Question:
Given the environment and the stresses in different parts of your business, you've been pretty straightforward in being committed to your share in Black Rock and the dividend. Do the events of the past two months give any thought to revisit either of those?

Chris Lucas:
The dividend, as you know is at a relatively low level. It's when we re-started it we wanted to be prudent in terms of the level of distribution, but also progressive to give some uptick. I don't think anything has changed. We reached that policy on the basis of the uncertainty, and particularly the regulatory uncertainty. And we have I think been stood well by it. So I see no reason why we would change the policy, which will remain prudent – so, well covered but will be slightly progressive.

In terms of the BlackRock stake, that's an important investment for us. It's an important asset and we have no intention of doing anything different with it than we've done, at the moment.

Question:
What would you say is the probability of having more ICB ring-fencing in other countries? Because obviously you've been releasing exposures to places where you have no deposits, but you still have excess assets with high loan to deposit ratios in certain countries. How are you going to address that issue? I mean taking into account it's being wholesale funded.

Bob Diamond:
I guess I'd make two comments. First of all, we don't believe any bank should be too big to fail and as a successful bank whose managed through the crisis, we suffered from a lot of the turmoil as everyone else did. So as a strong bank we very much want strong regulation.

But I think our advice to any country would be the same as it was in the United Kingdom - it's not the optimal solution. We are running Barclays with a focus on operational subsidiarisation. There are many ways to solve the problem that is trying to be solved here, which is if there were a problem somewhere in the world, could you cauterise that
problem so that the branches stay open, consumers who have no other option can get to their banks, small businesses can get to their banks. And that's right at the heart of our resolution and recovery plans.

So as we said, this is the decision that's been made, I think it's given a very, very good time frame and I think it's given some flexibility so we can work within it. But it wouldn't be something that we would advise as the solution.

**Question:**
How do you become comfortable with counter party risks, especially with the seemingly distressed situation in some of the eurozone countries?

**Jerry del Missier:**
I think you become comfortable not by focusing on it at the 11th hour and 59th minute before a crisis hits. I think you become comfortable because it's something that you manage on an ongoing basis. And we have been very proactive in looking at all of our exposures. Certainly post 2008 there was a big change in what assumptions you could make about how certain relationships would hold and just what constituted a genuine stress. And since that time we've implemented a very, very rigorous approach to collateral management and monitoring what's going on with counterparties, and we feel comfortable with our counterparty exposure today.

**Question:**
In the UK retail bank, there is significant pressure on the net interest margin compared to the past. The banking regulator and government, and consumers don't like when banks make fee income in different forms. What is the roadmap to improving retail UK bank profitability, given the constraints that you face on the funding side and the political pressure on not being able to generate enough fee income?

**Bob Diamond:**
As I pointed out, one of our three world-class businesses is our UK retail and business banking business. Even in a difficult environment of the first half of the year it had a 15% return on equity. And I think what you've seen in the way that it's been managed by Antony Jenkins and the team below him is a real focus on the customers. And that has gone right to the heart of our investment in technology, it's gone right to the heart, for any of you that have been there, of the much different look and feel of our branches. So to get the kind of revenue growth that we got in the first half of this year, across our UK retail and business bank, in an environment of very low interest rates, as you say, and reducing margins, altogether is a sign of how we're running it.

Now we're one of the biggest players in the market, so there it's not a growth market in that respect. But the other thing I would point to -- and it's so hard to bring out live in a
speech like this, but I did refer to the way we're running Barclays and the way that the management team is working together and, somewhat as a response to the environment we're in, is it's much more joined up and integrated. So part of our excitement in the UK retail bank is a much more efficient operation, which is better technology, better efficiency, better straight through processing, both in the retail bank and in the card business.

And secondly, just the incredible synergy opportunities that are available by the businesses working more closely together. So one of the examples I will give you that has been really, really exciting is in the Barclaycard business, which has traditionally been a consumer card business, particularly in the UK, more than a business card, and where our big growth opportunity is on the business side. I look every month when I sit with the executive committee and we just look at line after line of new accounts and the revenue that came from the new accounts on the business side that are directly a result of our corporate bank working more closely with them in different areas of those institutions.

So I think in a time of turmoil with all the focus on regulation and capital, one of the things that people have been missing is how much better well-run banks are at finding both the cost efficiencies and the revenue efficiencies. And I think to me having behind us the fact that the United Kingdom wants large integrated banks like Barclays and recognises the importance of diversification, both for our customers and clients, and for how we run the bank internally, that was my biggest fear in terms of “potential ring-fencing solutions”.

Do you want to say anything on the margins that I'm not touching on there?

Chris Lucas:
I was going to say if you look at the margins that we disclosed, there was a slight uptick 2011 on 2010. And that is very much through the selectivity in terms of what the products are and what we can earn off them. And we’ve been working on that for a couple of years. And the guys have been saying you'll see an improvement. And for the first substantive period, we've managed to do that. That is in the face of some pretty stiff competition. So we think it's good progress and particularly on the asset margin. As you know, the liability margin is impacted by very low interest rates.

Bob Diamond:
We'll have to ask Rich to talk about this a little bit, but in line with your question and where I started going, and it's so hard to work it into a speech, and it's so hard to get focused on it when so much focus has been on the regulatory environment. But we decided about a year and a half ago to align our Corporate bank alongside Barclays Capital with joint management. And the transformation of that business, not just in the UK, but around the world, is really beginning to come through. And I don't know if you want to talk about some of the examples that we're seeing.
Rich Ricci:
Yes, I think that that's right. I think starting with the UK where the business has gone from number four in terms of customer service and customer surveys to number two. Great progress. We had a real opportunity I think with some of the issues that were befuddling some of our competitors, government ownership, et cetera, to really take advantage of the fact that they were busy with other things to really get close to those clients and consumers. We've had a lot of people switch to Barclays, it's a very exciting story. And we see no reason why that business can't not only return to where it used to be in terms of £1.5 billion of profit, but exceed that.

Outside the UK it was really a cleanup effort I think from some asset led strategies that didn't have scale and businesses that were subscale. And one of the first things that Jerry and I tackled was really the credit quality and the issues in those countries. And so we took a lot of pain for instance in Spain last year and our Middle Eastern businesses. And I think you'll see the overall business return to profitability this year and particularly businesses like the Middle East or businesses like Russia, for instance, where we had real negative revenues as we're in the process of disposing of Russia. And the Middle East has been a kind of a turnaround story. So a lot of good progress there and again I think that the whole positioning of Barclays in the UK and the brand that it carries around the world will continue to enhance that.

Question:
You mentioned financial integration and for the European countries to move closer together. Can you expand upon how you think this situation plays out and what do you mean by that?

Jerry del Missier:
I think you've got short-term issues and then structurally the long-term. And I think it's important to understand that it was always going to require a crisis of profound magnitude to really force Europe to take the next step towards fiscal consolidation. Because at the end of the day, it involves a loss of sovereignty and for the first 10 years of its existence I think everyone's been able to have a free lunch. The Germans have had 60% of their export market locked in to a currency that was too rich for them. And the peripheral countries got the benefit of lower rates without actually having to behave fiscally responsibly.

So we're now kind of going through this having had dinner, now they're dividing the cheque. And it's going to take a while to work through this. I mean this process that Bob talked about will take years. And it will be done in the face of social unrest, and it will have to require in essence a ceding of sovereignty over fiscal issues towards much, much more centralised control over budgets. I think it's going to require some very difficult decisions.
about the nature of the social welfare state, which is a very, very big deal in Europe. And these are not things that will sort themselves out quickly, so if we're expecting that in the next month they're going to announce fiscal union, I mean it's just not going to happen. This is going to take time. So we should understand that.

I think in the short run you have really the issue of somehow bringing stability back to the sovereign debt markets. Part of that is dealing with Greece in a way that doesn't create contagion elsewhere. Part of it is I think continued intervention so that the countries other than Greece are able to access debt at low rates that don't become an impediment to growth. And I think frankly part of it is also that you'll see a more growth-oriented approach to monetary policy. It would surprise me if that wasn't one of the things that came out of this.

This whole challenge has been exacerbated by the fact that it's happening while we've seen growth slowing in the US and growth slowing in Europe. And there needs to be a focus on getting growth back in the system to help some of these countries deal with their issues.

So look for it to be long-term. Don't underestimate the commitment. This is all about peace and prosperity and creating a sustainable Europe. You can expect to see continued Brinkmanship between the central authorities and the member states. But I think ultimately it will head in the right direction. And if there are issues where banks need to be recapitalised, I think a stability of markets allows that to happen. And I think it plays itself out in the near-term and then it will be an issue that we'll have to watch over a period of years.

Bob Diamond:
But kind of what's the ultimate goal that Jerry mentioned in context? I think this ages me quite a bit, but I recall working on the first ECU bond in 1992 for the Bank of England. And from the beginning of the single currency in '99, for those of us that were in the markets then, the transformation to have a market other than the US dollar market, other than the US market located here, because the euro bond market, if you recall, while that was a big liquid dollar market it was for sovereigns and super nationals. It wasn't for corporates. Corporates really went to the US market.

And one of the things that's really driven the economic growth over the last 15 years in Europe has been a big, liquid, deep sovereign market that's allowed corporates to price whether it's in bond deals or equity deals, as Jerry said. Think about the alternative of going back to having a single dollar currency market in the US. So the vested interest away from a lot of the issues that are getting the publicity, but having a big, liquid, deep sovereign debt market with the same safety and security characteristics of the US Treasury market, allowing you to price corporate deals and get liquid corporate deals, and
get financial institution deals, which you can't get off today. The stakes are very high for Europe here in terms of their economic future and in terms of the financial markets existing in this time zone. So I think sometimes we jump to the conclusion that there is a crisis and the conclusion has to be fall apart as opposed to stay together. But I think the underpinnings of why this will stay together are very strong.

Question:
This might be more for you, Jerry. Just in part following on your comments about Europe. With respect to Barclays Capital, how would you characterise the impact that all of this plus the numerous other overhangs have had on client trading activity? Recently as opposed to maybe earlier in the summer, both from an activity perspective as well as from a facilitation perspective. One of the things we heard from Goldman in a meeting last night is just that the market conditions have continued to be challenging around putting risk capital to work to facilitate trading, just given the difficulty in sizing the unknowns essentially.

Jerry del Missier:
Clearly July and August were very challenging market conditions. And there's almost an unprecedented number of layers of uncertainty that we're having to deal with. And bit-by-bit they get peeled away. It's been hard for investors to decide as, attractive as asset markets are, the memory of 2008 lingers. And therefore why make a decision too early until we see exactly how the Greek situation is resolved or how some of these short-term issues are resolved.

And it feels certainly like given the low levels of risk that most investors are running, the high degree of cash positioning, that a resolution of just a few of these things I think can see a pretty significant degree of investment into markets, especially given the level of asset prices. And so we think there's a scenario where it's quite a positive environment for the run into the year-end.

On the other side, you also have a very, very healthy pipeline of primary issuance, both on the equity side and the debt side, high yield and investment grade, that's waiting for a reasonable market environment. And as we saw, there was a healthy M&A pipeline as well. So clearly things will be subdued until some of these issues get cleared up, but I think they can change. The environment can change pretty quickly.

Rich Ricci:
I think J.P. Morgan said earlier that they thought that for the industry revenues were down 30% or so in the third quarter. From what we sense and see that's a reasonable estimate, but as far as Barclays Capital is concerned we tend to outperform in the tough environment, so the next couple of weeks are important. But I think Jerry's right, I think
there could be an opportunity in a scenario where things can pick up quickly. So as an industry, let's hope for the best.

Bob Diamond:
The level of de-risking is pretty significant is our conclusion. That alone won't change things but the level of de-risking in the markets is pretty phenomenal in terms of the years I've been in the business.

Question:
It's very early stage on the ICB report, but a lot of the conclusions have been that the cost of funding will increase for you and rating agencies could potentially downgrade basically part of the new entity or if you want the structure. I mean is there any part of the balance sheet you would consider de-gearing if your cost of funding is increasing? Additional to what you already said that you are sort of getting rid of on the legacy assets.

Bob Diamond:
I'm not sure if you're asking specifically about what funding is like or what the rating agencies are going to do. It would be shame on us right now if this conclusion came as a big shock to us. So in terms of how we're running our business, if we came out today and said oh my goodness, with the ICB report we're going to completely change the way we're doing things or exit this or enter this. I don't think it was that big a surprise in terms of the interim report in April and obviously we've been working very, very closely with them. So I don't think you should see dramatic change.

What I think is great, and I must say I feel it very deeply, is it's been quite a while where there's been a cloud hanging over the United Kingdom. Some of it has been a feeling that they've been super equivalent. Some of it, I think a lot of it, was driven by the Independent Commission on Banking and when you pick up the paper everyday and there's speculation at the extremes, it causes a de-risking in the UK.

And if you step back today, which is why I made the final comment, is it time to look differently at successful international banks headquartered in the UK given that it is a strong regulatory environment? Given that we have now determined pretty much where we're going in terms of the ICB, what the timeframe is, how certainly we've been a believer in resolution and recovery, and a lot of these things were part of the plan. And I think the Chancellor and the Prime Minister have done the right things. If I can give my personal assessment, I think if the UK had been downgraded as the US had, it would have had much more severe consequences.

So for the Chancellor and the Prime Minister to have been out there early in reducing spending and focusing on getting the deficit and the debt down, they've had some pressure and they need the economic growth to get going, but the economy's going to go
only one way if you’re reducing public spending and that’s to pass the mantle of growth to the private sector, which in the UK is very healthy as it is in the US. A lot of cash on the balance sheet, even small businesses have a lot of cash.

A little bit of certainty around bank capital, so banks can be more active and more confident, and a little bit more confidence in the economy and the direction of the administration could go a long way, together with the independence of the currency in the fiscal integration. So I feel a lot better that there’s been, in a funny way, even though the report isn’t that much different than what I would have discussed with everyone here over the last 12 months, I feel a big cloud has been lifted off the UK. And I think that’s going to be very helpful to our franchise and our business.

**Question:**
It’s actually about risk weighted assets in the investment bank. And I think you’ve talked about this, so forgive me for not remembering. But did you tell us what the projected RWA would be at the investment bank? And the increase -- I think there was meant to be some offsets, some mitigating measures. Can you just review that?

**Chris Lucas:**
We touch on that. We’ve given you the estimates of Basel 2.5, which is the market risk RWAs that come on at the end of this year. And that’s about GBP40 billion and we showed you the impact on our core tier one ratio at the 30th of June. So to go beyond that into Basel 3, we’ve given some views, we did so at the investor day in terms of the size of growth of RWAs and some views about management actions. But we said that’s a, by its very nature, a broad estimate as we continue to refine the methodologies and the approach to the management of RWAs.