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Barclays PLC**Barclays Group Strategy Update****Analyst Transcript Q&A****JP Crutchley, UBS**

Morning. It's JP, from UBS. Could I ask a question first about capital and returns? You've been very clear with dividend policy, 40-50% pay-out ratio. Clearly we could get some volatility around earnings, around the CTA, and of course now, depending on how we run down non-core. I just wonder how we should think about the earnings base, in terms of what you're going to pay the dividend out of, and secondly, with about 16 billion [equity] tied up in the non-core, how should we think about that in terms of capital being reinvested in the business, and potential one-off distributions to shareholders, as that business runs down over time and liberates capital? Thank you.

Antony Jenkins, Group Chief Executive

Of course, one of the key elements of this plan is that we will be freeing up significant amounts of capital, and we have choices around that. We can reinvest that back into the growth areas of the business, or at some point we could return it back to shareholders, but that [decision] will be made as we go.

To your first point, about the dividend policy, that dividend policy is on adjusted earnings, so it's the dividend that is available to pay from adjusted earnings.

JP Crutchley

So that's the group adjusted, rather than thinking about the core?

Antony Jenkins

Correct. That's the group adjusted earnings.

We'll go from side to side, so maybe we'll take the gentleman over there?

Chirantan Barua, Bernstein

Hi, this is Chira from Bernstein. I have a couple of questions. First, I want to understand why you're growing an 8-9% RoE business, which is Africa. That's pretty substandard returns. Why would you want to grow it? Second, 7,000 cuts in Investment Bank, a bit more colour on business and geography would be great. Third, I want to understand the basis risk in the non-core trading book that you're taking out. What kind of book is it? What kinds of risks are inherent in that book? How is it split in terms of liquidity? Thank you.

Antony Jenkins

I'll ask Tushar to take the second and third questions that you have. Let me just say on Africa, we believe that the 8-9% base is a very good place to start from, and we are very well positioned in Africa, but I'd just like Maria to make some comments about why we believe Africa is an attractive business for us and why we think those returns can improve.

Maria Ramos, Chief Executive, Africa Banking

Thank you very much, Antony, and good morning, everyone.

As Antony has already indicated, the Africa business that we have got now, after having putting together the ABSA business together with the Barclays Africa businesses on the continent, gives us a unique platform in Africa to build on the returns that you see on the slides. Why do I say that? Well, I say it because we have a business that spreads across 12 countries, we have a business that has over 12 million customers. Interestingly and importantly, some 5 million of those customers already bank with us using mobile banking channels, and also using online channels. That business has got some £ 36 billion worth of customer assets. We had a cost to equity ratio last year of 36.3% and so we've got the foundations and the fundamentals in this business for strong growth into the future.

We've also committed to a very ambitious strategy for Africa. Antony's already highlighted the elements of those commitments, and they are that we would be top three by revenue in our five top countries, which are South Africa, Kenya, Ghana, Botswana and Zambia. We also have a commitment that we will increase the revenue component of the businesses outside of South Africa to between 20 and 25% [of the total] over the next three years, and we will bring the cost to income ratio down to the low 50s. That's a strategy that is already in motion, and it's a strategy that is gaining momentum. It's focused on four key areas. It's focused on our retail and business banking in South Africa, which is a substantial business, and also on the retail business outside of South Africa, across the other countries, and we've got a profitable Retail business across the African continent. It's focused on taking advantage of the opportunities, which are significant for us, in corporate banking, and also we've got a significant wealth investment

management and insurance business in Africa, primarily, at the moment, in South Africa, Mozambique, Botswana and Zambia, and we're about to expand that business into Kenya, and finally, it's also focused on a significant amount on the investment into technology and innovation.

So all in all, this is a strategy that is already in motion. It is gaining momentum, and the returns are very ambitious, both locally for the Barclays Africa Group, but also in our commitments that we have made to Antony and the group strategy.

Tushar.

Tushar Morzaria, Group Finance Director

Thanks, Maria. I think the other two questions were some more colour around headcount reductions and risks within non-core.

On the headcount, as Antony mentioned, 7,000 gross reductions in the Investment Bank, over this year, next year and 2016, as we get to the right endpoint. Think of that as roughly linear across those three years, so about a third, a third and a third.

In terms of the split, it's a mixture, obviously, as you'd expect, between front office staff as well as infrastructure. The front office staff is probably more front-loaded. The infrastructure stuff will happen, as we talked about booking transactions on to simpler platforms. You'll see that happen as those processing systems are reconfigured.

In terms of risks within non-core, I'm not going to give you very specific information around the basis risks that we may or may not have, but I would say this is something that we've been doing for a while. You've seen our exit quadrant assets. You've seen us reduce that by close to 40% in effectively three quarters, and you've seen, we've actually given in our results announcement the revenue implications of each of those, by line items. You can see that they've all been exited pretty much at our marks, so I think we have a very good track record in this. We have a deep knowledge of how these markets work, excellent risk management experience. You've seen that, actually, through the crisis; I think one of the hallmarks of Barclays through the crisis was the market risk management through that, so we have a very high degree of confidence that we'll be able to... We know how to do this, and we'll be able to do it with preserving our tangible values, best as we can. We feel very confident about that.

Antony Jenkins

Could we take the gentleman over there?

Chintan Joshi, Nomura

Hi, good morning. Chintan Joshi, from Nomura. Probably one for Tushar, and then one for you, Antony. Tushar, in Q1 figures FICC 40% down year on year, you mentioned pre-positioning leading to some of that weakness. Could you give us more colour now that the plan is in front of us? And Antony, we've had a few high profile departures, from the Investment Bank. What were the key objections, and what made it fit to have those goodbyes in your strategic plan?

Antony Jenkins

Let me answer that question, and then I'll pass to Tushar to answer the question on FICC revenues.

I think what we're seeing is a transition in the Investment Bank, and we're seeing some of the senior leadership decide that it's the right time for them to move on. This is something of a generational change.

We feel very strongly, and I know Tom feels this also, that the bench that we have in the Investment Bank, the bench that we protected deliberately through the compensation actions we took last year, knowing that we were going to go through a transition; that bench is secure, it's deep, it's talented, and we're seeing, actually, good levels of attrition, in the sense of low levels of attrition, in the people that are going to be running the bank, going forward, the next generation of MDs that are dealing with clients day in and day out. So, we're very comfortable with the talent pool. We made exactly the right decision to protect it last year, with the compensation decisions we took.

Tushar, do you want to talk about the FICC?

Tushar Morzaria

Yes, hi, Chintan. The FICC performance, year on year, was down about 40%, as you'll recall from Tuesday, and I mentioned there are a number of factors there. There was the repositioning that I'll come back to. Currency rates were against us; we're a sterling reporter, and sterling's strengthened across all currencies, so, I'll give you a bit more colour on what that meant for us.

We also had a slightly higher starting point. We did a relatively better performance this time last year, and of course, going into the quarter, we were more biased towards macro, which we found the least well performing asset class.

So, put some numbers around that. For repositioning, now that you've see [the Strategy presentation], I can be a little bit more transparent with you on all the things that we've been repositioning around. That was about ten percentage points.

Foreign exchange rates, you can probably do the maths yourself, if you just translate everything back to sterling, where it was this time last year, month by month, you get to about another five percentage points.

How much of it is because we had a fairly high starting point? I'll let you guys work that out. It's a few percentage points, and certainly going in with a bias towards macro, at least for us, was probably worth a few percentage points as well. And then my sense is the market was down around 20% anyway, so that's the, sort of, bridge, but the repositioning, think about that as about ten points in that quarter.

Antony Jenkins

Yes?

Manus Costello, Autonomous

Hello. It's Manus Costello, from Autonomous. I have two questions, please, one financial and one strategic. The financial question is on slide 27. If I add up the allocated equity in the different businesses it doesn't come to what you've said is the core. Is that just because you're acknowledging that there is a deficit at the moment, within the core bank?

Antony Jenkins

And the strategic question?

Manus Costello

While you think about that, the strategic question, for you, Antony, you lay out a fairly compelling case for why these four business units can deliver good returns, but I wonder what the synergies are between the four business units. There have been a number of suggestions about what the cohesion of the group should be, going forwards; is it something you've considered? And if the group continues to trade at such a distressed valuation, and you're delivering on the plan, would you consider that strategic shape in the future?

Antony Jenkins

Yes, when we did the strategic review we considered all options but the status quo, and the board were very intimately involved in all of these decisions.

We believe that the four franchises together are powerful franchises within the core, and we believe that there are points of synergy across them, so, for example, the expertise we have in the credit card business in Barclaycard helps our credit card business in South Africa. There are linkages between, of

course, corporate customers who want to do corporate banking with us, and the Investment Bank, and so on. So there are synergies, but I want to be clear about one point. The ownership of any business within Barclays has to deliver value for shareholders, and if at some point we conclude that another choice, another decision about a business unit would deliver better value for shareholders, that would clearly be on the table. At this point, however, we believe that this is a compelling, to use your word, story for the group, going forward.

Tushar Morzaria

Yes, it's just [Head Office and] rounding, so when the full restatement comes out, you'll see it properly cast, but we've taken approximate numbers, so there's no "capital deficit", as such.

Just to clarify one other point on the previous question, around headcount profile: I said front office was front-loaded, which is correct. I hope you didn't take it that the majority of the 7,000 was front office. I just wanted to make sure I wasn't leading you down the garden path there.

Antony Jenkins

Yes, Jason.

Jason Napier, Deutsche Bank

Good morning. Jason Napier from Deutsche. Just one question, please. The capital guidance of CRD4 [CET1 ratio] above 11% in 2016 is only a small increase on the previous 2015 objective of over ten and a half. If we look at the RWAs that you're looking to shift, that should add 1.6% to your starting point, gets you over the number pro forma today. Is there anything that you can add on colour, in terms of objectives to grow RWAs in the core bank, or exit costs in non-core, or indeed operating losses on non-core, when your revenues fall, presumably dramatically, away, as those businesses are put out to pasture?

Antony Jenkins

I think the key thing there, Jason, is greater than. So we would expect to be above the 11% over time. You've seen on the slide where we show some growth in risk weighted assets within the core, because we do expect to continue to grow those businesses, the businesses that remain inside the core, so that will consume some of the capital, and then of course, we do live in an unpredictable world, and so there is the capacity to absorb things that may not have crystallised at this point.

Jason Napier

Would we be right in thinking those are typically, sort of, legacy issues, rather than a budgeted trading loss or an exit cost on asset run off?

Antony Jenkins

Absolutely. Yes.

Jason Napier

Is there a bucket for exit losses?

Antony Jenkins

No. You would be right in thinking it would be to do with legacy.

I think on exit, our view is really, as Tushar said, we don't expect there to be significant costs in exiting the legacy assets within the non-core, within the IB.

Now, with regard to businesses that are trading, we face a decision there as to where, when, and at what price we want to exit, and we will do what's in the best interests of our shareholders at that point.

Jason Napier

Thank you.

Antony Jenkins

Yes. We'll take the gentleman in the...

Tom Rayner, Exane BNP Paribas

Yes. Thanks very much. Good morning. It's Tom Rayner, from Exane BNP Paribas. Can I have a couple of questions, please? Firstly, Tushar, could you give us a bit more colour on how you're allocating funding costs, including subordinated debt costs, across the core and the non-core divisions, please? And I have a second question. I don't know if you want me to ask it now?

Antony Jenkins

Yes please.

Tom Rayner

Okay, just looking at 2016, obviously the focus is on the core RoE, but the drags from the non-core divisions, please? Just looking at 2016, obviously focused on the core ROE, but the drag from the non-core of 3% is still reasonably material. Can you give us any feeling how long it's going to take for that drag of 3% to drop away to zero and can you really take 50 billion of RWAs down to zero without any impact on TNAV? A bit more colour on that would be great. Thanks.

Antony Jenkins

So let me make a high-level comment on that and I'll ask Tushar to cover the points in more detail, but, you know, essentially what we said is less than 3%, of which 50 basis points is to do with the European retail businesses. So, you know, our expectation is clearly is to do better than the 3% and then to run the assets off over time. But, Tushar, would you like to comment?

Tushar Morzaria

Yes, sure, so I'll do them in reverse order. So on just running the assets down, I really go back to the comments I made a bit earlier. You know, we've got experience in how to do that, and I just urge you to look at the track record we have on the exit quadrant. So we have a high degree of confidence that we will get to at least 50 billion [RWAs], hopefully below that, in 2016. Remember, a lot of these transactions will just naturally roll off, so we don't have to be aggressive sellers of these assets. There is a very decent roll-off profile that works in our favour. Of course, if we see opportunities for compression trades at the right values we'll do that as we go along. So, you know, we think we'll have a very natural glide path down there, and you can see I think we're targeting 80 billion in 2014 as an interim milestone there.

Your first question around funding costs and how we are allocating that, again, I'm not going to go into real specifics on this, but as part of our funds transfer pricing mechanism within the corporation we ensure that the assets by division attract the appropriate funding costs from the various sources of funding that we have. So we try and match-fund as best as we can, and you can see that we're reasonably match-funded across the whole group with our loan-to-deposit ratio pretty matched and wholesale funding our investment bank operations. So we'll continue that match-funding profile as we allocate funding costs, both into the core and the non-core.

Tom Rayner

Okay, thank you. And just on the other point, I was really focused on the 50 billion going to zero, beyond 2016.

Tushar Morzaria

Further beyond that, okay.

Tom Rayner

Yes. And how? Because the [ROE] drag is there because the equity's still tied up, and I'm just wondering [it can't] go to zero until those assets have gone, and what's the implications of getting rid of them?

Tushar Morzaria

Yes, so think about the drag as coming from two components. So capital being consumed by those assets that probably won't be earning much, we'll be managing the books to a neutral position, so don't expect to be throwing off much income. And obviously as we complete our cost programme as well, so as we unwind parts of our infrastructure as those trades come off, those costs will come off with it as well.

In terms of how do we get that 50 billion down to zero, I mean, I think what'll be left in there, you've got the European retail assets in there, but we haven't assumed that we've sold by then. If we have sold them by then you're, kind of, closer to 30 billion, which [will be] less than 10% of the group's risk-weighted assets at that point. And they will predominantly be longer-dated derivatives that will have a very natural half-life, probably roll off, my guess is somewhere over three, four, five years further and will just, sort of, glide down over the... over a very steady pattern.

Now, if there's stuff we can unwind, if there are, sort of, at-the-money positions with clients I think you have a much better chance of agreeing an unwind price. If they're, sort of, in the money to us and out of the money to the client it's a harder thing to negotiate, so we'll probably just continue running them down. So it's a little bit of, you know, what facts and circumstances are there at the time, but it'll be a very natural, orderly rundown profile that will come reasonably quickly after 2016.

Tom Rayner

Okay, thank you.

Antony Jenkins

And I think it's just worth reemphasising that TNAV protection is very high on our priorities for the non-core, so we really are focused on doing that.

I'm going to take a question I think from the gentlemen over here.

Raul Sinha, JP Morgan

Morning. It's Raul Sinha from JP Morgan Cazenove. If I can have two, please, Antony. The first one, just on ring-fencing, obviously you touched upon that in the presentation, but we didn't get a lot of detail in terms of your evolving thoughts on this with the new group structure. If I can ask a very simple question; how much do you expect your group ROE to be impacted by ring-fencing under the new group structure? Because obviously you've reduced your balance sheet which is likely to be outside the ring-fence by a large amount.

And then the second question is a bit more broader in terms of the variability of costs within the group and your forecastability of revenue. One of the challenges the market's had over the last couple of years is that the investment banking revenue environment is very difficult to call, and that's the challenge of managing a fixed cost base against that environment. So you haven't commented on cost/income ratios, as far as I can see. If I can have your thoughts on what you think is the right cost/income ratio for the group as well in the long term that will be useful. Thanks.

Antony Jenkins

Yes, so on the first point on ring-fencing, of course the regulation around ring-fencing is still unknown although we do have the primary legislation to look at. We've clustered our corporate, retail and wealth businesses together because we think there's commercial synergy to do that, but we also think that it is a good precursor to the ring-fence world. We don't necessarily believe that there will be a material detriment to our return on equity as a result of ring-fencing. But it's possible that there could be because we haven't seen the regulations. And in part that's because as we look at our long-term debt that we've raised, you know, beyond 2018 when the ring-fence is implemented, you know, we're not really seeing a pricing differential creeping into that which might affect the funding structures.

So that is what I can say on ring-fencing, but I do feel that we've made some what I would regard as smart first moves by this organisational combination.

On the question of cost profile, we deliberately have not given a cost/income ratio. We're focused really, really laser-like on returns. Returns are what really matter. The cost step-down we've committed to is an improved cost step-down. We do think that the revenue environment is going to continue to be weak in the investment banking world for some time to come, but we expect to get more than our fair share of the income that's available in the businesses where we choose to compete. So we're very confident on the cost step-down and we're very confident on the ROE and we have not predicated it on, you know, heroic revenue assumptions. And that's actually true across all the businesses, not just the IB.

Raul Sinha

Thanks very much.

Antony Jenkins

The gentleman right there, and then I promise I'll get to this side.

Michael Helsby, Bank of America – Merrill Lynch

Yes. Thank you. It's Michael Helsby from Bank of America - Merrill Lynch. I've got loads of questions, but I'll just ask two.

Antony Jenkins

We're quite happy to follow up, Michael.

Michael Helsby

Yes. No, I appreciate that.

Antony Jenkins

Charlie's at your service.

Michael Helsby

Yes, I think Tom's asked a good question, but understanding what's left of the rump at the end is really, really important for I think everyone in the room. So I think part of that is how have you allocated the 2.5 billion of costs, or what gives you the confidence that that cost base runs down with assets? I think that's a key question.

And actually just in the investment bank, given that there is a lot of revenue pressure, if you could tell us how much of that 1.7 billion cost cut actually sits within the investment bank. I think you've already told us 500 to 800 million, so what's that number gone to? Thank you.

Antony Jenkins

Tushar, you want to deal with those?

Tushar Morzaria

Yes. So the two points, what's left in the rump, as I say, it will be mostly our longer-dated derivatives portfolio, as well as potentially some securities that we haven't unwound that we feel comfortable carrying longer and don't consume a lot of capital. But I think the preponderance will be the longer-dated derivatives book, and that really goes hand in hand with how the cost profile should come down as well. So obviously when you're not running a client-facing, day-to-day trading operation but just managing the book down you need a totally different cost infrastructure to a full-on trading floor, where, you know, you've resets and lots of tickets being written every day.

The other thing of course is that we will, in the core, be focusing, particularly on macro businesses, on a much smaller number possibly even one technology stack, so everything will have to be booked on that technology stack. And we really like our FX infrastructure and we think it's one of the best in class, and there's no reason why that FX infrastructure can't be leveraged to other macro products. So that's how the cost takeout can be, we can have a high degree of confidence in it.

The other thing I'd assure you is that anything that moves into non-core as a cost matter are truly marginal costs to that activity, so once that activity stops the costs will go with it. We're not expecting, all of a sudden these costs to jump back over the fence.

Michael Helsby

Can I just come back on that?

Tushar Morzaria

Yes.

Michael Helsby

I think you mentioned a bit of the business is the emerging markets business that's just going to go. How much of that cost base sits within the emerging market piece?

Tushar Morzaria

Yes. I haven't brought splits with me, so we can maybe talk about that at a later stage. But emerging markets is a good example. There's no reason to the extent we want to offer anything in emerging markets. We're obviously regressing from that, but again we should be booking all of that stuff, to the extent we were, onto our G4 macro platform.

What was your second question?

Michael Helsby

It was the cost cuts that reside within the investment bank of the core.

Tushar Morzaria

Oh yes. So yes, we haven't within that 14.5 given specific divisional splits. I'd just say that we've got very conservative assumptions around revenues, really no heroic assumptions around there. You know, 2014 will be a transition year for us. You've seen that we had, and certainly in FICC, a relatively weak Q1, and we've seen that into April. Too early to say what the rest of the quarter is. So we're taking very conservative revenue assumptions.

But the cost trajectory we have in that 14.5 as it relates to the investment bank, we feel pretty good that that will generate a 12% ROE or sustain a 12% ROE through the cycle. And really we're managing on a returns basis. Obviously as you shrink the size of the investment bank... and it's a slightly different looking investment bank. It's not as if it's infrastructure heavy. You do have more variability in that cost base, so we can be a bit more responsive than perhaps we've been able to be in the past.

Michael Helsby

Thank you.

Antony Jenkins

The gentleman there, please.

Shaojun Cai, Vanguard

Yes. Hi. Good morning. This is Shaojun Cai, Vanguard. I just get two questions. So the first one is on the IB risk-weighted assets, so on slide three I think you show the FICC is accounting for 71% of the IB risk-weighted asset at the moment. I just wonder what the number will be in 2016. And if you can give more number breakdown between the macro/equity/credit it would be helpful.

And again, the second question is on the core bank risk-weighted assets. So I think on slide 16 you show there will be a 30 billion of increase in the risk-weighted asset within core bank, so I just wonder where... which area you see this 30 billion growth in the risk-weighted asset.

Antony Jenkins

I think the short answer to both of those questions is we haven't given guidance below the level of core and non-core and I don't think we will be giving further guidance other than the commitments that we've

made, would be the short answer to that. But you can probably have a follow-up question with the investor relations folks if you want to try and get a bit more detail on that one.

Yes, the gentleman here. It's coming to you.

Chris Wheeler, Mediobanca

Yes. Good afternoon or good morning still. Yes, Chris Wheeler from Mediobanca. Three quick questions, if I may. A lot of what we've seen today we've obviously seen talked about in the press and by our analysts, but the thing that surprised me is putting together the corporate bank with the retail bank because that flies in the face of what all of your competitors have done. It also dilutes the very strong returns you get in the UK retail bank, and also it means you're going to have in that unit a very big ring-fenced business and a big non-ring-fence business with all the complications I know that go with that. So first of all, I'd just like to get a bit more rationale as to why you're doing that, and maybe it's good to have low returns once we get out of all of this, I don't know, from the competition perspective.

The second point is I think I understood that you had 7,000 front office or client-facing people within the investment bank. That's the number I picked up, which is about 3.5 support people to every one front client-facing people. Where do you think that might go to once you've got to 2016 and you've made all the changes?

And finally, perhaps one for Tom, you made a very coherent argument for shrinking the investment bank, as many of your competitors have. The issue is 28% of the staff moving out. And I'm just wondering, from Tom's perspective, what are you going to sell to the people you want to get in? That's very important I think in terms of building in the businesses where you really do want to commit probably more capital than you have in the past. Thank you.

Antony Jenkins

So thank you for those questions. Let me just say that we put together the retail corporate - and it's [predominantly] the UK corporate piece - the UK corporate returns are higher and improving, as you know - and wealth businesses, for a very deliberate strategic set of benefits. I'm going to ask Ashok to talk about those. Then I'll get Tom to answer your question on the IB.

I think in terms of the relationship between front and back office headcount reductions within the IB, I think we have got them broken out in some detail, as you would expect, but we aren't disclosing that level of information. But if you go back to the slide where I talked to the [central] group level, when we said about 50% would be front-office distribution, 40% would be ops and tech and 10% would be functions.

So, Ashok, why don't you talk first about the new cluster, and then, Tom, about the IB?

Ashok Vaswani, Chief Executive, Personal and Corporate Banking

Thanks, Antony. It's a really good question. And if we start thinking about this and looking more to the future rather than the past and think about all the changes that are happening, I think, you know, you'll start to see why this combination makes tremendous amounts of sense. I'd point to two or three things to help you think through this one.

The first thing I'd point to you is a, kind of, continuum, so whether you're an individual customer who's going through, you know, start-up stages in life, then becoming a regular customer, a premier customer, a wealth customer, how does that flow and how can we deliver a seamless experience for the customer as they go through that? Think about entrepreneurs, for example, and how entrepreneurs move from being small customers building their own business, getting the small businesses and, kind of, growing. The same continuum argument applies to a small business. A small business that grows and quickly becomes bigger than a 5-million turnover, 10-million turnover, 15-million turnover, which is really about providing further products that the customer needs, and we can just add on clients, but have a very seamless relationship with the customer or the client. So that I think is the first argument.

The second one really is if you really think about it we're just providing eight or nine basic products, and if we can get those eight or nine basic products running on single, standard, industrial-strength engines, not only will we provide a great client experience but we'll be able to really strip out costs big time.

And thirdly is if you think about the construct and you say that I can bring this altogether with a unified management team then obviously the level of costs which you can take out and the synergies that you can gain are quite significant.

So whether it is the client continuum, whether it is a product delivery process or the ability to get a unified team against this opportunity, I think there's a lot of rationale which we can really go after.

Tom King, Chief Executive, Investment Bank

Good morning, everybody. If I could just start by adding to the question Ashok just answered, maybe it seems counterintuitive as the corporate bank relates to the investment bank, but remember, all of the large corporates already reside in the investment bank, where we provide their loans and the interfaces, where we need to sell investment bank product into the corporate bank client set or vice versa, are already very well developed and in place and those things will not change.

But I appreciated your question on the investment bank because I do think that what the proposition is to the marketplace and to our employees I want to be articulate on. And I think it does require a little bit of

context. We do have a top-tier investment banking platform and I think it is true that the challenges that face the market we feel more acutely because of our legacy in FICC and our weighting in the macro products. But we've done, I would say, more than almost anybody to diversify our revenue base. We've built an equities business, we've built a banking business, we've developed electronic trading platforms. And we're here today because those things are not enough in terms of the changing environment.

So what we're really doing in the investment bank is we're making a step change, and I think it'll be very well received inside the investment bank. We're going to change the way we run the business, the way we organise the business and the way we capitalise the business and really put ourselves in a position to do what we need to do, which is serve our clients and earn a return for our shareholders.

So if you think about the essence of the strategy that Antony laid out and I think Tushar elaborated on, we're really shifting the investment bank from a business that was run for revenue to a business that's being run for return, with the key components being that we're going to overweight or reweight the business towards the origination verticals. The places where you have primary issuance and secondary trading that work together, we're very good at those things. We're going to simplify and focus the macro platform. We're going to run the balance sheet as a central utility, which is absolutely necessary if you're going to run the business for returns. Whether it's a relationship loan or it's a derivative transaction or something you're delivering through prime, you've got to have return criteria. We're going to simplify the technology platform, which Tushar talked about. And finally, we're going to continue to run the thing for costs so we can continue to both fund investment but deliver a return.

So if you're on the outside looking in, and as either a client or an employee, 120 billion RWAs is plenty of capital, and you can just benchmark it against our peers. We're going to be much more focused. And we've really put ourselves in position to earn a return by moving the non-productive and non-strategic assets to the non-core. So I think it's a really good story and I think people will really embrace it internally. Thanks.

Antony Jenkins

Okay, we'll work backwards, so she'll pass it back and then we'll come forward.

Chris Manners, Morgan Stanley

Good morning Antony, good morning, everyone. It's Chris Manners from Morgan Stanley. I had a couple of questions for you, one on capital and one on revenue growth assumptions. On the capital, how happy are you having Barclays with lower capital ratios on a spot basis versus the other European banks, versus other UK banks? I see you're targeting greater than 11. Some of the other banks are going for higher numbers. Do you think it's more the regulators we need to watch out for pushing the number higher or

do you think there could be market discipline trying to just push banks in the bottom quartile higher? And so are you happy with the capital where it is as it stands today? And maybe you could tie that into the dividend.

And the second question is just on core revenue growth assumptions. You're saying it's, sort of, conservative. I mean, will we be hoping for a higher core revenue number in 16 versus 13? And I guess maybe you could tell us what core revenues did in Q1 because I guess with the rand and FICC, maybe they were down. Thanks.

Antony Jenkins

So just to take the last question, I think we would expect core revenues to be higher in 16 than they are in 14 or 13. I don't want to comment specifically on Q1 because I think when we do the full restatement then you'll see it all then, and obviously doing a full restatement is complex. We've tried to provide some directional guidance on that slide.

But on capital levels, one of the things that I feel really proud about that Barclays has achieved in the last 18 months is it has significantly improved its capital levels. And the actions we're taking today are going to very significantly enhance progress against capital. You'll note that we quoted a number of greater than 11%. We don't see 11 as necessarily the resting place, and we think that puts us in a very good position as regulation settles and as all the processes that the regulators are imposing start to get traction. So we feel very comfortable actually on the capital direction.

Chris Manners

Thank you.

Antony Jenkins

The gentleman... could you pass the mic forward, the gentlemen here?

Martin Leitgeb, Goldman

Yes, hi. It's Martin Leitgeb from Goldman. I've just three questions, please. The first one is again on slide 17, coming back to core equity, 36 billion, going to 48 to 50. So just on the notional number that's roughly a 40% increase, but I'm just trying to understand what drives this. So how much of that is driven by core risk-weighted assets growth and how much of that is driven what you mentioned before, that you might want to be at a slightly Core Tier 1 ratio? So what is the gap, if you like, between growth, and what is the gap between gap in terms of capital ratios, 13 versus 16?

The second and third questions are with regard to leverage exposure. And out of today's announcement of putting 400 billion into non-core, how much of that leverage exposure was already included in the exit quadrant? So I understand we had roughly 50 billion of risk-weighted assets there, but I would just be interested to see, particularly the pre-CRD IV rates of 22 billion, what's the risk weighting there and how much is that adding, how much is incremental in today's announcement?

And lastly, in terms of leverage exposure, how much of the leverage exposure transferred to non-core are your US assets? Thank you.

Antony Jenkins

Tushar?

Tushar Morzaria

Okay, so the increase in equity allocation to the core businesses, how much is RWA, how much is just holding more for higher core equity Tier 1? Well, you could probably do the maths yourself in a way because we're at 9.3% at year end, targeting to be over 11%. So you can see proportionately how much equity would need to increase if you hold everything else reasonably constant. And then you've seen from an earlier slide that we would anticipate some growth in risk-weighted assets, principally coming from capital or risk-weighted asset capacity, I should say, that's released out of the non-core.

So you've probably got enough there to triangulate the numbers for yourself. If you're getting stuck just give us a call and we can help you. It'll be a good test.

The exit quadrant, we haven't published leverage exposures for that, so I'm not going to give you a precise number for that. But suffice to say that... think of it as probably just a bit more than doubling the leverage exposure from the original exit quadrant and now going into the non-core, all the new stuff being added on. Think of it as a little bit more than double of that.

What was your final question on leverage again? It was on...

Martin Leitgeb

Just how much of it is based in the US business.

Tushar Morzaria

Oh, the geographical split, yes. Again, we haven't disclosed that. I'm not going to give you a geographical disclosure here, but I think your point's probably gearing towards section 165 and whether

the deleveraging that we're doing there. I think Goldman's actually, it may have been you, that wrote a piece around a \$7 to 8 billion shortfall around section 165 for Barclays.

Martin Leitgeb

Yes, we estimated roughly 7 to 8 billion.

Tushar Morzaria

Yes. I'd say it's not a bad estimate. I mean, you took it off our published financials and it's a reasonable estimate. But the deleveraging that you'll see here will be more than adequate to cover that level of deleveraging in the US to make sure that we're more than compliant with section 165. The reason why we haven't unveiled a plan here and now is, as along with all other international banks, we do need to submit our plans to the Federal Reserve by year end or 1st Jan. And it's not appropriate to be sharing our plans with the market until we've shown them and shared them with the regulator. But really this level of deleveraging will take us more than through any section 165 requirements.

Antony Jenkins

If you could just pass the mic forward.

Andrew Coombs, Citigroup

Good morning. It's Andrew Coombs from Citigroup. I have three questions, all relating to slide 12, the rescaling of the investment bank. Essentially, I'd just like to back into some of the numbers and any assumptions that lie behind them. The first question is just on the RWAs, 222 billion reported at the end of 2013. Core is 120, non-core 90, so I just wanted to clarify the remaining 12 billion presumably relates to the African IB RWAs that will be restated. That's correct, is it, so that's a restatement rather than a rundown per se of those assets?

The second thing, on the income in the investment bank you said 1.5 billion of the 10.7 would be non-core, so you're on about 9 billion core, give or take. You're guiding to 8.7 by 2016, so I'm assuming there that the revenue attrition associated with the cost saves you're expecting to be broadly offset by cyclical revenue recovery.

And then the final question, on the equity number you've provided, the ROE target, I think you're talking about, well, about 5.5 billion. We can all make an assumption on minority tax rate. If we then take a pre-tax assumption and deduct the 2.5 you've got in the investment bank I think you're looking at something like 25 to 30% growth in core PBT ex-IB. So going back to your first question about you expect core revenues to be up, I'd say in those three divisions you don't expect them to be up, you expect them to be

up relatively stable. So perhaps you could just elaborate on the growth assumptions that you're modelling for those three divisions.

Antony Jenkins

Yes, so let me just talk about the core growth because we do expect some revenue growth in the core over this time period. We have not made, as I said before, heroic revenue assumptions because we don't think the world's like that anymore. If you look at the Barclaycard business, Africa and the combination of retail, corporate and wealth, there was revenue growth in the first quarter despite the fact that there was FX pressure. So we do think that those businesses can grow the top line, but remember, we're also continuing to reduce the cost base.

And as I've said, and I really mean this, because I keep saying it, that cost is the strategic battleground for our industry because we are in a world where top-line growth is going to be very hard to come by, no matter how good you are at what you do, and we're very good at what we do. So you have to do both. You have to be able to grow the top line where you can and then you have to be able to manage the cost base really tightly, and you can see we're starting to do that now. All the work we did last year is coming through in the Q1 cost number. And we continue to drive that number down as we get more efficient and effective. And then of course the third element for return is managing capital, so the optimisation of your expense base and capital base is really critical in this equation.

And so when you put all of those elements together we're confident in the core that we'll be able to deliver a greater than 12% ROE.

I think there was a question at the...

Andrew Coombs

Sorry, I just want to follow up on the investment... I saw Tushar shaking his head, so...

Antony Jenkins

Sorry.

Tushar Morzaria

Yes. I think you were getting towards us giving you some sort of guidance of a £9-billion top line in the investment bank. Yes, don't, we're not giving any guidance. All right, you okay? Yes, don't put that in your forward guidance.

Antony Jenkins

Yes, please. There's a question at the back and then I think there's one more here.

Fiona Swaffield, RBC

Hi. It's Fiona Swaffield from RBC. It's just a clarification on the dividend versus adjusted earnings because on the slides you're now looking at adjusted earnings ex-CTA I think in quite a lot of the slides, but I just wanted to make sure that it is as previously, that adjusted earnings is post taking the CTA cost or are we changing here? I'm a bit confused.

Tushar Morzaria

We still are showing CTA. I can't see where the question was. Oh, sorry, yes. Yes, CTA will still be above the line. The only reason we've taken it out for some of these comparisons is just that I've noticed when I read a lot of people's research they seem to take it out so they can see a, sort of, end stage, so it's just helping you to see that end stage. But as we report, it will still show it above the line.

Antony Jenkins

I think there was one last question here perhaps.

Sandy Chen, Cenkos

Hi. It's Sandy Chen from Cenkos. Just back to the investment bank, in the core IB it does seem really quite sensible to be moving to lower capital-intensive products and things that are exchange based and all that kind of stuff. But is that what everybody else is doing and would that have margin implications, over the next couple of years? It might actually help you with the cost-cutting side, I would imagine, on that side.

And the second question, just looking at slide 24, in the search of the rump that Mike and Tom were looking at as well, how much of that is connected with the pre-CRD IV rates portfolio, you know, the last generation and the RWAs in that, and how much of that would you expect would probably still be left in 2016 and still causing a drag? Thanks.

Antony Jenkins

So I'll ask Tom to comment on the point you've raised around competition and why we're very confident that we can compete and win in those less capital-intensive activities. Many of the themes I spoke about in my speech are on the dual UK-US presence. The positions we've built in various market segments, the

balance sheet that we have. And then Tushar will answer the more technical question that you had. So Tom first.

Tom King

Yes, good questions, and I think there's two pieces to it, one in the macro products, where things are really simplifying and standardising. Obviously that is the direction of travel for the industry. And margins will compress and your ability to drive those businesses from a profitability standpoint's going to be how good... how simplified is your technology, how good is your technology, how disciplined are you being about which clients, making sure they're on standard ops and tech and then making sure you're getting the right ROE. And, you know, if you think about it there are barriers to entry that's going to require scale and scope and good technology. So we feel good about our starting place there. We just need to get more focused.

In terms of the origination businesses, where there is still margin and very good ROEs to be had, I would say it this way. I think there are very few real client franchises out there. So if you think about what you really need, and Antony I think said this very articulately, to be successful in the origination franchises you've got to have some balance sheet, so you have to be in the relationship loan, you have to have differentiated products, good products with a track record, and that will eliminate some of the competition. But finally, you have to have one of those relationship franchises.

And I think particularly in the two big markets we're in, the US and the UK, there's only a handful of those world-class franchises and we've got one of them. So it's really focusing on, you know, our clients and where we're really good in delivering for them.

Tushar?

Tushar Morzaria

Yes. Thanks, Tom. On the how much of the CRD IV rates book will remain in 2016 you know, it's hard to be precise because there are so many factors, how much we'll be able to unwind. That depends on where market levels are. But I would have thought, of the stuff remaining, the longer-dated derivatives positions which are included in there will be a reasonable component of what's there. So it's reasonable to assume that of the 30 billion or so in the IB, a decent slug will come from there.

Sandy Chen

Yes, so that last drag will still pretty much be there, well, in proportion?

Tushar Morzaria

Well, that book can be risk managed to neutral. It's just really letting it decay away. So it won't have heavy income degradation. And of course, it doesn't need the heavy infrastructure that you would need if you're running a client-facing operation. And we'll look to tear up... I mean, just a good example of how good we've got it, tearing up trades and compacting trades, you've seen our leverage exposures come down. Well, in the first quarter alone I think we had 100,000 trades that we tore up with gross notionals of around 5 trillion.

So there's a real machinery around it now and we're getting really good at this stuff. So, you know, we'll do the best job we can, but we feel confident there's really not much book value risk for those remaining trades.

Sandy Chen

Okay, thanks.

Antony Jenkins

Thank you very much. We'll take this last question and then we'll close.

JP Crutchley

It's JP again from UBS. I wonder actually if I could ask Val a question on Barclaycard actually because given that you're expecting a relatively muted revenue outlook for the investment bank it's probably your last really global business. And obviously the group's operated on a degree of capital constraint over the last few years and that looks to be less going forward. I'm just wondering, are you in a position where Barclaycard could actually be liberated more in terms of actually being much more of a growth dynamic for the group internationally and globally? And if that is the case, is it a capital story, is it an acquisition story, is it purely an organic growth story? And maybe just hear a few words around that because it does seem to be quite an important part of the overall story.

Antony Jenkins

Yes, good. I'll ask Val to comment on that, but just one comment; I'll refer you back to my speech, where I said that Barclaycard was right at the top of the list as capital gets freed up. And we think it's probably the best place in the group that we could deploy capital and we intend to do that. But, Val, why don't you say what we might do with that capital?

Val Soranno Keating, Chief Executive, Barclaycard

First, thank you for the question. You know, Barclaycard is such a strong and resilient business overall, which has been able to just deliver very consistent growth at high returns throughout the cycle. We've

got a market-leading cost position and a market-leading position on the growth side. So for the past three years in a row we have outpaced the market growth in every market and business where we operate. In the US we had the fastest growth amongst the top ten banks and we also had the fastest growth amongst all of the top banks here in the UK.

Now, due to the diversified nature of our business model this positions us very well. So our growth has come pretty consistently and evenly from virtually every area of the business, so we're not reliant on any one market or any one area of the business to continue to grow. And we've grown our customer base by nearly 8 million customers over the past three years alone. Now, this represents about a 40% increase and again positions us very well as you look to the future and you look to the economy and recovering. So as Antony said, this just is a consistent, resilient and very reliable source of growth for the bank and we'd look to invest even further as capital comes available.

Antony Jenkins

Well, firstly, let me thank you all for coming today. Just a couple of closing comments from me; our goal remains to become the 'Go-To' bank for our customers and clients and to deliver the returns that our shareholders expect. The plan that we've laid out today is a clear plan to deliver that that reflects the new environment that we have to operate in, predicated on four strong businesses, with a credible plan to run down the non-core over time. This comes down to execution, it comes down to our ability to manage our cost base and manage our capital. We have a good track record on both. We are highly confident as a team that we will deliver the commitments that we've made and together the team and I will deliver the commitments. Thank you for your attention today.

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