BARCLAYS

28 June 2013

Barclays PLC Investment Bank Presentation

Antony Jenkins, Group Chief Executive – Speech Transcript

Good afternoon and thank you for joining us at the second of our investment seminars - on the largest business within Barclays, our Investment Bank.

Before, I talk about the Investment Bank, I am conscious that you probably have two things on your mind, specifically leverage and trading performance.

I would like to take a few moments on each of these. Questions for Tom and Eric later can then focus on the subject of this seminar – the Investment Bank.

There has been a lot of discussion of capital in recent weeks – particularly the increased regulatory focus on leverage ratios – and I know that Barclays has been mentioned frequently in this debate.

The introduction by the PRA of a leverage ratio target last week was new, not least because the calculation of the target was not based on CRD4.

As you know, we already had plans around de-leveraging as we announced on February 12 under the Transform program. Our plans and actions are on-going and well progressed. We are exactly where we expect to be on our flight path toward the targets and commitments which we announced in February.

As we have said many times, the Group is well capitalised for the risks it holds and we believe in the value of risk-weighted ratios as the primary focus for capital management and regulation, with leverage ratios as a supplementary metric.

Leverage ratios as a cross check on risk weighted measures are sensible, but they are a much cruder tool and need to be interpreted with care to avoid unintended consequences such as credit restriction and asset quality dilution.

We are in the process of submitting our plans for achieving this ratio to the PRA, and look forward to discussing those plans with them shortly. We have every expectation that we will reach agreement with the PRA within the next four weeks and will update the market as soon as our plans are approved.

We expect to achieve the 3% ratio by 2015 within our existing Transform plans, using the PRA's calculation basis. We also have a range of contingencies and options embedded in our plans, and given our starting point, we expect the July discussions will centre on possible acceleration.

We have options to accelerate with minor income effects but an aggressive acceleration requirement from the PRA would require additional actions and could restrict our ability to extend balance sheet availability to customers, including - potentially - lending to the UK and other economies, which is something of course we want to avoid.

Today's session focuses on the plans and targets for the Investment Bank under the Transform plan and will not try to pre-empt any additional de-leverage plans. The growth that the Investment Bank has achieved over the last several years has been strong but leverage is generated across all of our businesses and meeting leverage targets is a Group-wide activity.

Therefore, I've asked Eric and Tom not to take questions on this at this time and I ask that you respect this in the Q&A part of the session. As I said, we will update the market once our plans are agreed.

I also know many of you would like to hear an update on trading in the second quarter, particularly June. However, as you know this is the last business day of the quarter and it would not be appropriate to elaborate any further on what we said previously. You may recall at the end of April, and I reiterated earlier this month, that the good start that we'd seen in the first quarter had continued into the second across our businesses and reflects usual seasonal trends. We have no further comment to make on trading at this time.

Let me now turn to today's event. These seminars are intended to provide insight to the operation and drivers of each of our businesses, helping you to understand what makes them tick. They are also a way to see and hear the management teams, rather than just me and Chris. They are not intended to provide material new information and numbers.

At today's seminar, we will be giving some detail on the impact of the larger allocation of head office costs that were part of our first quarter restatement, as well as how we expect the business to evolve between now and 2015, and beyond.

At our July 30th results announcement, in addition to Chris' review of performance, I intend to give a comprehensive update on our progress under Transform – something I will do every six months. For now, I can confirm we are on track with our plans, as shown by financial and non-financial metrics.

The Investment Bank has generated on average half of the Group's adjusted profit over the last two years, and it is one of the drivers of the modest income growth we have in the Transform plan over the coming years.

In this afternoon's session, Eric and Tom, the new co-CEOs of the Investment Bank, will take you through their plans in more detail for how they will achieve the clear income, RWA and comp / income goals they have for 2015.

They are already well on track in executing the strategy, taking decisive action in Q1, as you know, with the re-sizing of parts of the Equities and Investment Banking franchise in Europe and Asia.

These steps have not impacted the performance of the business, and in fact our strong Q1 performance has demonstrated the monetisation of the Equities and IBD build out, and the continued strength of the FICC franchise.

As we all know however, there are several headwinds facing the industry. Eric and Tom will discuss with you today how they will address these, and why they and I are confident, that the Investment Bank will continue to be one of a small group of successful, full-service global investment banks.

With this, I am delighted to introduce Tom King and Eric Bommensath. I appointed Tom and Eric as Co-CEOs because they had the leadership and expertise to take the Investment Bank on the next stage of its journey under Transform. I am delighted with the start they have made and am pleased that you have this opportunity to hear from them directly so soon after their appointment.

Tom and Eric – over to you.

Tom King, Co-Chief Executive of Barclays Corporate and Investment Banking – Speaking Notes

Slide 2: Agenda

Good afternoon. On behalf of Eric and I, welcome and thanks for joining us today. We're really pleased to begin our dialogue with you and we will be as direct and transparent, and as realistic as we can.

We want to cover three things today; then will do a Q&A.

First, we want to review our franchise, and give you an overview of where we are and why we think we're well positioned in this challenging market. I will cover this quickly.

Second, we want to dig in and give you more detail on the Banking and Markets franchise. I'll talk about Banking, the private side, covering ECM, DCM, Advisory and Eric will talk about Markets, the public side.

And finally, we want to go through our plans around cost and capital.

Before I start, I'd also like to say that Eric and I fully appreciate the challenges that the industry faces right now – we have to deal with them every day as we run Banking and Markets. But this is an incredibly entrepreneurial organisation, and one that's got fantastic talent.

We've built the FICC business virtually from scratch over a decade and a half to be one of the premier players of the industry. And over the last four years, we've added an Equities and Banking franchise that has made us a leading player.

We know how to execute and have confidence that we're not only going to be a survivor in this industry, but that we're also going to be one of the winners.

Slide 3: Financial commitments

As you know, Antony made some clear commitments to the market on February 12. Everything you'll hear today is absolutely consistent with the goals Antony outlined around making Barclays the 'Go-To' bank. We as a management team collectively own all those commitments. These commitments are listed here on the left.

We also have clear commitments for the Investment Bank for 2015.

You may recall that back in February, we highlighted a pre-restatement RoE target of 14-15% for the Investment Bank in 2015. Since then, we re-allocated our Head Office costs (including Minority Interest) and the Bank Levy which has reduced the reported RoE by 310 bps. This gives us the fully loaded RoE target of 11-12% in 2015, inclusive of the 300bps drag from legacy assets.

This is a realistic view of where we expect to be at this stage, but it is also important to stress that it is not our final stage of Transform.

We see this business as having a sustainable RoE in the mid-teens over time, a ‘comp: income’ ratio at mid 30s, RWAs within the range of £210-230bn and single digit income growth.

Our strategy is geared to deliver the Investment Bank commitments and help achieve the Group targets.

Slide 4: Our current market position

Let’s start by talking about our current market position.

It’s important to state that we are a global business, with two strong home markets - the US and UK - which are the two largest fee pools available to the investment banking industry.

We also have an industry-leading FICC franchise, which is top-tier across all regions and across all flow products.

We have successfully added to that both a Banking franchise and an Equities franchise, which of course got a big boost from the Lehman acquisition four and a half years ago. But, as I will explain in more detail shortly, we’ve also built a lot of that organically and we’ve done that very efficiently.

Our client-focused business model and conservative risk approach help generate stable earnings across the cycle.

We are focused on profitability and returns.

Throughout the presentation you will hear about league tables and market share. We do that to give you context of where our business stands across the industry, but that is an output of our strategy, not the strategy itself.

We have a great track record of managing costs. For the first time, we put out firm cost commitments with deadlines.

And finally, we have a proven track record of reducing RWAs

Slide 5: Barclays is a global investment bank with leading franchises in the US and UK

In terms of our position, I want to reiterate that both Markets and Banking are global franchises. We seek to compete for: global advisory, financing, and trading flows. We have an established presence in over 30 countries, including major trading hubs.

Having said that, as you can see on the graph on the right, almost 60% of the fee pool that's available across all products is in the Americas and the UK. And, as I said, we're really well positioned in those markets thanks to our unique dual-home market profile.

Our UK clients view us as a British firm, and our US based clients view us as an American firm. No other bank can make that claim.

Slide 6: FICC represents over half of the global industry revenue pools

As you can see from the chart on the left side, global fee pools across the industry have been volatile.

Fee pools of £227b to about £174bn

If you cut it by product – not by geography as we did in the last slide - approximately 55% of the revenue pool is in the FICC space.

Slide 7: Barclays is a leader in FICC flow products

We are recognized as an industry leader in our core FICC franchise. This is a business that Eric and many others built over a long period of time, and when I joined Barclays I was very impressed by it.

If you look at the table on the left, we are top 3 across key flow products: flow credit, flow rates and G10 FX. This is an area where only a few other banks that really have the client franchise and scale to compete in this space.

And we believe we are well positioned to benefit as other players shrink or exit.

In a scale flow business, success begets success.

We have followed a more selective approach to the other non-flow products. As I said before, we are running our businesses for returns and profitability rather than for league tables. These other products are either more capital intensive (e.g. Structured Credit) or relate to markets that are fragmented (e.g. Emerging Markets) or are cyclical in nature (e.g. Commodities)

Slide 8: Our efficient build-out in Banking has resulted in share growth

As far as our Banking franchise is concerned, Barclays made the very bold step four years ago of seeking to build a full service, global investment bank, almost from scratch, and we have made significant progress since then.

Banking is a less capital intensive business than FICC. Banking RWAs are a tenth of total Investment Bank RWAs. So the build out of this business has been a key strategic focus for the firm over the past few years. I came to Barclays just after the Lehman acquisition to help drive that build-out.

It's perhaps somewhat counterintuitive, but the subdued market conditions that we've had over the last four years have actually created an excellent environment for building a Banking business. Banking is about getting good talent in place, and it's about building solid client relationships. The instability faced by the industry and our competitors has made access to both talent and clients readily available.

We've increased our fee market share from 3.2% in 2009 to 4.6% in 2012 and 5.2% in Q1 2013. As you can see this from the middle graph, we achieved this growth in market share by increasing our headcount in a very controlled fashion.

Our footprint is still sized well below the competitors, which means that that we are taking market share with fewer people. We got more efficient as you can see from the productivity chart on the right side. But it also means we can't be everything to everyone. Focus is key.

Slide 9: In particular, the build-out has focused on high-margin businesses

We've grown share in the new products, M&A, ECM and Broking, very significantly. On a volume share basis, in Advisory we've gone from 13% share in 2009 to 21% share today. Our volume in ECM has increased from 1.5% to over 5%.

In the UK, where the best measure of ECM success is probably the Corporate Broking business, we're leading the pack by a considerable distance by adding 35 new broker mandates since we started in 2010. I think that's a number that's surprised everybody in the business.

So while this slide highlights the new products, it is important to say that we haven't lost focus on our Debt Capital Markets and High-Yield business, which have always been a traditional strength of Barclays.

This is key because there's a long-term disintermediation trend, companies are replacing bank financing with capital markets financing and we are well positioned to benefit.

We were the #2 underwriter of overall Fixed Income in 2012 and Q1'13[1]. We are also one of the few players in DCM across all major currencies.

Slide 10: We have strong momentum in Equities sales and trading

[1] Source: **Dealogic**

It's really a similar story in Equity sales and trading, where we've also made good progress – globally and in all three regions, in what you all know has been a very challenging environment.

You have seen from our Q1 numbers that our revenues were up c.20%, compared with an average fall for our peers of around 4%.

Our more mature Americas franchise ranks in the top five, and we have successfully exported that content-driven model to EMEA and APAC, where we are now in the top ten.

We have a very strong research team supporting our content-driven business model. Our Americas research team has been ranked top 2 the past 11 years by II.

Another way to assess the strength of our Equities sales and trading franchise is to look at our broker vote standing. As you will know, broker votes are a qualitative assessment by clients of: content, product, and service relative to our competitors on a quarterly or semi-annual basis. They act as a leading indicator for how clients will pay us in the future.

We are now close to being a Top 5 broker in the US and made significant headway in the other regions. So good progress and opportunity to grow from here.

Slide 11: Our business model has delivered stable earnings despite market volatility

Having spoken about each of our major businesses, I want to highlight an important aspect of our model that cuts across all businesses. And that is, that our model is geared towards delivering stable earnings.

What you see on the left is a graph that shows revenues in 2012 divided by VaR, or said differently how much risk you take to generate a unit of revenue. Note that we have outperformed all our peers in all asset classes.

If you look on the right, the graph shows the standard deviation of our PBT compared to our peers' over the last eight quarters. Again, we have been very good at keeping earnings stable and predictable through the cycle.

This probably means that we make less in an up market but are more stable in a down market. This is an important outcome, because instability can have an impact on a Banks' cost of equity.

Slide 12: We have actively managed our cost base

We said at the Investor Seminar on February 12 that we saw cost as a strategic battleground for the industry, and we have a track record of disciplined cost management. Since 2010, we have achieved £1.5bn gross cost savings through:

- right-shoring programme moved over 2,000 roles within our infrastructure functions from higher cost to lower cost locations (India and Lithuania)
- integration of HR and Finance across Corporate and Investment Bank and now moving to integrate these functions across the Group
- technology and process optimization
- and reduction in performance costs

The focus on cost has enabled us to deliver a top quartile cost: net income ratio. That said, we are far from being complacent on costs.

Slide 13: Successfully reduced RWAs while absorbing the impact of Basel 2.5

The final component of the returns equation is Capital. As you can see from this slide, we have reduced our risk weighted assets by £91bn since Dec 2008 and successfully absorbed the impact of Basel 2.5. This RWA reduction includes lots of different things, some around the legacy book; for example:

- Unbundling of structured products and selling the underlying securities at more attractive valuations
- Reducing our leveraged loans portfolio via re-financing into the capital markets and M&A transactions
- Optimisation of derivative exposures through netting and the signing of CSA agreements
- RWA reduction was also driven by reduced VaR, carrying less inventory

Eric will talk more about the RWA progression from here in his section.

Again, as with cost, we are not complacent and we recognize there is more to do.

Slide 14: Agenda

I will now provide you an overview of our plans in Banking.

Slide 15: Our Banking strategy is based on our fundamental strengths

From a banking perspective, the difficult macro environment means that we need to optimize our cost to deliver, particularly in those markets where we don't have the home market advantage we enjoy in the US and UK.

Basel 3 also means that what's profitable and what's not profitable is changing, and that means we have to be really focused on how we deploy our people and capital.

And on the flipside, we are seeing competitors retrench and, perhaps for the first time, we're seeing capacity come out of the market.

Against that backdrop; the main components of our strategy are:

- We have and will continue to invest in US and UK franchises to build 'Go-To' relationships with corporates, financial institutions and governments
- We have already right-sized APAC and Europe ex. UK to reflect the size of the revenue opportunity, but importantly we've kept top-quality teams on the ground to serve both the local corporates and our global client base
- In Banking, we have chosen to organise ourselves in a different way from most of our competitors (in addition to M&A, ECM and DCM, we have a private side Risk Solutions Group, or RSG as we call it). RSG is designed to offer hedging strategies and advice to help Corporates manage their non-industrial risks.

We consider these to be part of the strategic dialogue.

Finally, we are strengthening our integration with other parts of Barclays Group, including Corporate Banking, Africa, and Wealth to deliver the whole organization to the clients.

Slide 16: Banking overview

This slide is intended to level set where we are in Banking and how we think about the business. To do that, we need to review the historical evolution of our business.

In the US, with the Lehman acquisition, we got a very high-quality, intellectual-property driven banking franchise that had great existing relationships. We have done an exceptional job in keeping that franchise intact and in fact growing it.

Approximately 80% of our Americas Managing Directors today are former Lehman employees. To that, we have added best-in-class bankers from other firms. We've also added a stronger balance sheet than Lehman had.

Importantly we continued to invest though the worst part of the cycle, in 09/10, when other firms were very internally focused. So perhaps it's not surprising that we have a very strong position in the US market right now. Last year our cash revenues grew 26% compared to single-digit growth for the industry.

On many fronts, the US franchise has achieved better results than Lehman as a standalone:

- #1in US IPOs in Q1 2013[2], which Lehman never achieved
- Top 5 in Equity and #4 in M&A announced in Q1 2013[2]

In EMEA and APAC, Barclays didn't buy the Lehman assets, and instead we've built an M&A, ECM and Broking business organically:

- This too has been a first class execution
- The quick build of quality teams that were available in 09/10
- We are already Top 3 in fee share position in UK[2] and last year were #1 in UK M&A[3] – and I doubt many market observers believed that Barclays would make that kind of progress so quickly

So, Banking is a £2.1b business in terms of the traditional banking products, as you can see from the pie chart on the left:

- Our advisory business is 26%, in line with the street
- Our ECM business is 15%, compared to the street at ~20% so there is room to grow
- And DCM contributes 59%

As I mentioned before, in addition to the traditional Banking products, we have RSG sitting in Banking. We devote a significant portion of our coverage effort to help clients address their non-industrial risk. This is a CEO and CFO strategic conversation about hedging FX and interest rate movements, real estate values, inflation etc. And our team generated ~£1.5bn in revenues in 2012, reported largely in FICC, corresponding to 42% of total banking revenues as we see it internally

As the final point, our total banking revenues are balanced between EMEA and Americas, highlighting our dual-home market advantage.

Overall, banking is a scale business, it has been built out, and is well diversified.

Slide 17: Our focus is on strengthening senior client relationships in our two home markets

Going forward, core to our strategy is continuing to build on the strength of our franchises in the U.S. and U.K.

Remember earlier I noted that over half the global industry revenue pool resided in these two markets. In Banking, that split is even more pronounced with 62% of that 2012 Banking pool sitting in the Americas and the UK, with evidence suggesting this is set to become even more concentrated at least in the near term.

---

[2] Source: **Dealogic**
[3] Source: **Thomson Reuters**

Those are our home markets, and in the past few years we have made significant progress in them. Our share in the US has gone from 4.9% to 6.4%. Our share in the UK has gone from 6.7% to 8.9% and we are ranked Top 3 in fee share.

That success has been predicated on a highly focused approach, assigning our best people to our most significant clients.

And we've still got room to grow as we continue to penetrate the boardroom and continue to move our discussions with clients to an ever more strategic level.

Slide 18: And on serving the largest clients with an efficient global footprint

To serve our global clients, we have to be relevant in all major regions with best-in-class bankers. A good example of this is a large FTSE 100 corporate we cover intensely, for whom our first assignment was to sell an Australian asset to a Chinese buyer. This shows that to win in those core markets, you have to be global.

However, given the reduced revenue pools and limited growth expectations, we recognized the need to right size in EMEA (ex UK) and APAC for the opportunity.

Hence, the graph in the middle graph shows how we have cut costs and headcount to match the fee opportunity while increasing productivity (revenue per head).

We now believe we are fit for purpose in these regions, with a clear strategy of serving the largest local companies, while providing global access to our US and UK clients.

Slide 19: Risk management solutions on the private side enable broader strategic dialogue with clients

The third element of our strategy is leveraging the unique positioning of RSG. As I mentioned before, our business model here is somewhat unique, in that RSG sits in Banking, on the private side. We treat hedging as part of the strategic dialogue, not just as flow trading.

By treating this as a part of strategic dialogue with CEOs and CFOs, we are able to generate significantly higher revenues by focusing on high margin / strategic hedging trades (as well as flow).

- Let me give you few examples of strategic things we do in RSG:
- Hedging coordinator roles on the back of bond issuances
- M&A deal contingent hedges
- Inflation hedges around full company securitizations
- Hedging real estate exposures in Emerging Markets

Slide 20: We are bringing clients expertise from across Barclays to generate revenues efficiently

The final element of our strategy is strengthening the integration across the Group, but particularly between Corporate Banking and the Investment Bank.

Even though this is a multi-hundred million GBP businesses, in the past, we haven't optimised the opportunity to cross-sell corporate banking treasury products to investment bank clients.

As you can see from the chart on the left, over 2/3 of these clients generate less than £200k annually each. We see potential significant potential in these products. These are existing clients and existing products. This is an exercise to put them together.

We've now put some of our best people to make these links much stronger and address the opportunity.

Africa is a unique asset in our portfolio, and there is a real opportunity here too:

- Our global corporates are interested in Africa.
- We can add value to our strategic dialogue by introducing more than 20K relationships in Africa.
- We currently only serve a fraction of our global corporates in this space, so there is a substantial market opportunity there too.

Slide 21: Case study: 'Go-To Investment Bank'

It is clear that the winners in the new environment, will be those banks who are best able to deliver quality advice, quality products and joined up solutions to their clients.

You have heard Antony and I talk about our desire to become the 'Go-To' Bank for our clients.

I want to finish with an example that demonstrates what that means in practice – It also serves to demonstrate the four core elements of our strategy I've just been through. This is a large FTSE 100 company with operations in 25 countries. We provide them with an array of Banking products and services:

- Integrated coverage teams in the US and UK
- We have provided loans, DCM, M&A and ECM.
- RSG has worked closely with senior management at the client to provide tailored strategic solutions to mitigate risks including FX, commodity prices, interest rates. Finally, Corporate bank provided them with transaction management services.

This is just one example of a client for whom we are already the 'Go-To' Bank.

Slide 22: Agenda

Before I hand over to Eric, I hope you take away the following key messages:

- Banking is a high-margin business
- The build-out is complete
- We are taking market share and deepening our relationships with clients
- We are focused on costs, profitability and returns

Now going to hand over to Eric who will take you through a similar analysis for the Markets business

Eric Bommensath, Co-Chief Executive of Barclays Corporate and Investment Banking – Speech Transcript

Good afternoon, and thank you Tom.

So now that we have spoken about the fundamental strength of our business, and our plans in Banking, I want to talk about our specific plans in Markets, and our commitments for the Investment Bank as a whole.

Slide 23: Markets is a client focused business diversified by products and regions

We created the integrated Markets business at the end of last year, based on three clear objectives:

- to serve our clients more effectively by being better joined up;
- to increase our agility in evolving the business; and
- to increase efficiency

The integrated franchise we have today is well diversified by both product and geography.

Half of our clients are active in more than three products, and half are active in more than one region.

The model delivers strong client relationships through a single distribution team, and our client focus means that we have 850 clients with more than £1m in revenue, accounting for around 75% of the total.

We have a fairly even split across the three main product types, and a balance across the globe, with a clear centre of gravity in our UK and US home markets.

Slide 24: Our strategy is aligned to the changing business environment

I want to share with you today our perspective on some of the changes we are seeing in Markets, and talk in more detail about the progress we are making in six key areas.

The changes in the business environment Tom described earlier are even more pronounced on the Markets side:

- a subdued macro economy increases the focus on cost and efficiency;
- new rules are driving the trend towards electronic flow business and central clearing;
- the competitor landscape is changing, creating opportunities for stronger organisations;
- and stakeholder expectations are changing.

We believe that the markets business today stands in a position of strength, and that the actions we are taking will continue the momentum we have across the franchise.

Slide 25: We are actively evolving our business mix

There is a move in the industry away from complex structured products, towards simpler, higher-volume flow business, with less inventory, and reduced risk.

We are already a leading flow house, and have for many years been delivering simpler flow products, at scale, with market-leading technology.

Scale does not mean we warehouse risk for long periods, for example we turn our credit book on average weekly.

It also means that we are reducing manual processes; for example 90% of our government bonds business is now conducted electronically.

And we are decreasing our risk, with DVaR falling 50% from 2009 to 2012.

This move towards flow products will continue, and accelerate as regulatory change takes effect.

Our strength today, and track record over time, give us confidence that we are well placed to lead the market, not just in FICC, but also in Equities.

Slide 26: We will continue to innovate and invest in technology

We have a strong track record in technology, and we believe it is a key differentiator, because it allows us to improve the client experience, while operating at scale, and being more efficient.

When done well, it is something clients are willing to pay for, and so it is a key driver of returns.

Over the last ten years we have defined the market standard in electronic trading, with the BARX platform; we are acknowledged as the prime broker with the best technology for the last five years in a row, and the scale and power of our research and analytics engines is second-to-none.

Technology allows us to deliver better for clients, and it also gives us a more efficient platform, which drives higher returns.

Building on that strong history, we continue to take the lead, and we have recently added a great new feature in FX trading called BARX Gator.

I would like to talk about Gator in more detail now, because it really shows how we are using technology as a differentiator.

Slide 27: Case study: BARX GATOR

The context here is that the FX market has multiple execution venues, each with different levels of liquidity.

Before Gator, that meant once you got beyond a certain size of trade, there was no way to do it through a single platform,

and clients previously had to look across many trading venues to get pricing, each with their own execution approach and counterparty agreements.

Completing the trade meant a different ticket for each venue, and no ability to use efficient algorithms to execute the entire trade.

All that made it inefficient, time-consuming, and costly for the client.

BARX Gator dramatically improves that experience, by aggregating the liquidity from multiple venues in one place, with a clear graphical representation of price and volume, and just one-click execution, with efficient algorithms.

For clients, it is a single front end, with no licence fee or separate brokerage bills to settle, no new technology to install, and no new counterparties to set up credit relationships with.

It is an all-inclusive service, where the cost is simply added to the price of each order, giving efficient and transparent execution of something that just was not possible before, while at the same time reducing complexity.

That is just one recent example of our commitment to leading the market, and it is something that the industry will have to catch up with, because it is technology like this that drives returns in a more commoditised market.

Slide 28: We have right-sized our businesses…

As I said, one of the three goals we set for ourselves when we created the integrated Markets business was to increase efficiency.

We are achieving that partly through the investment in technology that I have just talked about, which means less human capital.

And we are also looking at the opportunities and performance in every part of our business, taking action to reshape businesses where the opportunity has changed, or that simply are not performing.

Earlier this year, as part of the Transform Programme, we exited businesses or segments that were not aligned with our core strategy and values, adjusted our footprint, and improved the alignment between sales and trading teams.

The changes resulted in a 9% headcount reduction across Markets and Research, with no negative income impact.

Slide 29: …for example in Commodities, where we changed our business model…

Let me talk briefly about how we brought that together in our Commodities business, before we look at Equities in more detail…

A changing environment and changing client needs led to a Commodities business that was not delivering the returns it had in the past.

So we re-shaped the business, focused on returns over the long-term.

We have exited non-core businesses in areas including carbon trading and ship chartering.

We have left the open-outcry floor on the London Metal Exchange.

We have leveraged our expertise in technology by adding precious metals trading to the BARX electronic platform, and we are currently doing the same for base metals.

We are no longer trading food staples for speculative purposes.

And, including recent headcount reductions, the cost base is now 21% lower than in 2010.

The changes mean that our commodities business now has a more stable, client focused revenue stream; is more compatible with new capital rules; and is now carrying less risk, with DVAR reduced by over 60% since 2010.

That evaluation of our business is not a one-off exercise, it is a continuous process of fine-tuning our model and our operations, to ensure that we remain as efficient as possible.

Slide 30: …and in Equities, where we are increasing productivity

Our Equities franchise is a good example of that.

We see Equities as a key driver of growth for the Investment Bank, and we are monetising the investment of the last four years, with a clear global strategy, to deliver market share growth, in a way that is capital efficient.

Our historically-strong US Equities franchise continues to perform, and we have the scale, momentum and quality in the business to continue taking share.

Our UK franchise is well on the way to being equally strong, with clear momentum across all parts of the business and we are confident that there is still a lot of opportunity to grow further.

Outside of our two home markets, we have re-sized our Equities franchise in EMEA and Asia Pacific, better to match the opportunity.

That meant streamlining our onshore presence and rationalising our coverage in Europe and Asia Pacific, so that we can continue to provide cross-border access for global clients, and serve targeted local clients in the region, in a way that is profitable over the long term.

And we are already seeing the validation of our actions, through increased productivity, as you can see in our strong Q1 performance.

Slide 31: We will continue to deliver client solutions for the changing market structure

The derivatives market is going through a fundamental change, and new regulation in this area has three clear objectives:

- better data for regulators to monitor risk;
- greater systemic stability through clearing for OTC derivatives; and
- sufficient collateral in the system to absorb risk.

We are fully supportive of clearing, and it has many advantages both for our clients and for our business, including lower risk and therefore lower capital.

If you look at the chart on the left of this slide, you can see that the market is really taking off.

We cleared the first OTC derivative client trades in December 2009, and since then have continued to lead the industry.

But this is not just about volumes, it is also about a better client experience; and clients recently voted us number one at this, for the third year in a row.

In working through the move to centralised clearing with our clients, we have deepened our relationships, and demonstrated the value of our expertise, which again translates into something clients are willing to pay for.

As we saw in the swaps market when it went electronic ten years ago, firms that embrace change,

and lead from the front, have a great opportunity to become the 'Go To' organisation.

And as one of our clients recently said about us: "There is nowhere better to go if you want to learn about the growing world of OTC Clearing"

Slide 32: We are managing our business to be capital efficient…

When we think about capital, we think about how we manage our current business, and also how we manage legacy assets, so let's look at both.

For new business, we have management information and tools that allow us to be efficient and conscious of capital usage, at the granular level of individual trades.

For instance, we have been pricing trades on the basis of Basel III for the last few years.

We also have the ability to understand and allocate capital by clients, by books and by sectors.

That means all new business can have the right return profile.

In our historical inventory, and in the legacy book, our tools let us assess and track capital usage, and its underlying drivers, and we are also working with clients to unwind or restructure trades with high RWA requirements.

Managing down our legacy assets allows us to free-up capital and increase our returns; it is something we are really focusing on, so I want to talk about our track record, and then go into more detail on the numbers we talked about in February, and our plans from now to December 2015.

Slide 33: …and will continue to reduce legacy assets

As you know, this is a complex area, and we are still transitioning to Basel III, but we want to be very transparent about it, so I am going to take it in stages.

Starting on the left of this slide, you can see that our Credit Market exposures in December 2008 were £41.7bn on a balance sheet basis. That includes exposures with material mark-downs, or of particular interest to the market at the time, like Alt-A or monoline exposures.

Since then, we have managed down the exposures by 78%, to £9.3bn in balance sheet terms in December 2012, with a significant majority of disposals at or above marks.

And now moving to the central pane of this slide, if we look at that on a Basel 2.5 Risk Weighted Asset basis, it is £9.5bn.

To be clear, we are talking about the same exposures, just expressed on an RWA basis, rather than a balance sheet basis.

That was our starting point for the analysis we carried out through Transform.

In February we added two things to the £9.5bn RWA portfolio.

First, a further £14.5bn of legacy assets, related to businesses that are no longer core, including negative basis trades, a structured credit correlation book, and corporate and monoline derivatives.

And second, £11bn of long-dated derivative positions written pre-Basel III, mainly relating to Fixed Income Rates.

That took our portfolio from £9.5bn to £35bn at Dec 12 on a Basel 2.5 basis

Moving now to the third section of this slide, you can see that on a Basel 3 basis it is £79bn RWA, and we are still in transition.

We have already had good success so far this year in managing down that £79bn portfolio, taking advantage of market conditions to sell a further £7bn of assets by the end of May, and making an additional £4bn of derivative efficiencies, reducing the portfolio to £68bn.

We will continue to sell legacy assets, and make efficiencies in our derivative portfolio, so that we can hit our fully loaded Basel 3 target for the legacy portfolio of £36bn RWAs by December 2015.

Managing down our legacy portfolio is critical to the future return profile, and we will give you a further update on progress towards our target at the half year.

Slide 34: We have a range of options to comply with emerging structural reform

I could not finish a discussion of Markets without talking about regulatory change, despite the fact that much of it is not yet finalised, and will not be implemented until 2015 onwards.

We may not know all of the details, but we are not waiting for the final draft before we engage.

We have done detailed analysis on the different scenarios, to understand what they could mean for our business, and what actions are available to us.

I want to highlight just one of the proposed changes, Section 165 of the Dodd-Frank Act, to give you a sense of how we approach it.

First, what are the facts. The US Federal Reserve has said that it will require foreign banks, with large US operations, to have their US business in an intermediate holding company.

That will be subject to stress testing requirements, and incremental capital and liquidity standards, but for us it is mainly a question of leverage.

A key fact is that any regulation in this area will NOT come into effect before July 2015, and even then it may happen in stages after that date, and the proposals are still subject to much debate.

Another important point is that the assets of our US broker-dealer are very vanilla, with around 90% of the $309bn balance sheet composed of a repo book and government bonds.

We believe any change to regulation would be best implemented with some adjustments to the calculation, to reflect the quality of the balance sheet, and bring the approach more into line with global standards; and we have made that point in our response to the consultation.

Second, once we have analysed the facts, we look at our options.

They include better allocation of our balance sheet by client, which is something we are already doing; moving elements of the balance sheet between entities; or issuing non-dilutive preferred capital.

Until the regulation is final, we cannot be more specific, but there are clear options available, even at this early stage, and we will continue to monitor things closely.

That fact-based approach is how we treat all regulation.

We cannot know everything, but we do not believe at this stage that any of the regulatory changes currently mandated will affect our 2015 targets.

Slide 35: Agenda

That disciplined evolution of our business, on strong foundations, allows us to make clear commitments about how we will become the 'Go To' bank.

Slide 36: Becoming the 'Go-To' Investment Bank

When we think about measuring our performance, we use a scorecard that balances the priorities of all our stakeholders, and our 'Five Cs' recognise that long-term value is not just about hitting short-term financial metrics.

So before I talk about our Company priorities, that is, our commitments to our shareholders, I want to talk about how we see the other elements of our scorecard.

First, becoming a 'Go To' partner for our Clients is about building strong and deep relationships, which translate into higher and more stable returns over the long term.

We already know that the deeper the connection we have with our clients, the better we are able to meet their needs.

There is a clear revenue impact to deeper relationships as well: clients active in more than seven products generated over 65% of revenue in 2012.

In supporting our Colleagues to achieve their ambitions, we are creating an environment where great people can do their best work, and be fairly rewarded for excellence.

We recognise that our impact as a corporate Citizen extends beyond just our organisation, and we must not operate in isolation from society at large; we want to be recognised for the value of our contribution to economic growth; the way we do business; and the support we give to the communities in which we work.

Finally, on Conduct, we know too well what getting this wrong can cost a business, and the damage it can do to a franchise.

Strong controls and risk management are a competitive advantage, and they make sure that we are protecting the franchise for the long-term.

This is an area where we aspire to lead the industry and we are making good progress on our journey.

We have enhanced supervision processes, and we assess all of our people on risk and controls criteria.

We are also getting good feedback from our clients about the focus we are putting on values; and it is clear that they want to work with a values-driven organisation.

Our commitments as a Company sit equally alongside the other four Cs, and I would like to give you some more detail on the disciplined approach behind our plans.

Slide 37: We are reducing our cost base…

In February, we talked about our belief that costs will be the strategic battleground for the industry over the next ten years.

That approach is reflected in our plans to deliver structural cost reductions in the Investment Bank; so let's start with the numbers, and then I will give you a little bit more colour.

The Investment Bank non-performance cost base was £5.9bn in 2012, and that includes the settlement in relation to LIBOR of £193m, and the Bank Levy of £206m.

From that baseline, our plans will deliver a gross cost reduction of £0.9 - £1.2bn.

This is offset by around £400m of expected increases in non-performance costs, including a higher Bank Levy, that effectively moves charges from the tax line, into the operating cost line.

The bank levy increases from 8.8 basis points in 2012, to 14.2 basis points in 2014/5.

That increases operating costs, and removes any RoE benefit from lower tax rates in the UK.

Costs of regulation are also increasing, and some aspects of the cost base, including property costs, remain geared to inflation.

And so we are targeting an annual non-performance cost base for 2015 of £5.1 - £5.4bn.

The cost to achieve that reduction is about £600m in the Investment Bank, and we will report our progress over the period both including and excluding that amount, so that you can see clearly both the underlying cost reduction, and the investment required to achieve it.

Slide 38: …by making structural changes to the way we run our business…

As Tom said earlier, we have a proven track record of cost discipline.

Our plans to keep up that momentum fall under five broad headings.

First, we will complete the implementation of the structural changes we outlined in February, focusing on the "Exit" and "Transition" quadrants of the Transform programme, which have already seen us exit our Private Equity Business, and which will continue to make material reductions in our costs.

Second, we are making the front office more productive.

As I have said, the creation of the integrated Markets business has allowed us to remove duplication and flatten the structure, which has increased efficiency, and resulted in a clear productivity increase per head.

The changes we have made across the Investment Bank in the first quarter, to right size for the opportunity, have resulted in a saving of around £300m; and around half of that is performance costs.

Third, the Investment Bank will benefit from the functionalisation underway across Barclays, which is bringing together back office functions to create considerable economies of scale, as well as removing over 200 legacy platforms, and consolidating vendors across the bank.

Slide 39: …and by enhancing efficiency

Fourth, we are making our business more efficient not just within the front office and the back office, but also in the processes that tie them together, through automation and simplification.

And finally, we have a major right-shoring programme, which is bringing us more in line with our peers, who have a greater outsourced and offshore presence.

We had already moved over 2,000 roles from high cost to lower cost locations by the end of 2012, with an additional target of a further 4,000 roles by the end of 2015, which we expect to result in savings of around £250m for the Investment Bank.

Fewer people in high cost locations will also allow us to rationalise excess office capacity, bringing further savings.

We expect to focus hard on costs as co-CEOs, and our cost efficiency is guided by ratios that we have reported to the market for many years, including 'cost: net income', and 'compensation: income'.

We have in the past looked to manage 'cost: net income' within a 60-65% range.

You will have seen that the impact of absorbing the bank levy and other head office costs affected this, and meant that we were above that range in 2011 and 2012.

Excluding the 'cost to achieve', we expect our plans to bring the 'cost: net income' ratio back into the range over the plan period, and potentially below it in 2015.

Our 'compensation: income' ratio has varied with income performance, but has been historically around 40%.

Again, the head office allocations adversely affected this ratio, but we plan to bring it to the mid-30s by 2015.

Slide 40: We will continue to reduce RWAs

I talked earlier about our legacy assets, and the good progress we had made in reducing that portfolio.

Once the effect of Basel III is applied not just to our legacy positions, but to our active trading book as well, we had pro-forma Basel III RWAs in January 2013 of £257bn.

We are still in transition to Basel III, but we have clear plans to reduce that total, starting with the £43bn legacy reduction we have already mentioned.

We also believe that we can make further efficiencies in our operating book, including increased use of central clearing, and improved documentation to make better use of netting.

The quality of our tools and management information allows us to focus on capital-efficient trades, to keep improving our capital position, as well as delivering returns.

These actions, and our track record, give us confidence that in 2015 we can deliver RWAs of £210bn - £230bn.

And also that we have capacity to manage the remaining uncertainty in the way CRD IV will be applied, and the sensitivity of the Basel 3 RWAs to movements in markets, particularly credit spreads.

Slide 41: We are targeting an RoE of>14% by 2015 excluding legacy assets

Now I want to show you how that looks from the perspective of the four Transform Quadrants that we talked about in February, but rolled forwards to 2015.

In Quadrant Four you can see the £36bn of legacy assets, and we will continue to manage that down over time as market conditions allow.

We expect to have completed the transition of all activities from Quadrant Three.

A good example is our SCM business: we have closed the business unit; we have realigned tax planning with the relevant client activity, and we are following our new tax principles.

On Quadrant One and Two, which is the core businesses of the Investment Bank, we expect to have £170bn - £190bn of RWAs; around 80% of the total RWA in 2015.

We will focus our investment on these quadrants; to maintain our position in FICC, and continue to grow in Equities and Banking, in line with the plans Tom and I have explained.

We expect these businesses to generate a fully loaded return on equity of over 14%, demonstrating the fundamental strength at the core of our franchise.

Slide 42: 2015 financial targets

And so I want to set out our 2015 financial targets.

The reallocation of head office costs, and the bank levy, impact Investment Bank returns by 310 basis points in 2012, and we have the drag from our legacy assets.

All in, we expect to deliver a restated return on equity between 11-12% in 2015, on the way to a steady-state RoE in the mid-teens post-2015, as we continue to reduce legacy assets, and get the full advantage of the investments we are making through Transform.

We remain committed to rewarding our people fairly and competitively for excellence, and that sits alongside our commitment to rebalance returns for shareholders and rewards for employees, with a 'Compensation: income' ratio in the mid-30s.

We are also confident that we can deliver fully loaded Basel III RWAs of £210-230bn, with the actions we have explained.

We believe that the fundamental strength of our platform, and the momentum we have, will see us deliver single digit revenue growth.

Our targets are realistic, and they are fully loaded; accounting for all of our costs, and without assuming an uplift in revenues from improved market conditions, despite our belief that our franchise is very well positioned to benefit should conditions improve.

Slide 43: Barclays Investment Bank

In conclusion, I want to leave you with five key points:

- We are a large scale player in FICC, and have clear plans to continue our track record of growth in Equities and Banking;
- We have a unique dual home market presence in the UK and the US, with a strong capability to serve clients in EMEA and Asia Pacific;
- We have clear plans to reduce costs;
- We have a proven track record of adapting to regulatory change;
- and finally we have a strong core business, with more stable earnings than our peers.

As Antony said at the start, the Investment Bank remains a critical part of Barclays' future.

The plans we have outlined today define a clear path forward to 2015, and a strong trajectory from 2015 onwards.

Thank you very much, Tom and I would be pleased to take your questions.

End

factors being beyond the Group's control. As a result, the Group's actual future results may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements.

Any forward-looking statements made herein speak only as of the date they are made. 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 US Securities and Exchange Commission.