**Morgan Stanley European Financials Conference**

**Jes Staley, Barclays Group Chief Executive**

Thanks Colm. It's great to be here to talk about Barclays.

Let me say at the outset that, from my point of view, any management of a bank that is trading below its book value can't sleep at night. You, our shareholders, are saying that with the stock price at its current level, we are destroying value. So what Barclays has to be dedicated to is to produce the financial results that generate a confidence in our shareholder base, that we are generating shareholder value, and our stock trades at book value or better.

When I think about Barclays, there's a clear advantage today that we want to continue, which is to be a large, diversified, financial institution. But in order to work through what has happened to this bank since the financial crisis, we must significantly simplify Barclays. And that has been happening for the last couple of years, and we have accelerated in the first 100 days since I joined the bank.

You also need to put in context the complexity and challenge and strategic decisions that have been taken to completely exit retail banking in the continent of Europe. We have sold Portugal, we have sold Spain, we have recently sold Italy, and are in the process of selling our retail franchise in France. The significant decision was [taken] to reverse a strategic investment over the last couple of decades by exiting the wealth management business in the Americas and now by looking to sell the wealth management practice across Asia.

And then in early January, the decision to, essentially, pull Barclays' Investment Bank out of most of the emerging markets; we closed a presence that we've had for decades, in nine countries, from Korea to Brazil and Russia, and to pull our cash equities business back to the two central locations of New York and London.

In addition to that, from the day that I arrived at Barclays, we imposed a headcount freeze. From 2012 to the end of 2015, Barclays headcount went from 145,000 to 142,000. In the 100 days that I've been at Barclays, we've now reduced the headcount – we're not announcing this, we've actually reduced it – by well north of 6,000 people. So, double what we've done in the last four years, in the first four months.

On March 1st, we announced some pretty significant changes as well: to complete the restructuring and the simplification of Barclays, and I'll get to that in a second. First, let me just quickly go over our financial results in 2015.

The Core business delivered an adjusted profit before tax of £6.9 billion. That was up 3% from the prior year and the Core business generated, in 2015, a return on tangible equity of 10.9%. So the Core franchise, as we defined it at Barclays, I would argue, is already earning roughly its cost of capital, if not slightly above it; 10.9% is not our goal or target, but it's a fairly good starting point.

In Non-Core, we reduced our risk weighted assets in one year by £29 billion, to end the year at £47 billion. We did add, through the closure of the 9 offices in January, £8 billion back to RWAs as we begin the critical year of 2016.

As I mentioned, our capital ratio is now reaching a level that gives us more flexibility. During the year we added 110 basis points in our [Core] Tier 1 ratio to arrive at a level of 11.4%.

With those results in 2015 we are doing two things to complete the simplification of Barclays business, as a large diversified financial firm. The first and most difficult decision is the decision to reduce our ownership in Barclays Africa to a non-controlling, non-consolidating interest. Second, it is the acceleration of the rundown of our Non-Core assets in 2016, to essentially make 2016 the end of the restructuring of Barclays rather than the beginning.

Let me first turn to Africa. It is our intention to reduce our interest in Barclays Africa Group Limited (BAGL) to a non-controlling, non-consolidating position over the next 2 to 3 years. Barclays has been in Africa for over 100 years. We have some extraordinary franchises across the continent, with a great management team and dedicated colleagues across Africa, but we face a regulatory environment where we carry 100% of the financial responsibility and liability of Barclays Africa, and yet we only receive 62% of the earnings. It makes the math really tough. With things like the UK bank levy, G-SIFI buffers, MRELs and TLACs and other regulatory requirements, it is very hard to translate the ROE of a local business in Africa to an effective ROE for Barclays in the UK. The ROE in Africa was some 17% last year and we end up with a number in the single digits as we transfer through all the liabilities.

Because of these specific challenges, we believe that it's in the best interest of our shareholders to reduce our position. Given what is driving this decision, we are giving ourselves the flexibility to do this over a period of time.

You can calculate that over a period a time, once we have deconsolidated as a regulatory matter, this will free up a fair amount of CET1 capital, but it will only happen once we are deconsolidated from a regulatory view. As an accounting point of view, we will begin to deconsolidate reporting of Barclays Africa immediately, but also this will reduce our cost base by some £2 billion and reduce our headcount by 44,000 people. And imagine the reduction in the complexity of managing Barclays as a global firm by that level of reduction in headcount and that level of reduction in expense.

The second thing we're doing to get ourselves to a standing Core franchise is to accelerate separation of Non-Core from the bank. Our Non-Core risk weighted assets started at about £110 billion two years ago. As we said, we reduced that by the end of 2015 to £47 billion. We took the actions we took in January and we now rest at £55 billion.

The idea is to essentially accelerate the closure of Non-Core substantially in 2016, and in doing this acceleration, we will spend about £400 million in 2016 restructuring Non-Core. Our Non-Core business acts as a significant drag on Group profitability, so we decided to accelerate and bring this down, primarily in 2016.

To do this with total flexibility we took a second challenging decision, which was to adjust our dividend. It is our intention to reduce our dividend to 3 pence in 2016 and 2017. However, once we have made the reductions in Non-Core and have clarity on the remaining conduct issues, we should see a significant lower drag on returns from Non-Core, and Group returns should converge towards the returns of our Core business, which are above the cost of capital.

We will then be in a position to pay out a significant portion of our earnings in dividends to our shareholders. To be very clear, I recognize the importance of paying a meaningful dividend as part of total shareholder returns, and I am absolutely committed to paying those dividends in the future.

These two strategic actions of [deconsolidating] Africa and accelerating Non-Core will allow us to bring forward the simplified and highly profitable Barclays. So let me tell you a little bit more about what that Barclays is like.

We will focus Barclays on being a transatlantic, consumer, corporate, and investment bank, and the Group will be anchored in the two financial centers of the world, here in London and New York. We will grow our service to retail with customers, leading with technology to engage with millions of existing and future consumers in the UK and with millions of customers of Barclaycard across the United States.

We will excel in Corporate and Investment Banking, continuing to be a deeply respected firm, within the global capital market, and servicing the world's most important corporate clients, investors and governments.

We will leverage our payment skills across both Corporate and across the Atlantic. From today forward, Barclays will operate two clearly-defined divisions: Barclays UK, and Barclays Corporate & International. These two core divisions will represent the future of Barclays.

And, I want to add one thing – part of the surprise two weeks ago, when we announced Barclays UK, and Barclays Corporate & International, was the move we made with the dividend. I also think people should be focused on – [when considering our plans on the] ring-fenced and non ring-fenced bank – that our ratings were confirmed.

We also need to strengthen our core, central functions, inside of Barclays. In the last few weeks, we've made two important Executive Committee announcements. First, we hired Paul Compton as our Chief Operating Officer, focusing on operations, technology, real estate, thirdparty vendors, etc., and second, CS Venkat as our Chief Risk Officer. Essentially, now, we have a core lineup in Legal, Finance, Risk, Ops and Tech of people that I have worked with for years, and have known for years, and I think it's one of the best management teams in terms of the core franchise on the street, and join Ashok, and Amir, managing the front office of the retail businesses.

Barclays UK will include our leading UK retail bank, our UK consumer credit card business and play a traditional role as a committed provider of lending and financial services for small businesses up and down this country. The business has 23 million customers. We are a leading UK business bank, we are the second largest wealth manager in the UK, and Barclaycard is the number one credit card issuer in Britain with close to 11 million UK card customers. This represents formidable strength; [the equivalent of] 30% of UK's GDP passes through the pipes of Barclays every day.

Barclays UK will continue to pioneer innovation in the provision of consumer financial services. From the issuance of the first credit card in Britain 50 years ago, to the introduction of the first ATM, Barclays has always been a leader in technology, and we will stay so. Today, Barclays UK mobile banking capabilities set the market standard. And the business has also introduced innovations in payments, such as bPay, and Pingit, which expand convenience for consumers and small businesses. Barclays will continue in this pursuit, and I believe it will be a source of significant competitive advantage for the Group going forward. And, as you see, this all translates into a very profitable business. And, as I said, Barclays UK will become, ultimately, our UK ring-fence bank – resilient and compliant with all regulatory requirements.

Second, Barclays Corporate & International; a diversified transatlantic wholesale and consumer bank. Barclays Corporate & International will comprise of our market leading Corporate Banking business, our Barclaycard operations in Europe and the US, and our top-tier Investment Bank. Barclays Corporate & International has scale and wholesale banking, and consumer lending, strength in our key geographies, and a good balance in its revenue stream, delivering further resilience. It will become our non ring-fenced bank, and we are confident that will continue to be well capitalized with the balanced funding profile, supporting solid investment-grade ratings.

Our Corporate Banking franchise, servicing UK businesses, multinational companies and financial institutions, has strong growth opportunities, and we've demonstrated that recently. We arranged more loans for corporates in the UK than any other bank. And our profit before tax has risen steadily in recent years driven by excellent performance in cash management, debt finance, and trade and working capital finance. In addition, our impairments have been well contained, reflecting prudent risk management in our Corporate Bank.

In addition, our cards business in Barclays Corporate & International is a large-scale, fast-growing, high-margin operation. It includes; Barclaycard US, which is really an exceptional investment story; Barclaycard Germany, where we're the number one issuer in the country; Barclaycard Business Solutions; and our Entercard joint venture in the Nordics. Our model has made us the number five co-branded card in the US, with more than 13 million card customers. We have more card customers now in the US than we have in the UK, and our US card spend was £46 billion last year. The prospects of continuing growth in the US are strong, and we are doing this without taking any imprudent credit risk.

Our growing payments proposition is truly a differentiator. We are the second largest merchant acquirer in the UK, and deliver extensive payment solutions, such as mobile and in-store payment acceptance, point-of-sale finance, and credit card business solutions. As such, we see considerable potential and growth opportunities for our international payments business and our traditional corporate payments offering, aligning them closely with our institutional clients, again particularly in the US.

Barclays Corporate & International will also include our Investment Bank, a business which has improved its performance significantly over the last couple of years, but like [other] investment banks, generally does not currently generate returns above our cost of equity and that's unacceptable.

But I believe that Barclays will ultimately be a stronger group with an investment bank, one that over the last few years we have tailored to a smaller size and the right business model. Investment banking can and has historically provided an important cyclical counterweight to consumer financing businesses. You saw it throughout the financial crisis in a number of banks, including Barclays. Through the crisis, those with diversified revenue streams between consumer and wholesale proved to be much stronger and came out of the crisis with better business models.

This does not mean, however, that I am satisfied with the Investment Bank's performance, and I will continue to drive it towards improved returns. We have already taken aggressive steps to eliminate inefficient business lines in our core cost structure such as reducing our cash equity business to solely New York, and London, and getting out of nine countries was no small decision that we took in January. But much more work has to be done, and one of the reasons why we went out and recruited Paul Compton, is we need to very much focus on these core operations and technology expense at Barclays Investment Bank, and that will be one of the key instruments of getting returns in that Investment Bank closer to the cost of capital.

Remember, investment banks are very different businesses than they were just a few years ago. The risk weighted assets in our IB over the last few years has been cut roughly in half, and today the market risk and operational risk of investment bank only represents 25% of the total risk capital of Barclays globally.

The current scale is sufficient to support the needs of our most sophisticated clients globally, but it is lean. A physical presence is being largely reduced to London and New York, with some focus still in EMEA and Asia. But to be clear, I don't have any intention to grow our risk weighted assets for the Investment Bank, but to cut it further from the level it is today at roughly 25% I think is to threaten its ability to play in the top tier.

So, our model has strong prospects for the future. The world has learned that the danger of excessively relying on bank balance sheets, so it must rely on the capital markets. If the capital markets are to be successful, the intermediary capital markets must generate an acceptable return on capital, and this will happen.

In sum, we are a transatlantic, consumer, corporate and investment bank, vastly more simplified than where we were just a couple years ago. Barclays UK and Barclays Corporate & International, already generate double-digit adjusted returns on tangible equity. They are strong financially, and shareholders and debt investors of Barclays will benefit from our diversified revenue stream that they produce.

So, given that we already have a Core business that is profitable, what do you need to believe in as shareholders to own Barclays today? It's simple; what we need to do is close our Non-Core units. It is that simple. While we continue to push for greater efficiency on our Core business, it's the Non-Core business of closing that management has to be focused on in 2016.

We are confident in our ability to do so; taking out RWAs in 2016 and 2017, and reducing our losses significantly in 2016, we have kept our previous target of coming out of 2017 with £20 billion or less of risk weighted assets, and this is despite the recent top-up. We will get at the majority of this in 2016.

The cost reductions and reductions in RWAs in Non-Core are things that management can control. We can control closing the sale of our Italian retail franchise. We can control the closing of the sale of our index business to Bloomberg. We can control the closing of our branches in Russia, Brazil, Korea, Indonesia, etc. In short, managing expenses is something that management has control of, and that's what we will demonstrate in 2016.

So, we will work expeditiously to run down Non-Core and resolve our outstanding conduct and litigation issues. And if we do this, this will allow the performance of our Core franchise to begin dominating the performance of the Group financial results overall.

And so what are our financial goals? First, in a reasonable period of time, we will converge the profitability of our Core franchise with the return on tangible equity generated by the Group overall. Second, we will deliver in a reasonable period of time a CET1 ratio which is 100 to 150 basis points over our regulatory minimum requirements. And third, we will achieve a Group cost-income ratio below 60%, and will do this in just a few years.

So, in summary, for Barclays to be trading below book value is a situation that we cannot accept as a management team. So, we are committed to managing a transatlantic, consumer, corporate and investment bank, slimmer than the one that you've seen before, which in its Core today generates a return on tangible equity above our cost of capital.

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