

**Barclays Global Financial Services Conference
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**Tom King, CEO Investment Bank
Rob Rouse, Head of US Equity Research**

[This transcript has been edited by the company]

- Rob Rouse: Good afternoon. I'm Rob Rouse, Head of US Equity Research for Barclays, and I have the pleasure of facilitating this discussion with Tom King, CEO of the investment bank for Barclays.
- Before we start though, I would like to personally thank everyone for their participation in this conference. It's truly a flagship event for us -- over 1,600 attendees, and it's obviously a testament to all of the hard work of our research teams, the distribution partners, and conference planners for really making this a first-class experience.
- If I could also take a second just to offer some personal context and hopefully set the stage for some of Tom's remarks. Through my 19 years at this organization, an unwavering call to arms has been the phrase, "Leading with Content." So when we think about how we connect with both our issuing and our investing clients on a daily basis, world-class content is something that we've always prided ourselves in.
- And I can say on that topic enthusiastically as an employee, as a manager, and as a shareholder of this firm, the strategic review last May was clearly a landmark event, especially for the origination verticals. The commitment from management was quite clear, and internally the response from the organization was measured and appropriate.
- This credo of leading with content you clearly see on display at this event today, and importantly, when we think about the focus on execution, is now aligned, both top down and bottom up. For that, Tom and the Board, we thank you.
- So on that note, let me introduce our keynote speaker. His appointment as CEO of the investment bank is a culmination of more than 25 years of experience in investment banking, corporate finance, and M&A. He joined Barclays in 2009, following two decades at Salomon, and ultimately Citi, and has enjoyed success running operations across the US, Europe, and globally.
- Before we get to the interactive part of this discussion, I'm pleased to invite to the stage Tom King.
- Tom King: Thank you very much Rob, and welcome to everybody. I'd also like to add my thanks for all of your participation. Without all of you, this wouldn't have become the flagship event for our industry that it has.

So it's a great privilege for me to be here with you, and this is my second year in a row with this slot. As many of you will remember, when I talked last year, it was really just a couple of months after we announced our strategy refresh for the investment bank. It was a real pivot point for us, not just because we really reshaped, both in size and balance, our investment bank, but it was a move of the organization from really being a balance sheet, revenue-focused investment bank to a much more returns-based model. And I want to take you through how we think about that because it was a big change for us.

As we worked two years ago towards that new model, there were a lot of competing objectives that we had and so we held a few overarching principles when we put our new business model in place. The first was that it had to be a coherent proposition for our clients. It had to be capable of generating double-digit ROE through the cycle. It had to be capital efficient, which means we didn't want to put capital out to any place unless it really made a difference for our clients, or it was critical for our franchise. And of course we had to ground the whole thing in a plan that was oriented towards conduct and control.

All of those underlying principles hold true for us today. So as CEO of the business, I'm obviously incredibly proud of what we achieved in the last two years, and what I want to do in my remarks is just run through quickly what it is we've done, where we are, and what we are thinking about as we move the business forward.

The main thrust of what we've done was first, to re-weight towards, as Rob says, the origination verticals, and those are the businesses where we have primary and secondary that work together synergistically: banking, equities, and credit.

We wanted those businesses complemented by a strong but much smaller macro business. Which leads to the second pillar which is really the repositioning of the macro business. When we announced our strategy, I was very careful to really emphasize that we're a leader in the macro space, and we weren't giving that up. But the kinds of things that we as an industry, did in the macro space, we just didn't believe were sustainable in the new leveraged balance sheet, Basel 3, derivative accounting environment that we were moving into.

So we wanted a smaller, simpler, macro business, but we wanted it to be an important part of our portfolio, because it is a counter-cyclical business, and we're seeing that very importantly in these markets today where higher volatility constrains the origination businesses, but is actually very good for the macro businesses.

The third pillar was really how we ran our balance sheet, and we created a utility where all of our balance sheet sits in a single spot, and we run it as a single balance sheet. In the old investment bank, you used to be able to get balance sheet out of Barclays in lots of different ways -- get a relationship loan, a derivative trade, a piece of prime business, a repo -- and all of the different ways that balance sheet escaped would have different return parameters and different processes. We centralized it. It's a really, really important tool for us.

There was a cost program we announced, and we've been very ruthless and forensic on costs. That involved the front office, it involved consolidating infrastructure, it involved outsourcing where possible, and I'll talk about some of that.

Through all of this, it sounds like a big process of just downsizing, but it wasn't. We are a smaller bank, but we continue to invest in the business throughout, and over the period, while our

headcount is down overall, we have added 150 MDs and Ds, primarily in those origination businesses.

And then running through all of those elements, as a part of the announcement, we had set up a Barclays non-core unit, which we initially capitalized with about GBP100-plus billion of risk-weighted assets, and we've reduced that by about half.

As you all know, a restructuring of this scale is not easy, and it takes time, and to be honest 2014 was a pretty difficult transition year for us. But I think it was really important that we made the hard business choices. They were necessary, they were timely, and even though the ROEs were low for 2014, we hit our projections. We repositioned the franchise, and we didn't damage our client relationships which is very important.

Subsequently, in the first quarter of 2015 you started seeing some of the operating leverage that we were trying to capture come through. We had a ROE in the first quarter of over 9%. In the second quarter, we hit our projections, and you really started to see the pull-through on ROE. We had an ROE of 11.5% in the second quarter, over 10% for the first half. Those are ROEs that include the restructuring charges that we took. If you looked at the ROEs pre-restructuring charges you can add another 50 basis points.

If you actually looked at the returns on an economic basis, meaning just the costs and capital that we used in the first half to generate the revenues, strip out the one-timers and the timing issues, it's probably another 100 basis points of ROE on top of that.

So I think there's clear evidence that the choices we made were good choices, the strategy we are pursuing is working, but I will be the first to tell you we are not there yet, and we are absolutely not claiming victory early.

There's a lot of things, both short-term and long-term, that we Barclays, and the investing banking industry face -- from things like third quarter seasonality or the volatility we're seeing in the markets, which is good for some businesses, not good for other businesses, or the litigation overhang we have from conduct issues in the past, or RWA inflation and uncertainty from things like the fundamental review of the trading book, or RWA floors, or at the UK bank we have to deal with ring fencing, and setting up an IHC, and of course, the bank levy in the fourth quarter.

All of those things underscore the fact that we're not done yet, and for us to maintain a double-digit ROE every quarter will be challenging, and will require more refinements in the way we do business.

So what do we have to do? The first thing is we have to continue to drive the business hard, and that includes focusing on clients, and for us, that means not being everything to everybody, but picking our spots and being excellent where we choose to compete.

Second -- continue to manage costs ruthlessly. Third, continue to strengthen our culture and controls, so we don't have a repeat of the conduct-related costs and fines that we're seeing run through everybody's P&L and balance sheet. Finally, run the business with absolutely the tightest capital base possible. I want to talk about each one of those things in turn.

In terms of picking our spots, we remain committed to providing world-class products to our clients in banking, equities, credit, and macro. Our focus is on the US and the UK with a global

network that's right-sized and that will be measured on profitability and returns. But all the time we're monitoring our geographies, we're monitoring our products, and we're making adjustments.

I think it's important not to take a simplistic view -- and we don't -- that any geography or product is all or nothing. We really start with what does the client need, and how can we deliver it to them in a cost-efficient way. For example, there's lots of ways to be in-country. You can trade on-shore, off-shore, and you can have fly-in bankers, on-the-ground bankers, industry bankers, or coverage bankers.

It's really about finding the right combination of things to give clients what they want, and allow us to drive returns.

The same is really true on the product side, and we could talk about a lot of products, but take clearing, for example. We know it's part of the future of the banking industry, but until we know regulatorily what the capital requirements are going to be, how we deliver that product and in what magnitudes will remain an open question for us.

There's also a lot of other actions that we're taking in terms of picking our spots and finding ways to manage our capacity in terms of risk-weighted assets and leveraged balance sheet. We continue to invest in our core management tools, strategic financials and single data storage that is client-tracking. That allows us to optimize things like netting, where we can get a better outcome for our RWA and leveraged balance sheet.

Focusing on picking our spots is also about our clients. We prioritize our relationships across the bank. We look at what we're good at, where we are in a relationship, and we spent two years having really constructive dialogues with our clients about where the relationship is, how much resource we're putting into it, and what we need to earn a return.

So we're managing the business aggressively, dynamically trying to turn our strengths into returns.

On the cost front, we've worked very hard on costs. We've made great progress. We were down 7% on operating expenses last quarter. And that comes from lots of areas.

We've decreased headcount significantly, and we're seeing the flow-through in terms of performance costs this year from a smaller base. We've changed the mix of MDs and Ds -- fewer higher-paid people -- but in many ways, we've upgraded our work force, again referencing back to the 150 new MDs and directors.

Technology has also been another source where we're very focused. Half of our total headcount within the investment bank is ops and tech. We have many more ops and tech people than we have front-office people so simplifying and unifying our technology is incredibly important, and we've been investing there, and we're starting to see the benefits of that. We've for example moved our entire macro stack on to a single technology stack, front to back, where previously we had each asset class on separate technology.

We're actively pursuing outsourcing opportunities to reduce our technology estate. I hope some of you saw the deal we did with SunGard. We transferred both a good number of people and technology to create an industry-wide futures and OTC derivative middle and back-office clearing function, of which we're obviously a client.

We've been focused on things like real estate. We've consolidated buildings, particularly in expensive cities like this one. We've worked on our legal structure. We've dissolved 170-plus legal entities, and have another 50 to 100 in liquidation. That helps us reduce compliance and reporting requirements, and improves our corporate governance.

So cost is important to us, and while we've reduced costs overall, we've got cost items that go up and cost items that go down. We have been increasing our spending on things like regulation and compliance, and there's a lot of project cost in that. I'm not calling for an end of regulatory spending because I think it'll go on for a while, but eventually some of the project-oriented spend will end. Some of it will become BAU. But I think some of those cost-increase items really do mask an even stronger discipline and reduction in our core cost base.

Capital is really the third lever in terms of driving ROE. I think we've been very good on capital. We said we would run the business with GBP120 billion of risk-weighted assets. On an FX-adjusted basis, that would actually be a much bigger number.

We actually closed the last quarter at GBP115 billion of risk-weighted assets in the business. This tool of centralizing balance sheet usage has been critical, as well as this philosophy of picking our spots and really holding to a philosophy of if we're not earning a return on it, it's not furthering the franchise, it's not furthering a very specific and targeted client relationship, we want the capital back.

Overall, I would say we've traveled a tremendous distance over the last 18 months towards fulfilling some of the commitments we made to our constituents and our shareholders in May of last year.

I think from the results you can see, the strategy is working. We're not declaring victory. There's a long way to go, but there's a real buzz in our organization about what we've done, and how we've done it.

I think we have a very clear vision of what we need to do to complete the job. I think we've got the team in place to do it, and we're ready to tackle it head-on, and obviously for those of you who are shareholders, we really appreciate the support and the runway that you've given us to allow us to execute and hopefully continue to execute.

So thank you and with that I'm going to join Rob for some Q&A.

Rob Rouse: Great background, thank you very much. I do have a series of questions. Hopefully we can explore a little deeper some of what you touched on.

Let's start at the macro level, and I know some questions that a number of CEOs have been asked at this event, and that is your perspective of the recent volatility in global markets?

Tom King: I think that in many ways at a very high level, the things that have been driving volatility are not necessarily new to the market. But I do think people are now very focused on a world that definitely is going to have less growth. The emerging markets drove three-quarters of the growth in the global economy last year and half of that is driven by China.

I think that until people get comfortable with the magnitude of the slowdown and the transition that China is going through, and what it means for the rest of the world, the commodity complex for exchange rates, we will have some volatility in the marketplace.

I do think that obviously people are also very focused on what's going to happen this afternoon with the Fed, and I'm sure our BlackBerries will all go off with an alert if they announce something early, but I do think once we get past today, and people understand what kind of worldview the Fed is taking, I think that will help as well.

But I don't think there's a quick fix to the vol. I think the only way you get a quick fix is if one of the major central banks -- the ECB or the Fed -- underwrites stability. I don't think that's realistic. I think it will take time, and we'll have to wait and see as companies report results, and we see China either stabilizing or not. We'll work through it.

Rob Rouse: That's fair. Maybe the obvious next question then, whatever you can share, how do you think this sets us up for the back half, and specifically as driving the outlook for some of the key business lines?

Tom King: I talked about a business model that worked through the cycle, and this has been an interesting year for that because this isn't the first bout of volatility we've had in the year. If you remember in January we started out with wild fluctuations in the equity markets, and that happened to be a very good trading environment, probably with the exception of the day the Swiss broke the peg. That's too much volatility.

Then as that volatility died down, the origination businesses picked up, and we had many months this year that were very good, almost Goldilocks months, where you had enough volatility that it was interesting for the trading businesses and not so much volatility that it was bad for the origination businesses.

I think we're going to need to work through this blip in volatility but that will be good for some businesses, and we'll see.

The nice thing about the origination business is even when there's a delay in issuance, it typically doesn't go away. An IPO might turn into an M&A deal, or it might happen next year, or the next quarter.

I'm pretty optimistic about the medium-term outlook but I think it's very hard to call right now what the rest of the year looks like.

Rob Rouse: To think maybe strategically around a couple of the business lines, one of the areas obviously most impacted by the recalibration was fixed income. Are we seeing revenue attrition? Do you think we're losing share in FICC?

Tom King: I don't think we're necessarily losing share that we don't want to lose. In the macro businesses, there were trades that just didn't work anymore for us. I think over the fullness of time, and already I think most of our competitors have come around to that view, but also from a geographic perspective, we have to figure out where we could play, and where we could play most effectively, and we're very focused on certain asset classes, and certain geographies, and so I don't need to be the biggest. All I need to do is drive a double-digit ROE.

So I'm not watching the league tables. I should be careful because I have a lot of my bankers in here. But I don't necessarily want to send a team, for example in the M&A business, of 10 guys to work for two weeks to provide a fairness opinion on a giant deal we're going to make \$100,000 and get league table credit.

I'd rather have them out doing productive things. That's the right ROE decision. It might not be the right headline decision, but it's the right ROE decision.

Rob Rouse: Good point. Speaking of M&A, it feels like there's not a week that goes by without a high profile deal announced on the tape. When we think about the underlying drivers of the M&A cycle right now, how do you think that aligns with Barclays' M&A strategy?

Tom King: I think the underlying forces for M&A are really good right now.

In a world where companies have really cleaned up their balance sheets, and are really searching for growth, M&A is often a place they look to and I think the conditions for M&A are very good.

You see the equity markets trade up, both acquirers and targets. Cash is still very much available, and very attractive rates, so I think conditions for M&A are actually quite good and our participation in these markets has been wonderful.

In fact, just a plug for the M&A team, we were lead advisor to Altice on their acquisition of Cablevision this morning, just announced, very timely for me. We also provided the bridge financing and obviously will be involved in the takeout. So it's a really nice transaction all around.

Rob Rouse: Excellent. Just maybe finishing that line of thought -- the banking franchise and the origination verticals -- are you pleased with the performance to date of the ECM and DCM businesses?

Tom King: Yes I am actually, I think those businesses have done very well. I think in terms of our investment banking businesses, you have to remember that we have a mix of maturities in our portfolio. Our US business is very mature across ECM, DCM, and M&A. Our European and Asian businesses are more mature in DCM, but much less mature in ECM and in M&A.

I view that frankly as an upside opportunity. In European ECM, just to take that example, we've already spent the money and we've built the pipes. We've got full sales and trading capability, legal, compliance, research, corporate broking, sales people, syndicate. We've got the whole bit, but it takes time to mature a franchise and gain the market share, both in terms of the number of deals you're on, and the position you're on in those deals, and there's no substitute for working up through the food chain.

The way you build an equity business is you start by getting co-managementships, and then you get cos and joints and it takes a long time to move up to lead left, and the economics of an equity deal are massively different if you're a joint global coordinator or just in the syndicate. I mean you might be on a billion dollar US IPO or UK IPO with \$50 million of fees to play for -- 75% of the fee is going to go to the top three guys, the joint global coordinators -- so very top-weighted.

Rob Rouse: Very helpful. Maybe shifting gears from the revenue line -- a lot of the focus, rightfully so, has been on structural cost reduction. Could you maybe provide a little more color about specific cost efficiencies that you're either targeting, or even already beginning to realize?

Tom King: Yes -- cost is one of those things that's going to be with us forever, right? If you think about where the cost lies, it's in the people, and it's really in the ops and tech world.

When we made the strategy change, I think we were quite ruthless in terms of saying, okay, we're going to get after the costs. When we talked about costs last year, for example on headcount, we put out a pretty big number -- 7,000 heads, and we said there'd be three ways.

We're going to resize the front end for the new shape of the investment bank. We've done that.

As we re-tool our technology, that will allow us to take out costs, and that's going really well. What I'm talking about there is when Barclays was built -- and this is true of all the investment banks -- every asset class developed their own ops and tech, and those asset classes, that technology didn't necessarily talk to each other. It didn't necessarily talk to risk's technology or finance's technology.

So there's a massive amount of manual intervention in terms of reconciling the data for the regulators, for the financial reporting, and just for managing the business.

As we do things like we did in macro where we said, okay, we've got a bunch of asset classes inside macro. What's the best technology? Let's take it and stretch it across the entire asset class, and also, if we can't book something on that technology, we're not doing it, right? If it's too complex to trade, we're not doing it.

As we simplify that and unify our technology, and we have projects to have risk, finance, and what comes out of the market's trading platforms be a single interface, the amount of humans we can take out of the operations part of it for manual reconciliation is significant.

That's a journey, and it's a journey we've made a lot of progress on. We have more to go.

The third wave of cost takeout that we talked about was as we run down Barclays non-core, we would be able to take bodies out there, and again, we've reduced that from GBP106 billion of risk-weighted assets to GBP57 billion at the end of the last quarter.

Rob Rouse: On the other side of technology though, technology can often be a differentiator from a growth perspective. How do we square the need to continue to invest in technology with the focus on continuing to be cost efficient at the same time?

Tom King: That's a good point. I mean there is an evolution towards more electronic trading and we are becoming truly an agency business, and so how efficient you can make your ticks is really, really important.

But we have been investing in technology. We know we need to make those investments to take the people out of the system and as a competitive tool. We have, again, many platforms that are industry-leading like BARX in the FX space, but we've also used restructuring charges to spend money. We have something called "cost to achieve". It's above the line, but we break it out, and that's really dollars aimed at investing in our business to take costs out in the future, and we've been really disciplined about paybacks and using that in an efficient way, but that's one of the ways that we've been able to invest as we cut.

Rob Rouse: In this quest for returns, presuming we've now got the revenue and the cost side of the equation, how do you think about the balance sheet here, and specifically, I know you have been asked about further sweating the balance sheet to further enhance the returns?

Tom King: Yes -- so look, I would love for my balance sheet to be as small as possible. If you think about your ROE equation, you get the maximum out of your operating leverage or P&L leverage if you have a small denominator. But you can't forget that the two are related.

The way I've thought of the balance sheet so far -- first, when we restructured the business, we made some decisions about businesses that we just weren't going to be in, and we just took those RWAs out and we put them in the non-core business.

And then I would break the RWA and leveraged balance sheet question into two pieces from there. There are some technical aspects of how we manage the balance sheet, and I think we've all gotten, the whole industry has gotten much more expert about how to manage the balance sheet as effectively as possible.

I mentioned netting. The better you are at tagging your securities and understanding what you've got in the aggregate, the more efficient you're going to be around netting.

There are other things that we have implemented and done in terms of the accounting system that you're on for different products, for equity prime. You get a different RWA treatment if you're on a mark-to-market system versus not.

So guess what, we're moving to that, but it does take some investment and transition to get that stuff done.

We've got a long list of projects around technical reductions, and some of it relates to the models and getting them approved by the PRA that we're working on, and that's ongoing.

There'll be a natural amount of that you can do, and then it'll be sort of done.

The other bucket of RWA reductions I think about is RWAs that I would call 'productive RWAs' that are with clients. I think that there we've been very focused. I talked about four main businesses, right -- equities, credit, macro, and banking. But those businesses are supported by a whole bunch of ancillary businesses like lending and repo and clearing, and those businesses have imperfect profiles, largely around capital, and you'd never be in those businesses maybe, if it wasn't part of a greater ecosystem.

We've looked very hard at those businesses, and we're making sure that the capital in those businesses is working really hard to support the broader ecosystem. We've constrained capital, but capital is part of the oxygen that makes the revenue happen. Capital, risk appetite, and people are the only productive resources we have.

So at some point there's a natural scope to what you can do on capital as well.

Rob Rouse: There's a lot of talk about these streamlining initiatives, that that variety of initiatives is going to take a while. Are we starting to see anything yet in terms of improved efficiencies and output as a more streamlined investment bank?

Tom King: Yeah I think we're seeing the efforts pay off quite substantially. If you actually looked at our P&L and what's really happened over the last nine months, we haven't had massive improvements in revenue. We had a 7% cost decrease last quarter. That's a good number, but it's not a massive number. We went from low \$120 billion to \$115 billion in capital. That's not a massive change on a percentage basis. But yet we had a transformation of the ROE. Again, it's that point about operating leverage. If you can continue to focus on your three levers and get them moving in the right direction simultaneously, or hold them in the right zip code, there is operating leverage in this business, and really that's what we said we were after. A year ago, I said I need some runway to get the operating leverage out of the business, and that's what we're seeing.

We still have a way to go. We have a long way to go on costs and a long way to go on making sure we're as efficient as possible on capital and that doesn't necessarily mean using less than it might mean using the same capital and driving revenues harder with it.

Rob Rouse: That's fair. So if I could ask, and it gets to the focus of the organization to execute on all of this. Not that long ago, Antony was asked to step down and we have a new Executive Chairman. From your perspective, how are the employees of the firm responding to this, and is your executive team now fully in place?

Tom King: Yeah, I think that everybody recognized here that Antony was the right guy at the right time for Barclays, and I think the legacy that he will leave around values and conduct and control will be a lasting one, and one we won't lose sight of. But we are pivoting from a phase where we were restructuring in a pretty radical way to one where we're trying to execute very quickly, and accelerate execution from here. And I think that John has brought a different approach to running the business, and I think that's been very, very well-received. The first thing that he said when we had one of these big meetings of the 160 top people in the company, he said, "gosh, I haven't heard anybody talk about clients." Now, in the investment bank, we talk about clients all the time. It's our lifeblood, and yet as an organization, we weren't as externally focused as we need to be. So just having that incremental impetus from the top I think is great.

I think he's also brought a philosophy of, "What can I do?" Group should be a function that removes obstacles. He's reduced the number of meetings, he's pushing the functional organizations back into the businesses, with appropriate checks and balances obviously, and pushing decision-making closer to the client, and he's pushing the cost back into the business (we bore the cost anyway through allocations) in a way where we're all aligned, we're all fighting for ROE, and there's no ambiguity around it.

Rob Rouse: Yeah, helpful. If I could take another John McFarlane quote, he said something recently about how as an organization, we're leaving revenues on the table. You spoke in your prepared remarks around picking our spots, so when we think about our footprint as a global investment bank, where do you see the most compelling opportunity set?

Tom King: Well I think John is right in certain respects. I haven't heard that quote but I think he talks about lots of areas where we can get incremental revenue and of course, he's a big believer in the cross-sell, and I think he instinctively believes that we can do more between the corporate bank and the investment bank, for example.

But I do think that he's also someone who, like the philosophy we're trying to implement says, "figure out you're good at it, and be monomaniacally focused on that", and I think he's a big believer in making sure we're not just all about cutting costs and cutting capital, but we're thinking

about the revenue part of the equation, because there is in operating leverage three things -- there's revenue, there's costs, and there's capital -- and there's probably a natural boundary to costs and capital, and so if you're not making those investments to drive the revenue, then you are going to miss it.

I talked a little bit about our maturing European businesses, both in M&A and in equity. Once you've built those great big expensive pipes, you better be filling them up as much as possible, and if you're penny-wise and pound-foolish, you can say, "well, I'm not going to hire that incremental research analyst" and you're going to miss the next wave of biotech, or whatever it is, and that's very costly once you've built the pipes.

Rob Rouse: I have more that I could ask, but perhaps now is a good time to pause and see if there's any questions from the audience?

Tom King: There's one right here -- please wait for the mike for a sec.

Audience Member: Is there any opportunity to do anything on the capital side? In the investment bank, you talked about RWAs and some regulatory stuff, but is there any more color on that?

Tom King: When you say "do something on the capital side" what do--

Audience Member: I assume making your ROE, I don't know, is capital part of that?

Tom King: Yeah, capital is critical. When I talk about risk-weighted assets, that's a proxy for the equity in the denominator in the ROE equation, so we're super focused on trying to keep that as constrained as possible. And when I go from a quarter when I've got \$122 billion of RWA to \$115 billion, the equity allocated to my business shrinks, and it helps me drive returns.

I think there is more opportunity to continue to shrink RWAs, therefore shrink capital allocated to my business. But I think there's equal or more opportunity to make the RWAs I have work harder for me. There's not a single business that I have, either of the four core businesses, or the ancillary businesses that support them, where I can honestly say, "I'm done", right? So I've got improvements and reallocations of either people, risk appetite, or capital that I think I can use to be more productive with virtually all my businesses.

One of the things I get asked a lot is, "could you have gone faster?" in terms of the reorganization of the investment bank. And one of the things that has been the trickiest has been to manage the client the franchise, many of which are people in this room, on the institutional side, to manage the franchise through this transition. As we've turned off products, dialed down geographies, reshifted our focus, that's very disruptive for clients and also if you're having a hard conversation about, "I can't give you this much repo, and this much prime, and this much clearing, and this much lending", based on the breadth of our relationship, those are also hard conversations. But what cures those and makes those productive is if you say, "OK, let's transition over time. We're really good at prime, so that's where we're going to commit our capital, and maybe we're less good over here in this product, and we won't commit there." But it does take time to migrate these relationships without breaking them.

So we are moving capital around within our business, but it's stickier than you might think. I hope that gets after that question.

- Rob Rouse: Any additional questions? Well, I see that we have two minutes left, so let me seize the opportunity of being on stage with you and let's talk comp.
- Tom King: Your comp?
- Rob Rouse: There will be time for that offline. In all fairness though, when we think about the juggling act that is regulations that impact size and structure of bonuses and again, the appropriate focus on enhancing shareholder returns, yet we want to be excellent in the places that we choose to compete, and it is a competitive marketplace, how do you see performance costs in that equation?
- Tom King: Comp is another element of the cost equation, right? And I think you have to be smart about it. It's a big lever, and we're committed to driving returns and giving shareholders a sensible return, but you have to be smart about the tradeoffs that are involved in it. It's like capital -- if you just shrink the capital, there's going to be a revenue effect. The same is true in comp. It's a competitive global marketplace for talent, so you have to be smart about it. I think shareholders have been incredibly patient around the industry, comp has come down over time and I've got a lot of bankers in here, so I'm not trying to manage expectations, but that direction of travel probably doesn't change in the aggregate. But we want excellent people, and to have excellent people, you have to be competitive, so whatever that environment is, you have to live within it. But we fully recognize comp is a real important, important lever.
- Rob Rouse: Excellent. Thank you everybody. Tom, thank you for your time.

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