Morgan Stanley European Financials Conference

Jes Staley, Barclays Group Chief Executive Officer

Slide 2: Jes Staley, Barclays Group Chief Executive Officer

Good morning. Thank you, Colm, for inviting me to speak here today, and welcome to all those attending.

Slide 3: Strong evidence of strategic progress in 2016

A year ago, I set out our intention to accelerate the restructuring of Barclays; to refocus our business as a transatlantic consumer, corporate, and investment bank, anchored in the two financial capitals of the world, London and New York.

To achieve that, we announced a series of strategic actions including:

- the reorganisation of our business into Barclays UK and Barclays International;
- the renewal of our commitment to operate a leading global corporate and investment bank;
- the reduction of our stake in Barclays Africa to a de-consolidated level;
- and lastly, the acceleration of the rundown of our Non-Core assets.

The bank has made strong progress against this agenda.

Barclays UK and Barclays International are doing well, with returns on tangible equity last year of 19.3% and 8.0% respectively.

Our Corporate and Investment Bank has solidified its position in the bulge bracket in North America and Europe.

Our Non-Core rundown is ahead of schedule.

And, after a successful initial sale of Barclays Africa shares last May, we are now waiting for final approval from the relevant regulators of our separation plan, so that we can proceed with the next phase of our sell-down.

We also made great strides on our structural reform plans in 2016, standing up our Intermediate Holding Company in the US in July.

And we are gearing up the preparation of Barclays UK for legal establishment as our ring-fenced bank in the first half of 2018.

This preparation will be the main focus of our structural reform spend in 2017.

As a result, in 2017, we can begin to move on from the restructuring of Barclays.

We can shift our focus to the future, and in particular to how we can generate attractive, sustainable, and distributable, returns at a Group level.

Slide 4: Non-Core closure six months early at June 2017

Getting to this point however has not been easy.

In 2016, we applied a ruthless focus to Non-Core.

We sold retail businesses in Spain, Italy and Portugal, and signed the deal to sell France. We sold cards businesses in Southern Europe; insurance businesses in Spain and Italy; wealth management businesses in the US and Asia; and our index business in the Investment Bank. We closed offices in nine countries around the globe, from Russia to Indonesia.

Together with an aggressive push to sell or novate other assets, including derivatives, these efforts reduced our Non-Core Risk Weighted Assets in one year by £22bn, to £32bn at year end, which was ahead of schedule.

Given that progress, we announced with our full year results that we will close our Non-Core unit at the half year, 6 months earlier than previously targeted, with RWAs of approximately £25bn.

Our half year results will therefore be the last time that we will report Non-Core separately. From then on, our Core financials will be our Group statutory financials. We can focus on driving these Group returns, which are our shareholders' returns, higher.

At that point we will have completed the restructuring of Barclays.

We expect to reduce Non-Core losses significantly in 2017, and for those losses to be well under half of what they were in 2016 - at roughly £1bn pre-tax - with most realised in the first half of this year.

And looking into 2018, we expect an even lower loss, reducing the drag on Group returns still further.

All told this company will have eliminated around £85bn of Non-Core Risk Weighted Assets, and reduced our headcount through Non-Core by roughly 10,000 people, in just over three years.

And, we have done so in a way which has preserved value, and released equity to the rest of the Group.

Slide 5: Africa sell-down on track with consistent capital guidance

Last year we also announced the difficult decision to sell down our stake in Barclays Africa.

This decision will allow us to deconsolidate the business as a regulatory matter.

In May we completed an initial sale of 12.2%. Following that transaction, our focus was on agreeing the separation arrangements between Barclays Group and Barclays Africa. These are integral to achieving the regulatory deconsolidation we seek.

Planning for the disengagement of two intertwined businesses is a complex matter, which has required an extraordinary amount of work. I was pleased to report with our full year results, an agreement on separation terms with the local management, at a cost of £765 million to Barclays.

Following regulatory approval we will be in a position to proceed with the sell down, within the timeframe previously guided to.

Based on the year end share price and FX rate, we would expect to realise over 75 basis points of CET1 ratio accretion, on regulatory deconsolidation.

This is after all the separation costs are accounted for.

Slide 6: Strong Core business performance in 2016

Turning now to our Core business, which delivered another strong performance last year.

Excluding notable items, Core income grew 7%, with many of our businesses showing encouraging growth and, of course, the benefits of our diversification.

This top line performance is a pleasing outcome given the macro environment.

Profit Before Tax was up 4% to £6.4bn, and Return on Tangible Equity for the year was 9.4%.

For Barclays UK, underlying Return on Tangible Equity was an impressive 19.3%, despite the continuing low interest rate environment.

I was particularly pleased with the pricing discipline we showed, as we increased the net interest margin by 6 basis points, to 362.

We expect to sustain a healthy net interest margin in the 350s through 2017, even with the UK base rate at just 25 basis points.

We maintain structural hedges to reduce the volatility of our net interest income to rate changes – and these have served us well.

While we aren't planning for early rises in UK rates, we would nevertheless benefit significantly from a rising rate environment over time.

We are confident about the UK's prospects, and that we will continue to support our customers and clients, and of course contribute to the UK economy.

Slide 7: A scale operator in the UK with opportunities to leverage data and digital capabilities

To give you an idea, in 2016 Barclays lent £3.6bn to small and medium sized businesses in the United Kingdom. We wrote nearly £19bn of mortgages, to almost 90,000 households across the country, including over 18,000 first-time buyers.

We maintained our leading position in digital banking. We now have 9 million users across our mobile app and internet banking, as well as 3 million users of Pingit.

Personal unsecured lending topped £4bn in 2016, with half originated through the 6 click process on our mobile app.

Contactless transactions - where we have been a pioneer in the UK - more than trebled in value between 2015 and 2016. Average current account balances were up 14% year on year, and we also saw debit card purchases by those customers rise 12% by volume.

Barclays processed some £260bn of payments for consumers and businesses in the UK, with £1 in every £3 spent on cards going through our systems.

We enhanced our customers' experiences, by introducing market-leading innovations, like voice security, contactless cash, a new direct investing platform, and our 'collect' cash management service for businesses.

We have assumed a modest UK economic backdrop in our plans.

Despite this we remain very excited about the opportunities for Barclays UK. We are transforming customer interactions. We are leveraging data and digital capabilities, to build more meaningful relationships with our existing 24 million customers, so that they do more business with us.

This scale gives us significant benefits.

Through leveraging our data and digital capabilities we are well placed to drive growth, offering innovative products and services, tailored to each customer.

For example, we have seen an increase of almost 40% in new mortgage applications to premier customers, through targeting this more profitable customer segment. And, there is much more we can do in this customer segment.

We've pre-selected over 4 million Barclays customers to receive an offer of a Barclaycard via our mobile banking app. This is just one example of the benefit we are seeing from the integration of UK cards under Barclays UK.

Data gives us the ability to identify opportunities, with our 24 million customers, to boost the top line… but also to make more informed credit decisions.

We are also developing forms of payment which are convenient for both customers and merchants, embedding Barclays in the payments flow. For example, Uber has recently launched a scheme whereby, if you pay on the app with a Barclaycard you receive a free ride after a certain number of journeys.

An exciting development in the strategic use of data for our small business customers, is our launch of Smart Business in late 2016.

Smart Business allows these customers to access local tailored information, so they can make more informed product offering decisions.

We're also the first bank to offer instant lending to businesses via a mobile app, which is of course delivered at a much lower cost to income ratio.

As we continue to focus on automating customer journeys, we will drive down the cost income ratio to below 50%.

Slide 8: Barclays International: Encouraging progress in 2016 and well positioned for the future

Turning now to Barclays International, which comprises our CIB and Consumer Cards and Payments businesses, both of which had encouraging performances last year.

Tim Throsby was hired to complete our Exco team and run this exciting and diverse business. He started in January, and I know he will continue to drive the business forward.

A year on from announcing the combination of our Corporate & Investment Bank, we are pleased with the progress made, and how the business is positioned.

As we seek to drive higher returns, we have taken several steps to improve the cost structure of the CIB – such as the decision to change deferred compensation in Q4, and the exit of a large part of our London real estate footprint in Q3.

Excluding these two items, the ROTE for the CIB last year was around 7.5%, not where it needs to be, but showing good progress.

I'd like to briefly cover that decision on compensation, which we took in December, to address some long-standing practices in the way we treated deferred bonuses.

Under previous deferral arrangements, there was a limited relationship between the performance costs booked at Barclays each year, and changes made to the bonus pool related to that year's performance.

This was a consequence, in part, of overall levels of deferral in prior years, as well as the way in which the costs of those deferrals were recognised in our accounts.

To correct this, we changed the timing of the accounting for deferrals, as well as aligning overall levels of deferral in compensation plans across the Group. This made them more consistent with our peers.

But fixing this issue meant taking a £395m increase in costs in 2016. There are some charges also expected in 2017 and in 2018 as the changes work their way through the system.

But as a result we will be carrying forward a much smaller stock of unamortised deferred compensation, than the £1 billion, at the start of last year.

In addition, the key effect of these changes is that where, previously, shareholders, in year, saw little of the benefit from a declining bonus pool, now they will potentially see around 80% of the benefit of such a decision, in year.

Turning back to our CIB performance, and looking at its individual businesses.

Over the year our Banking fee income rose 3%, as we advised on 3 of the top 5 transactions globally, covering some £513bn of completed M&A deals. We saw our advisory business in EMEA have its best year ever in 2016.

And, according to Dealogic, we finished 2016 ranked 5th in the US in terms of fee share, and 3rd in the UK, up one spot in each from 2015.

We do not aim to be top of the league tables, but being in the top 6 across our two home markets, is important. It means we can capture a meaningful, and profitable, share of the primary markets revenue pool.

In our Markets business Credit has been a particular standout - up 44% year over year. This was driven by strong performance in secondary credit trading and emerging markets.

We haven't made any comment on overall trading conditions in the first quarter, but we have continued to be involved in major deals across the various sectors.

For example, in ECM we were delighted to be one of the joint-bookrunners on the current Deutsche Bank rights issue.

Meanwhile our DCM business has continued to lead major deals, with Q1 proving a particularly strong quarter in the TMT sector.

We have been a book-runner for bond issues by Microsoft, Broadcom, Verizon, Apple and AT&T, totalling over £50 billion.

Our Consumer, Cards and Payments income increased 21%, driven by growth in all key businesses. Loans and advances in our US card business are now over £20bn, larger than our UK cards business.

We are excited about the prospects of our Barclaycard payments business, which processed £60bn, in the fourth Quarter alone, up 13% year over year.

This business is well positioned for future growth, as the number two merchant acquirer in Europe, with over 100,000 clients including some of the large UK and international corporates.

Taken together, our Core performance is strong evidence of the potential for this Group, and of a bright future ahead.

Slide 9: Operational and technological strength will be a key advantage

As we conclude our restructuring, the next phase of Barclays' development becomes the priority of this management team.

Put simply, how do we position Barclays for success not only for the next couple of years, but well into the future? We have addressed the drag of Non-Core, but now we need to look ahead.

We do see areas where we have clear opportunities for income growth, for example in international consumer and in payments more broadly.

Nevertheless, we are starting from the premise that operational, and technological strength, is going to be a key competitive advantage, for any global bank in the future.

And so our intent is to build Barclays on a foundation of world class core operations and technology.

One critical element is to continue to enhance our resilience, to protect customers and clients, and the firm, from the increasing cyber security threat.

In the model we envision, core functions for the entire Group are standardised across the company, streamlining costs, driving high-quality analytics, and improving customer experience.

By developing a strategic data architecture, which maintains and delivers information across all of our businesses, we can provide them with the ability to use data in new and innovative ways. This will allow us to fundamentally rethink the way we run those businesses, and how we serve our customers and clients.

And for functions - including Risk, Finance, and Treasury - this data architecture will also help to improve the quality of the Group's capital allocation, and strengthen our risk management.

By creating shared utilities as the foundation of our company, we can generate efficiency from scale, while at the same time ensuring that we deliver world-class customer experience.

We believe this model is key to driving customer loyalty and long-term growth.

It also allows us to simplify core processes across the bank – everything from how we handle complaints or fraud, to how we on-board a client.

The single core operational model should generate cost savings, providing us with capacity to reinvest. It also gives us optionality for the future in terms of organic and inorganic expansion.

We continue to target a Group Cost to Income Ratio of below 60% over time, as we carry on driving efficiencies.

Slide 10: Diversification provides balance and stability

If you then layer our diverse set of market leading consumer and wholesale businesses, on top of this state of the art foundation, the prospects for them are truly exciting.

Our Core businesses are already high quality, and characterised by deliberate diversity.

We have a diverse product set: from institutional advisory to international cards and payments; from equity capital markets to corporate lending; from macro to mortgages – we are extremely well positioned across the consumer and client continuums.

It is worth noting that around half of our income in 2016 was from our consumer businesses, and half from our wholesale businesses.

This balance between the two is a huge strength for Barclays, giving us opportunities for growth across a wide waterfront, and resilience in earnings, if one side of the mix comes under pressure.

We are also well diversified geographically, and this gives us a benefit in both exposure to different economies, and significant mix in currency risk.

Last year, over a third of our income came from the US, and with the dollar's strength relative to sterling, this was even more valuable to the Group.

Our deliberately weighted exposure to the transatlantic developed economies of the US and the UK, with strong wholesale and consumer businesses, in both geographies, is – we believe – a unique, and attractive banking model.

It gives Barclays the capacity to generate strong, stable, and sustainable returns at a Group level, through any cycle.

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Slide 11: Capital position approaching our end-state

Continued progress on our 2016 priorities, together with organic profit generation, strengthened our capital position over the course of last year.

We generated 100 basis points of additional CET1 accretion in 2016, to print a very strong 12.4% ratio, at year end.

This progress demonstrates once again the underlying earnings power of Barclays, and the Group's effective capital management.

What should be clear is that the Group has a strong capital position, today.

And… we have very good ability to generate further accretion, with the additional benefit of at least 75 bps of CET1, as we achieve regulatory de-consolidation, from the Barclays Africa selldown.

We are consequently well positioned to absorb any headwinds over the next few years, as well as to take advantage of opportunities which make sense in terms of future profitability.

Among those headwinds, we've had a number of questions about the effect of future pension contributions, which will be renegotiated over the next few months, as part of the triennial valuation.

I just want to emphasise that our expectations for these contributions are fully factored into our capital plans.

Other headwinds may include regulatory changes like IFRS 9, potential changes to Risk Weighted Assets, and conduct matters that we still need to resolve - such as the RMBS issue with the DoJ.

But regardless of the source, we have incorporated these issues into our planning, and believe we are well-prepared for what lies ahead.

As a reminder we have generated over 300 bps of capital over the last 3 years – whilst absorbing headwinds such as these.

At the appropriate time we will of course update our shareholders, and the market, on our approach to investing and distributing the sustainable ongoing excess capital we will generate as a business.

Confidence in our path has allowed us to start to take advantage of capital as a key strength.

As an example, using some of that current capital strength, we redeemed last week one of our remaining dollar preferred shares, equivalent to just under $1.4bn. This is a headwind of 12 basis points in our Q1 capital ratio, but adds about half a pence per share to earnings in perpetuity.

It's worth remembering that this capital redemption was also approved by the Bank of England.

The ability to take advantage of opportunities like this is the result of hard choices we made last year.

They were the right calls, and they have put us on a path to complete our restructuring in 2017, and to focus solely on the future of this bank.

For me personally, it has been an extremely busy, yet rewarding first year. I am continually amazed by the talent that we have within Barclays, and the dedication people show to this institution. From my perspective, it is one of the company's greatest assets.

Slide 12: Approaching the end of Barclays' restructuring

But now on to this year:

First, we will close our Non-Core unit early and, when we achieve that in June, we will no longer be a bank in restructuring;

Second, subject to regulatory approval, the next stage of our exit from Africa is ours to complete, and we'll do that at the appropriate time;

Third, we will continue to execute the development of our company's core operations and technology, as the foundation of Barclays' future success;

Fourth, we will grow our capital to our target end-state;

And lastly, we will continue to drive the diverse set of businesses that make up our transatlantic, consumer, corporate and investment bank, to deliver attractive returns to our shareholders.

We are now just months away from completing the restructuring of this bank and I am more optimistic than ever for our prospects in 2017, and beyond.

Thank you.

Now I would be happy to take questions.

Q&A

Chris Manners, Morgan Stanley

Thank you very much for your presentation, Jes. We have got a polling question for the room, then we will sit down to take Q&A. So, the question is: what do you see as the most important factor to drive a re-rating towards book value for Barclays?

Number one, improving capital ratios towards approximately 13%, the 2019 target level. Secondly, faster exit of the Non-Core and Africa assets. Thirdly, deeper cost-cutting initiatives in the Core bank. Fourthly, a recovery in investment banking revenue momentum. And fifthly, resolution of legacy conduct charges.

The results of the polling question is number four: recovery in investment banking revenue momentum.

Jes, thanks very much for taking the time this morning. We see a lot of excitement from investors around US banks, given the Trump administration's drive for deregulation, potential for fiscal stimulus, steeper curves, and tax-cutting agenda. Given your strategy to run Barclays as a two-pillar transatlantic bank with 35% of Group revenues coming from the US, how should we think about the ways that Barclays is likely to benefit from this?

Jes Staley, Barclays Group Chief Executive Officer

The likelihood that Dodd-Frank gets taken away is very low in our view. But the ability to interpret Dodd-Frank in a much more constructive way for the US banking industry, I think, is very self-evident. Also, if you go back a year before now, we were all talking about negative interest rates and zero interest rates. That obviously is a thing of the past. I think one of the things that we're going to start to realise is that banks do really well when interest rates start going up.

I don't think there is much doubt that you are going to see a pretty constructive market in the US, in terms of its interest rate policy by the Fed, so I think the US financial market is very attractive. I have got to imagine there will be some pendulum swing back in terms of the application of Dodd-Frank. I think we will see higher rates than were expected before and it bodes quite well for the US banking industry.

Then you look at Barclays and we have a bulge bracket investment bank based in New York. We have a terrific credit card business based in Wilmington, Delaware. We are very excited about the prospects we have in the US. The implementation of our transatlantic strategy last year, given what the UK and US economy is doing, the strength of the US Dollar, the regulatory environment in the US and the evolution of the regulatory environment here in the UK, we very much like that balance. So, we are happy with our presence in the US.

Chris Manners

Thanks, Jes. Maybe if we could switch to the other of your two pillars. Clearly, it looks like Article 50 is going to be triggered next week, and Brexit is the topic at the front of investors' minds at the moment.

Can I ask how you are preparing the bank, and whether you are seeing any warning signs in the macro environment currently? And also how you are thinking about reorganising your business to deal with European clients, for example, if you can't rely on passporting or equivalence for your UK entities?

Jes Staley

We said right after the Brexit vote that a political crisis does not necessarily translate into an economic crisis. And we were seeing, very shortly after the vote, through the spend that goes through our credit card business and our retail bank is that, in fact, the UK economy was responding quite well to the vote. And some of the growth rates we have seen in consumer spending on a month-to-month basis have been 4-5%, which has been very encouraging.

And I do think one of the challenges of this whole Brexit debate is, if you do think there is going to be an economic impact from Brexit, it may just be measured in 10 or 20 basis points a year, which means it will never be a headline, but it may have a significant cost over a very long period of time.

We are seeing consumer spending is going up, consumer credit is going up; consumer credit has got back to the level it was in 2008. But because you have had GDP growth, it's gone from 22% of GDP to 18% - so still a fair amount of cushion there. But we are seeing some slowdown in consumer confidence, which could be reflected in consumer spend, and consumer confidence is being driven increasingly by inflation as opposed to optimism about where the underlying economy is going.

And then, in terms of the banking business, as we've said quite consistently, our view is that London is the financial capital for Europe and it is going to be very, very difficult to dislodge that. Over 80% of the capital market flows for Europe go through the City of London. It is very hard to re-engineer that to Paris or Frankfurt.

There will have to be adjustments, and last year we had to set up an entirely new intermediate holding company (IHC) to do our business in the US. The IHC has its own capital structure, its own liquidity, its own bank. By next year, we have got to create the largest de novo bank in the history of the United Kingdom, the Barclays ring-fenced bank. So, it is not to say that adjusting our organisational structure to the Brexit vote is going to be easy, but we are getting a lot of practice at it. So I think it will be very manageable.

To me, the single biggest economic decision taken post-Brexit was Google. It was Google's decision to announce post-Brexit that their leading technology development centre outside of Palo Alto is going to be the City of London, and they are going to hire 7,000 engineers in London. So, I am not yet panicked, and I think London is going to do fine and Barclays obviously wants to play its role for the city.

Chris Manners

Thank you. That is a nice vote of confidence.

I know you pointed out some of the league tables, particularly your performance in credit trading. Obviously, since you have taken up your position at Barclays, we have seen an improved performance in the Investment Bank. It is clearly very important to the investor community here. We know you have Tim Throsby, an ex-colleague from JP Morgan, to run your Corporate and Investment Bank (CIB) division. Could you let us know where you are most excited for the prospects of CIB for Barclays, and also where you see room for improvement?

Jes Staley

I very much believe that it is important that in New York and London, the two financial centres of the global capital markets, you have a bulge bracket position, for lack of a better word, and I think that we accomplished that in 2016.

I think one of the things that Tim is going to focus on is to more efficiently manage risk-weighted assets across the Corporate and Investment Bank to maximise our RoTE. We are not satisfied with the profitability of our Corporate and Investment Bank. It is not covering its cost of capital. So we must be much more aggressive in how we manage the risk-weighted assets in that business in order to generate a return on tangible equity above our cost of capital, and that may be one of the principal areas of focus for Tim to work on. And I think his background in the markets is particularly strong for us to get there.

People talk about the US investment banks all day long. The truth is, in identifiable M&A, ECM and DCM fees, investment banks all went down in 2016 versus 2015 - every one of them. Barclays went up. What we have done with the sponsor community across the United States last year, I feel, is particularly strong. What we have done in the M&A world was quite encouraging. Where we ranked in healthcare and that whole industry was very encouraging.

And then, quite frankly, our ability to hold and retain and attract new talent – I don't know if you have friends at Barclays, but right now we think the morale is pretty high and we have been able to attract and retain great talent, not having to pay for it, so I feel very good about where the business is positioned. I am thrilled to have Tim on board, and Emily Portney, who has come in to be the CFO of that business - she is a rock star. So I love the team that we have.

Chris Manners

You flagged a number of headwinds including pensions, IFRS9, and potentially more conduct settlements. We do have a profitable bank here, and you do have capital released from the disposal of Africa, Non-Core being closed early, and in our numbers we forecast Barclays to build to a capital ratio of 13% over the next 2-3 years. Can we ask you how you think about capital return, potential reinvestment in the business, returns to shareholders and that balance?

Jes Staley

You know, Tushar and I have said since the day I got here, as a management team we cannot take any rest until we get our stock price above book value. When our stock is trading below tangible book, you are telling us that we are destroying value. A management team cannot allow that. So first and foremost, we will do what it takes to get our stock over book value. That is the number one priority.

We understand in the UK the importance of income through dividends. As evidenced by what we did in the first quarter, if we can buy incredibly expensive US dollar preferreds back, we're going to do it. We bought back $1.4 billion of capital stock in the first quarter, approved by the Bank of England. That had a very high [coupon] rate, so it is, in perpetuity, accretive to our shareholders. We have another one of those out there that is even more expensive and hopefully we will have the ability to buy that back too.

Our goal is to get our stock to its tangible book value. And whether it is through buybacks or an articulation of a new dividend policy - we know how critical it is for our shareholders - it is our obligation to them to get the stock price up over book, and we're going to do what is necessary.

Chris Manners

Thank you. That is a very interesting point on the actual buyback of expensive debt to have earning enhancements through, not [only] EPS, but through lower cost of funding.

Jes Staley

One way to think of it is that we had the ability to de-consolidate Africa, take that capital to restructure the balance sheet, dramatically reduce the complexity of the business and increase earnings per share.

Chris Manners

Absolutely, and I think what we'll do now is see if we have any questions from investors in the room.

Julian Wellesley, Loomis Sayles

You talked about building a shared architecture. Can you talk about where you have come from in the recent past on that, and what are the milestones towards that? And then maybe as a follow-up question, partly related to that, how close are we to actually reducing costs in your Core business?

Jes Staley

I will give you some data points. I got to meet with Satya, the CEO of Microsoft, a little while ago. If you go to any building of Barclays in the world, our desktop technology is called Windows XP. The last time Windows XP was touched by a Microsoft engineer was 2003. So now, by the end of this year, we will have 30,000 of our employees on what is called Office 365, and the entire bank by 2018. That will improve efficiency, in terms of being able to work off the cloud and use any device. There will no longer be a desktop computer inside Barclays at the end of 2018.

You look in the UK, we had two fraud departments. You could defraud us with a card and open a banking account in our branch the next day. You could rob a bank and get a credit card the next day. Now we have one fraud department. We had three collections departments, now we're going to have one collections department. The ability to rationalise off one service company across this overall bank is extraordinary.

And then we're going to get our models right. We have to pass CCAR in a year or so. You have to have your models right to be CCAR compliant. We brought a whole new modelling team in and we brought a whole new head of technology from another bank in New York that has passed CCAR year after year. We are going to pass CCAR. But that means we have got to get about 147 models CCAR compliant within the next 12-18 months.

There are huge places where we can drive efficiency, upgrade our technology, and manage that core architecture for the benefit of the business. I would say, if you look at our Core cost: income ratio last year it was 61% [excluding notable items], so we are close to that 60% [Group] target. With your models, don't drive it a whole lot below 60% for the next year or so. If we have that additional ability to spend money, we will.

Cyber-security is so critical right now. Before this technology team that we put together came here, you could get into Barclays network through my iPhone and go straight to the general ledger. You cannot allow that in banking today. So now there are about four firewalls to get from my iPhone to the general ledger. Everyone saw that Lloyds got hacked, which dropped down their mobile system for 2.5 days. The same hacker was trying to hit us the whole time. So, investing in cyber-security and investing in firewalls is critical stuff and we want to be the safest place to hold your data. And we will spend the money to do that.

Jackie Ineke, Morgan Stanley

Hi, it is Jackie Ineke from the credit team at Morgan Stanley. So I think I had quite an old-fashioned answer to the polling question. I am still concerned about conduct costs and PPI. I was hoping you could give maybe an update on the US RMBS situation and also the latest developments on PPI, with the kind of timeline we have now on there?

Jes Staley

In terms of the RMBS issue, all we are seeking is for Barclays to be treated aligned with how the US banks were treated. We don't think that just because the Attorney General has changed, that all of a sudden the treatment for non-US banks should be particularly harsher than what they negotiated with all the US banks. So we continue to maintain that, and let's see how this all evolves.

Vis-à-vis PPI, we think we are sufficiently reserved. We appreciate the decision taken by the FCA, in terms of the end date. Let's see how it plays out, but we are comfortable with our reserve level for PPI right now.

Obviously at some point we're going to be talking to Department of Justice about RMBS.

Benjamin Segal, Neuberger Berman

I've got a question on the Corporate and Investment Bank. You have come obviously with a lot of experience there. Can you give us a few specifics; obviously, we follow league tables, which I think are a poor substitute for profitability and RoE. But if the key driver – one of the key drivers – of getting to book value is boosting the RoE in the Corporate and Investment Bank, there is a revenue issue, which was answer four. I think there's more importantly focus around cost and around exiting areas where you have not got a leading position. Can you give us some clarity on, specifically for the Corporate and Investment Bank, where you are really going to move the needle on profitability?

Jes Staley

That is a great question. So, revenue is part of it and I wouldn't underestimate the impact, which I think you saw in 2016, of saying that we are staying in the business. It is very hard to stay in the investment banking business with a big question mark over whether you are going to. So I think a re-dedication to the business was quite important and was significant in what happened in 2016. Putting the Corporate Bank together with the Investment Bank is also very important in terms of rationalising the use of risk-weighted assets. Making sure that we are using our balance sheet for the benefit of our profitable clients is very important. We must manage our overall balance sheet such that we're maximising the return on risk-weighted assets, period.

Looking at the Corporate Bank, where the corporate loan book is larger than the Investment Bank's loan book, putting those two together I think will allow us to rationalise the use of that capital to improve earnings. And then, have no doubt, I stood up the day I got here, I committed to Barclays being a leading Investment Bank. I have been here through two bonus cycles where the Investment Bank's revenues and profitability were up, and I cut compensation twice, so I do not hesitate from managing the expenses of Barclays to generate the returns on tangible equity that our shareholders deserve. We started that about 15 months ago. We are not done, but we are committed to managing our costs, including compensation costs, to drive profitability, and everyone in the Investment Bank knows where I am coming from.

And then thirdly, we have changed the head of operations, the head of technology, the head of data, the head of risk, the head of models, everything. We're going to make this bank a much more efficiently and well-run institution in terms of the core operations. The challenges of CCAR, where we have 147 models that have to be CCAR compliant and right now, we only have roughly 3 – that costs us money. Meeting what the regulators want us to do in terms of efficiency and control – that is good for the bank.

Now the other thing that we have done is remove costs to achieve (CTA) – in our numbers you can see a £150 million cost to get out of a third of our real estate in Canary Wharf. We are putting every Structural Reform Programme (SRP) expense and CCAR expense through our actual numbers. By June we will live by our statutory numbers. If you look through that lens at where our CIB is relative to the other firms on Wall Street, we are fine. I don't think we have a structurally impaired business, not by any measure. If you look at where the US banks are trading right now, you have got to ask yourself, where has the cost of capital gone?

Chris Manners

Fantastic. I think that is just about all we have time for at this presentation from Jes Staley, Group Chief Executive of Barclays. Jes, thank you very much.

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