes the pricing that you're setting even more onerous. So just how are you thinking about that? Are you not walking into another problem further down the line? Thank you.

Tushar Morzaria

Yes, so taking each one in the order. So the levy, in terms of guidance, the best way to think about that is take last year's number, call it in the high 400s. That was artificially low because we managed to get some onetime credits against our levy through HMRC that we managed to get through in 2014 full year numbers. Those credits are probably worth some around £70 million that are non-recurring. So, if you like, our starting point normalised, true underlying starting point is in the low 500s. A 40% increase gets you to, call it £700 million.

There's a couple of factors in there. The timing of exactly when the [rate] inflation, the increased levy applies, whether it's a full year worth or whether it's less than a full year worth is unclear yet.. And then on top of that there's obviously business mix, changes that we'll look to apply. I would expect it to be a little bit less than, the £700 million that you can back into if you take last year's number and just add 40%.

When I look at consensus that we have on our website that we published just before results, I think it's about £600 million. That probably feels a touch light, but it's not an unreasonable starting point. But we'll refine guidance as we go through the year. So it's quite hard for outsiders because of the nature of the liability. You probably don't get enough disclosures to really get a good sense of how to calculate it or enough detail to calculate it for yourselves, but I think for now, £600 million is not a million miles away. I think it's a bit light, but not a million miles light and we'll see how we go through the year.

The cost shape, yes, I'm not going to give you specific Core cost guidance for this year, although the way you're reversing into it it's not an unreasonable way of doing it. Of course it's a bit frustrating. It's going to be somewhat driven by where we are in foreign exchange rate and all these kind of bits and pieces going on. On a like-for-like basis, you will see costs continue to come down over the year.

Now, again, it may be a bit masked because of wherever FX rates bounce around and we'll call that out through jaws or cost income ratios and stuff like that, so you can see what's kind of going on underlying, or another way we'll be able to present it. The reductions into the following year, definitely a slug will come out of the IB, not just the IB, though. We would expect to see cost improvement in other businesses as well, but a lot of the heavy lifting will be in the IB of course, that's fair to say.

The ring-fencing or really more specifically, mortgage pricing relative to leverage levels, I get a report every week that tells me how much money we're making on leverage capital in mortgages for that week, and we're absolutely comfortably clearing any hurdle rate on quite conservative assumptions around leverage now.

Michael Helsby
Is that front book or back book?

Tushar Morzaria
No, just from new production. So I don't know if there's maybe a disconnect on the way you're thinking about it, the way we're thinking about it. Maybe we could, without giving anything away, get IR to take you through that maybe separately. But rest assured that we are not walking into under-pricing our mortgages for leverage capital on front book production.

Of course back book is what it is already. That's why we like the mortgage business a lot, because even at current margins, it clears risk weighted assets and leverage capital requirements quite comfortably so it's a really good business for us. We'll try, without giving any trade secrets, where we can to help you see what we're up to.

Michael Helsby
Thank you.

Mark Phin
It's Mark Phin at KBW. It's just really coming back to the question on Core costs. I guess the £900 million reduction year-on-year in 2016; I think you've given us a deferred comp number for 2015. But just given it's such a large drop into 2016, is there any help you can give us on how much deferred comp comes out in 2016?

Tushar Morzaria

None more unfortunately than you'll have picked up from our disclosures in the results announcement or the annual report, and it's the same page. We haven't disclosed any more than that.

Mark Phin

Okay, fair enough. And then just a second question, a very dull question, actually, on tax. I'm sure the note has been in there before, but the first note in your release suggests that you're accruing an effective tax rate that you expect for the year, which I think is 28.6%. Does that include everything, i.e. does that include the levy, because I think it's lower than you've indicated previously?

Tushar Morzaria

Yes, that's exactly right. Maybe that footnote wasn't very clear but the effect of the levy will be in the fourth quarter's tax rate. So if you want a sense of what effective tax rate you want to use throughout the year, it will be a little bit up and down depending on the mix of the business and the levy will come in the fourth quarter, [overall] somewhere around the low thirties. I will look if we've given specific guidance. I don't think we have. Somewhere around the low thirties is a good thing to use for the average through the year.

Mark Phin

That's fine. That's not the way that I read the note.

Tushar Morzaria

Yes, so it's a little bit lower for this quarter than you'd expect to see for the average for the year.

Fiona Swaffield

Hi, it's Fiona Swaffield, RBC. Could you talk about pricing in the Investment Bank and whether you're seeing easier to pass on leverage ratio requirements to your customers in things like rates and FX and derivatives and how we can look at that in your results.

Tushar Morzaria

It's a tricky one to be very precise on. I do think as more and more banks are becoming, if you like, more and more focused on leverage, there is a rationing of leverage to the customer base and that's allowing some price improvement. We are seeing that in some of our financing activities, so that is good. It's a supply and demand feature that we are seeing. It's the first time that I've really been able to say that, and probably in the first quarter we did see some of that.

That's comforting to know. I'm not sure whether I'd extrapolate that into continued price improvement as supply demand continues to adjust, but we did see some in our financing businesses in the first quarter. The reason why I'm so hesitant to extrapolate is simply because it's been a long time coming and it's hard to know whether that's a permanent feature of whether there are the pools of capital that can be used to finance clients in a way that dealers might be able to. But at the moment, yes, pricing has widened in financing. Not so much that it's a business that we'll pile back into in any meaningful way, but it's the first time I've seen softening of pricing.

Chris Manners

Chris Manners from Morgan Stanley again. I just had a question on Portugal and Italy and the businesses there, and your progress on selling them, and obviously you're pleased you got Spain out the door quickly. I just thought I'd ask about those two as well.

Tushar Morzaria

Yes, we were very pleased we got Spain done quite quickly, quicker than we anticipated. You'll appreciate I won't be able to give too much colour on any current discussions that we're having on that, but suffice to say whether it's Portugal, whether it's Italy, whether there are other businesses that we probably talk less about, the Non-Core unit is there to find better owners for those businesses and that's what we're working on, and working as hard as we can to do that. But I can't say more than that.

Martin Leitgeb

Good morning, Martin Leitgeb from Goldman. Just to touch on earlier parts on RWA inflation, particularly on the trading book. If I understood your comments right, you submitted a quantitative impact study obviously based on your best guess on where the proposal stands as of now and I was just wondering if you could share what number of RWA inflation that showed for the IB. If you could just help us size the potential impact on RWA inflation within the IB itself, thank you.

Tushar Morzaria

The short answer's no, but I'll try and be a bit more helpful than that. The reason I can't be more helpful, is you need a fully representative portfolio of the entire trading books and the QISs that were run weren't representative enough that you could just extrapolate and say, 'well, there you go, that's what we think the impact is'. And of course there's another QIS running, which will go into determining, perhaps, the final ruleset. So this can be quite a frustrating exercise, both for folks that want to analyse this but also for folks that are running the bank.

So it's quite hard to be precise and I've read some of your research reports from others around this room and your colleagues that can back into quite significant RWA inflation for trading. That may or may not be the case, we honestly just don't know. We're not trying to keep some little secret that only we know and we're not going to tell anybody until we have to. It's not at all that. If I genuinely felt there was a big significant leg up in market risk you'll see us reposition our business immediately. We'll try and give you notification ahead of that. But I can't share precise details with you. It's not reliable enough to extrapolate or run the business towards. Timing is too uncertain and the ruleset is too imprecise at the moment.

Sandy Chen

Sandy Chen, from Cenkos. Actually you're probably going to say no to these two questions as well, but back to the idea of RWA inflation, can you give us an indicator, by business within IB, the kind of relative play between potential for RWA inflation and the cost income ratios? And also, in a lot of this discussion it seems like a lot of the work that's being done at the management level, at the board level, is focused on the IB. I mean, has there been a discussion about the potential to either do a partial IPO disposal, US listing of the IB, so that we don't have to talk about it this much anymore?

Tushar Morzaria

RWA inflation, well, what can I say? Because again you're asking about the trading book and standardised credit risk weights and stuff like that. Maybe taking each one in turn and…

Sandy Chen

It was more the interplay between say macro, credit, equities.

Tushar Morzaria

So I think review of the trading book probably more towards spread products and equities rather than macro, and more towards advanced models than standardised models. And for us, that's a similar kind of thing, we have more standardised on macro as a general rule, but again I give massive caveats here. I could be standing in front of you in a quarter's time with a new ruleset and new information, so it's a bit of a guess on my part. Counterparty credit risk, if that goes standardised, obviously long-dated derivatives will be the most impacted, which tends to be in the macro businesses, although we don't do much of that these days. That's all in our Non-Core, or predominantly now Non-Core, so that will really be in the Non-Core rather than in Core Investment Bank.

Cost income ratios; easiest way to think about that, is those businesses that don't have much machinery, so infrastructure, tend to have high cost income ratios, generally quite high returns as well, mind you. And those businesses that have very high machinery tend to have lower cost income ratios, but obviously carry generally more capital and therefore not necessarily higher returns. So the macro businesses would tend to have lower cost income ratios, lower comp to revenue ratios. M&A would be the other extreme where there's almost no machinery required, so it's a pure human capital business, so very high cost income ratios. But actually very high because very little allocated equity so still very high returns.

And I think as we become less machinery dependent and more human capital dependent in our IB, and probably true for the sector as well, cost income ratios themselves may grade up a little bit but returns should improve as well. That's how you see that play out, I think.

Sandy Chen

And the partial disposal…?

Tushar Morzaria

Look, we think of everything. All boards will think of everything, it's not unique to Barclays' board. Some other UK banks are thinking of all sorts of very strategic things as well. All boards in every bank, and probably every company, have all of those discussions, so I'm not going to give you specifics on the kind of discussions we've had. I'm sure no one in my position would because they're obviously very sensitive and important issues. But, yes, we consider everything, as does everyone else, and it's a continuous thing. It's not like you know about it in one board meeting and forget it. For all of our businesses, we think about all of the things, all the time, in that regard.

Andrew Coombs

Andrew Coombs from Citi. Two questions, please. First, just on PCB, you encouraged us to look at the year on year jaws of plus 3%. If you look at the Q on Q jaws, it's -5%. I just wanted to drill down into that. I understand that there is an element of seasonality in the revenue line just given there's a couple of days less in the quarter, but should there be seasonality in the cost line? It's not something we've historically seen from that division, so just interested as to why there was that Q on Q cost move.

And the second question is just a broader question on the UK banks stress tests. Given the way in which they will be applying a stressed trading book this year and also given the 3% leverage ratio constraint, obviously it does look to be a little bit tougher than it was last year for Barclays, I think that's fair. But I'd be interested in your thoughts and comments on the methodology and the leverage ratio hurdle.

Tushar Morzaria

PCB cost, there is some seasonal effect. So the day count does actually have a slight seasonal effect as well, and there are other, if you like, calendarised items, which I won't call out. They're not individually, in and of themselves, very significant that I want to draw unnecessary attention to them, plus the fact they're not recurring stuff. So there's nothing that's a trend there that you should be nervous of. I think you should expect that PCB jaws over the calendar year, year on year, full year on year, ought to be positive.

Jaws should be positive for the full year, and quarter by quarter, depending on the quarter you want to compare may have a little bit of ups and downs. But on a full calendarised basis, you should expect us to have positive jaws in that business.

UK stress tests, it's obviously a different stress test to last year. It's quite similar to the stress test that we do internally, We do actually use leverage ratio in our own internal stress tests, so we are very geared up to that - not that surprised that there is a leverage ratio minimum requirement. It's something we run for ourselves, and obviously trading book stress is something we do for ourselves as well as, and emerging market stress. So I think we are well positioned to run the stress and respond accordingly and we should do okay. It's slightly different when you run your own stress tests and obviously the regulator will make adjustments that are difficult for us to predict, but we are reasonably confident that we will do okay.

James Invine

[With regards to PCB revenues, NII vs non-interest income, you dropped your comment regarding "steady income growth". Is that indicative of the change of view from short term to long term?]

Tushar Morzaria

With GDP and stuff like that it's hard to give super long term outputs but, you should expect in PCB nominal GDP growth plus a bit, not necessarily quarter by quarter, but a trend basis over time. You can see in NII it's relatively predictable now that whatever margin compression we experience, we can offset it through volume growth, and you've seen us do that quite consistently, and there is no reason why you shouldn't expect us to continue that. It will be a mixed bag, sometimes it will be mortgages, production is higher, sometimes with personal and secured lending. In fact, personal and unsecured lending we don't talk about much about, but its turning into quite a nice business. It's still relatively small but its showing good growth there which is helping with margins as well actually.

James Invine

[So steady income growth still stands?]

Tushar Morzaria

Just think of it as nominal GDP plus a bit, over trend, not necessarily every single quarter. The things that go through the income line, sometimes we don't call out and this isn't something you should count as things that happened in Q1, but sometimes where you've got conduct things going on it's an income rather than a cost. So it can sort of screw around with the quarterlies a little bit but through a trend, you know steady income growth. But not sort of 10% increase, you shouldn't expect anything like that, it's going to be very low - GDP's knocking around at 1% or 2%, it's going to be that plus a bit.

Mike Trippitt

Given the regulatory drift, can you give us an update on TLAC? It has gone through QIS, now going to the G20. What is the burden for you on costs, coupons, refinancing costs etc.?

Tushar Morzaria

So TLAC, again we will know this year what the final rules are for TLAC, so speculating is probably going to be a bit futile. We put out our disclosures at year end, I think we included in the appendix slides for Q1 as well, that show that if we were to refinance all of our Opco to Holdco, what level of TLAC that will get us into, which may or may not be above the minimum requirements. If it's more, you can back solve quickly as to if it's 25% what that means, if it's 30% what that means. And we will see where it is, the G20 will opine on that over the course of the year.

In terms of the refinancing costs, that's probably a good point, the transition to TLAC compliance. I think once everything is compliant, if you like, I'm not sure there is a new friction cost in debt costs because all you have done is swap a whole bunch of debts for exactly the same characteristics in the new form of debt. Our legal structure is quite simple: we have an Opco and most things drop out of the Opco. We are now going to have a Holdco that puts things into Opco, but in the intervening period you are going to have some stuff out of Opco and some stuff out of Holdco, so supply and demand characteristics will make that a little more complicated as we move through transition. If you look at when we've last done senior unsecured out of Holdco verses Opco, and you try to ignore the new issue premium and just look at straight differential, somewhere between 20-30 basis points. I suspect that will, as I say, normalise over time as there is going to be a premium for people who want to be in Opco debt because we won't be issuing any more of it so it's going to be a bit screwy in the intervening period.

The other thing I would say though, and I come back to one of the earlier questions somebody asked, although things like the investment bank are much more interested in interest rates or floating interest rates rather than absolute levels, the absolute levels of debt costs are still pretty darn low. So if interest rates stay where they are for a while it's still pretty attractive levels to be refinancing into, and I suspect most banks will be doing so over the next three, four years.

Mike Trippit

[One of your neighbours said they can't see how ring-fencing works. This is quite a difference from you who say it can work?]

Tushar Morzaria

Ring-fencing; I mean for us we would rather not have ring-fencing. We have been quite public about that, it's a large operational exercise to create a ring-fence and do the operational porting of insured accounts from one entity to another, and all of the infrastructure and operational heavy lifting that goes along with that. It is quite time consuming and it is a lot of work, it's not free of course. And it's a cost we will incur until we get to the point of ring-fencing. The reason why I'm not making a big song and dance about it is that we just need to get on and do it. It's the law, it's primary legislation, I'm not anticipating it's going to be repealed any time soon. So we know how we will run our businesses in a post ring-fenced world. We are in dialogue with the regulators to make sure they are comfortable with that. At the point where we are all locked and loaded, and signed up, we will share that with everybody but I don't think ring-fence will be some huge surprise.

Ian Gordon

[What is the cost of ring-fencing? Secondly, on ETR, more interested in what I see in 2018. Is low 30s more realistic, or mid-thirties?

On the chairman's letter, most people I speak to feel it doesn't indicate support for the current strategy

Regarding political agenda post the election, what are your thoughts and do you have contingency plans?]

Tushar Morzaria

So cost of ring-fence, we have said nothing on that apart from that it's included in our cost targets for 2016.

Effective tax rate, I think all things being equal, if today's tax regime prevails, yes, low 30's is reasonable. But there is a big 'if' there.

On John McFarlane's strategy, John's spent a lot of time with us already get a better feel for the business. He's come in and made some very relevant observations. Can we go quicker? Of course. Whether its quicker in running down Non-Core or whether its repositioning businesses, … can go quicker, and we were doing that anyway. His experience to draw upon is going to be crucial in that. . He is quite a different chairman to our previous chairman, he has much more executive experience with other banks, and is very fluent in the business model, and was a very successful chief executive for many, many years. And I think he'll bring that persona and that experience to the role, and he is already doing that. He has bundles of experience, great instincts, and being chief executive for more than a decade is quite helpful to have,

Political agenda, I have no idea what's going to happen on Friday or the following Friday. If there is significant increases in taxes, be they bank levies, be they corporation tax, be they banker bonus tax, we will obviously have to deal with that. I have been asked in the past 'have you got any contingency plans'. There's no point, A, we're so close to it may or may not happen and B, until you really know it's going to happen . Maybe the next time we talk we'll have a better dialogue around fiscal policy and how it impacts us.

Okay, with that, thanks for coming in. Please feed back to our investor relations group on how these sessions went. And I will just leave you again with my sort of 4 or 5 points; Core returns have got to be in double digits; Non-Core has got to shrink; capital has got to go up no matter how much conduct we have; book value has got to hold and grow; and costs have got to come down. If we keep on doing those 5 things hopefully you will see that reflected in the results. Thanks.

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Forward-looking Statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the Transform Programme and Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of the Group; the potential for one or more countries exiting the Eurozone; the implementation of the Transform Programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements. Additional risks and factors are identified in our filings with the SEC including our Annual Report on Form 20-F for the fiscal year ended 31 December 2014, which are available on the SEC's website at www.sec.gov.

Any forward-looking statements made herein speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc (the LSE) or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Barclays' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has published or may publish via the Regulatory News Service of the LSE and/or has filed or may file with the SEC.