



Barclays PLC Q1 2012 Interim Management Statement Q&A Session

Question 1: Chris Manners, Morgan Stanley

Hi there, good morning everyone. I just had a couple of questions if I may. The first one was on impairment charges. I know that Robert Le Blanc gave guidance of about £3.8 billion for the year but you are annualising at £3.1 billion from the first quarter, with UK looking a lot better and Spain charges also looking low. I was just wondering if we could get a little bit more colour around the guidance on those sort of early warning in the case of Spain?

And secondly just on the net interest margin, 1.86% in the quarter on your Retail Banking business as it were. I mean that is obviously quite a big drop from the second half as we had anticipated. Is that a sensible run-rate for the rest of the year or are there other cross winds that are going to maybe nudge that down a little bit? Thank you.

Answer: Chris Lucas

Chris thank you. Let me try and answer both of those. Robert did indeed give guidance around £3.8 billion. I think it is fair to say that the trends we have seen have been slightly better than those underlying his prediction and we have probably seen the impact of the economy less so than maybe we thought. I think if we were to ask him to update that number, it would bring the £3.8 billion down to about £3.4 billion and that reflects predominantly better experience than expected in the markets in the UK and US.

Spain is a situation where the numbers speak for themselves. When we went back a couple of years ago, we said one of the things we really wanted to do was to get on top of impairment quickly. And that meant both increasing the resources on workouts and providing earlier than we would otherwise have done. So when you look at the trend, the big provisions we took were in 2009/2010 and we have seen lower provisions since then. I think that just reflects differences in timing.

In relation to the net interest margin, you are right, it is about 7 basis points difference. If you look at the second half of last year there was quite a bit of non recurring gains on sales of portfolios. Whereas if you look at the first quarter it is pretty clean. It is the customer margin being earned, as you expect, adjusted for the normal runoff of the hedges. I think what we saw in the first quarter is a pretty good guide as to how we should look at it going forward.

Chris Manners

Perfect, thanks very much for your answers.

Question 2: JP Crutchley, UBS

Good morning chaps, JP here. Two questions if I can, maybe one for Bob and one for Chris. Maybe the easy one first on the Head Office. Obviously you pointed to the hedge gain but you also alluded to higher regulatory costs. I guess the inference from that maybe is that the one-off gain won't be repeated, but the regulatory costs may well be. I just wondered whether you could comment on whether we should be looking at a higher level of costs in the central element going forward and what we should think about that?

The second question was a slightly more strategic question about the Investment Bank. I guess that over time you obviously have largely been seen as a Fixed Income shop and you have clearly been broadening out the business lines and diversifying the business. And I guess if you look at that graph you showed where you look at the revenue drivers of the business it is still sentiment numbers. The P&L is heavily driven by the FICC franchises as opposed to the Equities and Investment Banking franchise. I just wondered if Bob maybe you could comment about how you feel about the progress you are making in building a bigger more global investment bank and how that is proceeding against the plans you have?

Answer: Bob Diamond

Sure. Thanks JP. Let me start with that and then I'll ask Chris to answer the question on Head Office. We are absolutely delighted with the decision to acquire the Lehman's business in the US. I think part of that decision that was critical for us and goes somewhat unrecognised was the decision not to buy the business in Europe and Asia. We didn't feel it had anywhere near the same quality as the US franchise. And so we are able to build, getting the right people in the right roles and do it in a way that you know, building out the Equity and Advisory and Corporate Broking platform in an environment where these businesses are not big users of risk and not big users of capital. So they were a very good balance in this regulatory environment.

One of the things I think you will find interesting is we are one of a very few number of banks that increased the profitability of Equities in the first quarter of this year, versus the first quarter of last year. Low base sometimes is helpful in that. The pipeline is terrific. Clearly the environment for the new issue equity market has not been positive, but there is no hesitation on our part that this was the right strategic move. The execution has been fantastic. The market is a bit slow. And I am not sure in the fullness of time that hasn't worked in our favour. So very positive on that.

Chris can I ask you to talk about Head Office?

Further answer: Chris Lucas

Thank you. Head Office as you know by its very nature, is difficult to predict. But we have said if you look at the long-term numbers it is about £200 million a quarter. And if I was to give people some help, it is about £800 million a year. Within this quarter we had the gain on hedging of employee share schemes which was a hedge we put on about 15 months ago now. And if you can imagine fair value, the hedges closed, it was run up to March and there is no further hedging in place. It made about £200 million, that sort of number. The FSCS or the regulatory costs are I think going to recur in some

level, but it is very hard to predict what that level is. And that in this is about £60 million.

I hope that gives you the quantum of the non occurring items.

John-Paul Crutchley

That answer is very helpful. Thank you.

Question 3: Tom Rayner, Exane BNP Paribas

Yes good morning Bob, morning Chris. A couple of questions please, the first on the Investment Bank. The second on the balance sheet movements. Could you give me a sort of feel for the sort of level of commitment to your cost ratios on a full year basis? Because you started off Q1 last year pretty good at 61%. You are a little bit higher than that Q1 this year. And I am just wondering what, if there is any sort of caveats around the ultimate revenue outcome as to whether you get back inside your 60-65 target range?

And also, if you could comment on Asia? You do flag up Asia as being part of the good performance in the first quarter, but if you look at the geographic breakdown of revenue, Asia doesn't look to be hugely material. So I wondered if you could comment on how Asia is driving your Investment Banking business please?

Answer : Bob Diamond

Sure. Thanks Tom. I think starting with Asia, Japan was a really strong performer. It is a business there where we have real scale. It is a business where we have real competitive edge. So we are very pleased with how Asia is performing. And I would say if there was one part of the business that was you know at the top of our list of good performance it would have been Japan.

On cost to net income ratio, we are absolutely committed to 60-65%. I should have started with that. I think the context we take things in is we don't expect the second half of 2011 to be the kind of environment that one plans around. You are always prepared for it if it happens, but we think that is the outlier. And I would keep in mind that very strong performance across all these businesses. But that was on a robust environment in the first quarter. It is still low economic growth around the world. It is still kind of zero interest rate policy in the major economies. And to see a 9% increase in FICC in this environment versus a good first quarter last year shows the strength of the franchise rated number one both in the US and around the world. And it is the market share gains, it is not really a robust environment. So a 17% return on equity in the quarter for Investment Banking is pleasing to me because it wasn't what I would have considered a real robust environment.

Further question

Okay, thank you. The second one maybe Chris. There does seem to have been some confusion with some people in the market this morning on reconciling the year end position both in terms of tangible equity and capital, regulatory capital with the Q1 position given the statutory earnings. And I understand there are a number of one-offs,

including an impact of some of the share awards. Could you maybe help us understand the underlying sort of movements in those numbers please, sort of year end to Q1?

Answer : Chris Lucas

There is quite a bit going on, but if you look at the move on attributable profit from a regulatory perspective, you have attributable profit including one-offs of about £1.7 billion. From that you have to deduct PPI of £200 million. You have then got a payment that comes in and out, own credit, but let's ignore that. We have then got dividends that are paid and of course of fourth quarter dividend is the large one. So that is about £400 million. And I think if you put all of that together you get to a regulatory retained profit of £1.1 billion and that is the number you will recognise.

Tom Rayner

Okay.

Answer: Chris

TNAV is another reconciliation. Why don't we take this off line and we will get the team to talk through it.

Tom Rayner

Okay, thanks very much for that.

Question 4: Michael Helsby, Bank of America/Merrill Lynch

Morning everyone, I have just got a couple of quick questions. Firstly on overall hedge contribution. I think it was £3.3 billion last year. I was wondering if you could give us a number for what it is in the first quarter?

And just on BarCap costs. I think you deferred about 75% of the variable comp in BarCap last year, I was wondering if you could give us a percentage for what it has been in the first quarter? Thank you.

Answer : Bob Diamond

I think on the Barcap comp. You want to think of accrual from past years is broadly offsetting in the awards. It could be this year that the cost awards are a little bit higher than the end of year awards, but they are fairly close Michael. So I don't think it is one to worry about. It is a fairly accurate reflection.

Further answer : Chris Lucas

And in terms of impact on net interest margin, the hedging contribution in the first quarter was about £400 million, that sort of number which is lower than the clean run-rate. Because as you know hedges are rolling off and as they are replaced at lower rates. But there is none of the sizeable one-off items that you saw last year. So that is much closer to the normal run-rate we would expect. I think the key point from my perspective is that when I look at the margin, although I am seeing a degradation of the hedge, I am seeing volume growth and customer margin increase. And that I think is showing the offset of the impact of the hedges.

Michael Helsby

Okay, so £400 million, thank you.

Question 5: Andrew Coombs, Citi Group

Good morning, if I could ask one question please on the Fixed Income result and then just a follow-up on PPI. First on the Fixed Income results. Clearly it has been a very good quarter for yourselves of 9% year-on-year. Perhaps you could just elaborate on which products in particular have been driving that improvement? And also just give us an idea of the inventory gains driving that result relative to the customer driven revenues perhaps? And then in turn what you are using as a normalised Fixed Income result to divide your 60-65% cost/income target?

My second question is on PPI. I noted that you had £435 million of claims at the year end versus the £1 billion provision that you previously made. So I am just interested to know where that £435 million claims figure has moved to today? Thank you.

Answer : Bob Diamond

Andrew let me start with your questions on Fixed Income, Currencies and Commodities. I think it was mostly Fixed Income you were asking about. It is a very clean quarter. I think there is virtually no inventory gains, if you would think of it that way. It was very much a flow quarter. When you think about Rates and Credit, it was heavily weighted towards Rates, it wasn't as active a period in Credit as we have seen recently. So Governments and you know covered the whole Rates franchise. The other part of it that was very, very solid was our Capital Markets business. So the fund raising business if I can say the new issue business was very strong.

I think you asked about the cost/income ratio again. 60-65% is very much what we are committed to.

Further answer : Chris Lucas

And Andrew in terms of PPI, by the end of the first quarter we had spent and paid in redress about £650 million, against which we have now got a total reserve of £1.3 billion.

Andrew Coombs

Right, thank you.

Question 6: Ian Gordon, Investec

Yes good morning. Sorry it is just a further follow-up on Barcap costs and the dynamics of the cost to income ratio. Obviously you referenced the very strong revenue trends which helped you deliver the 63% in the quarter. And I note that the 4% cost growth is after absorbing some regulatory provisioning. Frankly I would take your comments around the revenues as pointing to something rather stronger than the £2.5 billion a quarter consensus is implicitly pricing in for the rest of the year. My question is, if revenues are in that ballpark, are you committed to taking a fresh look at costs, where I think your net headcount reduction was only around 3% last year. And it feels from

your comments and it feels from your market share gains and your positioning, that you are positioning for a stronger out turn?

Answer: Bob Diamond

Yeah, we are trying not to look forward with a lot of prediction Ian, it is quite hard to kind of factor in how you see the rest of the year playing out. And I think most people would say that April was a bit slower than the first three months. On the other hand, the pipeline is really, really strong. I mean the amount of Equity business and Advisory business, if the environment improved a bit. So I could kind of make an argument that our outlook for the year is better than what we have seen. Or I could make an argument that it is worse. I do think we should take the second half of 2011 as the outlier, particularly the fourth quarter for the industry was, you know was pretty much closed up. So I am kind of balanced there. And I would love to be in a position that if we had the robust environment, I do think that this business has gained so much in market share, with such a deep client base, it really is a flow business, that we can begin discussing whether we are at the low end of the range in costs or going below it. I look forward to having that conversation with you, but I would rather wait until we get a robust environment back.

Ian Gordon

Sure, that's great. Thank you.

Question 7: Fiona Swaffield, Royal Bank of Canada

Morning. Two areas. Firstly I don't know if it is appropriate to maybe have an update on Basel 3, if you could tell us how you are getting on with your mitigation because we can't really see much in the Basel 2.5 numbers?

And then just to follow up on BarCap cost to income again, sorry. But the compensation ratio, obviously it shows that you have got discipline there on the bonus, but is that a representative level going forward? Thanks.

Answer : Bob Diamond

I will talk about that quickly first. Just keep in mind I would say in the first quarter that these are accruals for the year and should be thought of as direction, but there is not a lot more than that in the comp ratio at this point. Chris do you want to touch on either or both of the questions?

Answer : Chris Lucas

Yes. In terms of Basel 3, we updated you in February and I think I would describe work as ongoing and continuing to plan. There is a very significant amount of work that is involved and realistically to see a meaningful change, I think it is better to wait until the half year or the Investor Day where we will be absolutely giving you the very latest update. But at the moment I would characterise it as work in progress, but a lot of it going on.

Fiona Swaffield

Thanks.

Question 8: Edward Firth, Macquarie Research

Yes, good morning. Just a couple of quick questions. One, can you update us on the coverage ratio? So I guess some idea how NPLs have performed or how they are compared with the full year?

And the second question I had was just on funding. You highlight I think £144 billion of wholesale funding that is maturing in less than one year. Is that a number that you are happy with? Is that the sort of a long run average rate or would you expect to see that come down as you restructure the business?

Answer : Chris Lucas

Two questions Ed. In terms of non performing loans coverage, it is pretty flat quarter on quarter, so there is very little change since the end of the year. And again that is not surprising in a three month period.

In terms of the funding, we are very comfortable with the level of wholesale funding that we run, largely because we have good experience of being able to raise funding in the wholesale markets when we need it. So I think we set out for you at the end of the year how we saw the funded nature of the balance sheet and the offset between the accounting for derivatives and then into the wholesale funding. And I think we remain very comfortable with the level of funding we have got and the level of secure to unsecured level of wholesale to retail.

Ed Firth

Great, okay, thanks.

Question 9: James Invine, Societe Generale

Hi, good morning everyone. Just got a couple of quick questions please. The first is on the dividend. Chris you said at the beginning that you were looking forward to increasing it when the industry has certainty on capital requirements. Were you referring just to the one penny interim dividend or does that comment relate to the whole 6p full year dividend from last year?

Answer : Chris Lucas

It relates to the full dividend. We like the quarterly approach with three fixed amounts in the quarters together with the variable amount in the fourth quarter, but we look at it as the 6p as you described. And it would be that I would use as the starting point in discussions around dividend policy and increase.

Further question

Thanks. And then the second question was just on the risk weighted assets in the Investment Bank. They are up I think it is about £4 billion in the quarter. But at the end of last year you said that we, I think you implied that they were about £30 billion lower due to activity levels. Clearly activity levels are higher in the first quarter, given your revenue lines. So I was just wondering if you could talk me through the progression there? What is the offset of the higher activity levels?

Answer : Chris Lucas

What I can do is to give you some flavour for how we saw the £4 billion. And I should point out the £4 billion is 1% of the risk weighted assets. So it feels to me still very well controlled. But if you look at the movement from 391 to 394, there is a reduction in RWA's of business activity offset by further methodology enhancements. And methodology enhancements tend to be additive to risk weighted assets rather than reductions. There is some adjustment to operational risk and then there is some FX. So when you look at the progression, there is what I would describe as small amounts of many movements rather than anything that is really very significant.

James Invine

Perfect, thank you.

Question 10: Raul Sinha, JPMorgan

Hi, good morning everybody. If I could ask a question on Spain. Could you elaborate how you see your performance there which was obviously pleasing in the last few quarters, in the context of the more challenging environment more recently? I think you also made a comment in the press calls today that you saw the restructuring as complete. So I would be grateful for any further details there? And that is my first question.

The second question is around UK retail. Again if you could throw a bit more colour around what is the underlying demand for loans? Have you seen any change this year relative to last year in terms of the trends of the economy? And is there anything that would make you a bit more cautious? I think you were sounding a bit more cautious of the UK economy in general. Anything specific that you might flag up for us?

Answer : Bob Diamond

Well thank you. Let me take a crack at both of those and ask Chris if he wants to add. We have made real progress in executing in Spain on exactly what we had said to you a year ago, which is that given the environment our business needed to cut 20-25% of the cost base and that was the headcount, the branches. It was all kind of in that 20-25% area, and get far more focus through what would be a period of pretty dramatic restructuring. I don't think if we implied that we are done, that is probably a bit of an overstatement. I think we have made a lot of progress. There is more to do. We are happy with the decision we made to get the business much more focused on the area where we have real expertise which is in the higher end of retail banking and the way that fits with our Corporate Bank, with our Wealth management business and with our Investment Banking business. So listen, it is tough in Spain. I think you can see in the results that our restructuring is having an impact as costs are much lower. And we are probably never done in some ways in terms of continuing to refocus that business. But lots of progress.

I would say that in the UK, we are winning market share in most every product in UK Retail and Business Banking. It is not because of robust demand. If anything demand is

muted, for exactly as you said, there is concern about the economy. But our business feels good in terms of picking up market share.

Raul Sinha

Thanks very much.

Question 11: Christopher Wheeler, Mediobanca

Yes good morning, just a couple of questions on the Investment Bank. First of all in terms of your VaR, could you give some indication as to how it moved in the third quarter, sorry the first quarter in the Investment Bank, compared to the first quarter of last year and the fourth quarter of last year?

In addition to that, I think you have just sort of replicated what Deutsche said this morning about their Fixed Income revenues being almost predominantly driven by client activity and that the strong numbers have been about market gains, which I think you would agree with in your case. Could you give us some idea of where those market gains have been by product and by geography? Thank you.

Answer: Bob Diamond

Well first of all, the market gains have been very broad. And we are happy to give you some of the research that Greenwich Research and others do about our market share, our market rankings. But they have been pretty much across the piece. To reiterate what I said earlier, I think in the first quarter the business has been lighter on the credit side, versus last year and stronger on governments and rates and stronger on debt capital markets. But that is just a quarter, we would expect potentially that changes from quarter to quarter. In terms of VaR, it is down slightly on previous periods.

Further answer: Chris Lucas

It is down about 5%.

Further question

Sorry Chris, is that first quarter against fourth quarter?

Answer : Chris

First quarter 2011 versus first quarter 2012

Further question

And just roughly what do you think it is down on the fourth quarter because that is where there has been a big drop in the market this year?

Answer : Chris

Pretty flat actually I think. Flattish. It is not a material change.

Christopher Wheeler

Okay. Thanks very much.

Question 12: Peter Toeman, HSBC

Morning. Bob you mentioned the resolution regime, the critical element in meeting UK's new regulatory requirements. I wondered, is there a possibility do you think of some sort of trade off here that institutions that are actually able to convince the authorities they have an appropriate resolution regime, might get some leeway under other aspects of the ring fence? Are you having maybe a lower requirement?

Answer: Bob Diamond

Well I am not thinking of this at all in relation to the Independent Commission on Banking or the ring fence. But I think it is a fair question. I would say it differently. I think if there had been effective resolution plans in place where regulators were comfortable saying in the US and the UK that if there was a problem in a large bank, we know how to manage it and resolve it, without systemic risk to customers and clients with the financial system, we probably never would have gone to an Independent Commission on Banking and we probably never would have gone to a ring fence. But that is a different way to say it. I do think it is an opportunity to reduce many of the buffers above the 7% equity that Basel recommends and/or above the 7% in our case 2% of G-SIFI and I think it would give a lot of confidence to the regulators in drawing a line under things and would give a lot of confidence to political leaders that taxpayer money will never again be put at risk. I think these things are critically important to get the confidence back. You know to get banks really operating effectively as an industry working closely with the private sector and driving economic growth. So I think it is a huge initiative. We believe it is important enough to the industry and ourselves and our shareholders. But we are not only doing a lot of work Peter, but we are committed both to the US, the Fed and the FDIC and also here in the UK with the FSA to be a test case.

Peter Toeman

Thank you.

Question 13: Mike Trippett, Oriel Securities

Good morning. Two questions. Trying to get back to the sort of near term on Barclays Capital. I mean obviously good performance in Q1, but you have talked about strong Rates performance. April feels a little slower. Equities backlog is there, but you need a better market. It feels to me we should still apply the usual seasonality sort of looking into Q2. Would you want to dissuade me from that view?

And secondly, could you just give a bit more on the moving parts on non performance costs? I think they were up 3% versus Q1 11%. I am really just trying to understand how much of the £2 billion target that you have achieved in Q1 2012?

Answer: Bob Diamond

Let me take the first and then ask Chris to talk about the cost, you know what is going on here with the costs and the £2 billion we have committed to.

You know I think in terms of the Investment Banking Business Mike, if we could. This would be fairly easy if we actually knew what the environment was going to be for the balance of the year. We don't see much seasonal change in the second quarter frankly

in a typical year. And we can make, you know you can make a case both ways, that there has been consolidation. I think our Investment Bank in Barclays has clearly been one of the winners of consolidation in market share with the build out of equity and advisory platform is, you know never complete, but it is really doing well, you know top four in global M&A. 28 Corporate Broking assignments in the UK. There is a lot of good progress here. So if there was a whiff of good news or positive news in a better market environment, you could make a case for a pretty strong year. And on the other hand, you know if you make the case that it is going to be a weak economy and continue zero interest rate, we will perform very well relatively, but it is not going to be as robust a market and you will still have a bit of a pipeline going into next year.

So I hope that helps. I don't think any of us know how the year is going to play out. We are prepared for both scenarios. And frankly I think there are very few investment banks, I would say a handful, that are prepared, that are in line to perform well in both environments.

Mike Trippett

Thanks Bob

Further answer : Chris Lucas

In terms of where we are on the cost programme, the best starting place is, just we will take the total cost, we will strip out some of the non recurring pieces. But if you take non performance costs. I stripped out performance costs. If you take non performance costs have increased by about 3%. If you take out of there the increase in regulatory and legal, you are about flat in the first quarter. And when we look at the trajectory of how we are going to save £2 billion, we had the annualised basis in 2011 which would get you to about £1.2 billion. And then you have got the balance in 2012 and 2013. So we had seen the 2011 cost reductions come through, because we pointed out that it was flat or slightly below prior years. And we have started to see about £100 million of further savings in 2012, recognising that we have got to get £800 million to get to the £2 billion. So we are making the progress we expected. It will be for us to continue to do that through the balance of this year and then into 2013. The £2 billion number in 2013 in terms of the cost base.

Further question

Okay, I think I need to work that one through again. Can I ask the question in a different way? The consensus for 2012 costs is £19.3 billion. I mean, can you comment on that figure?

Answer : Chris Lucas

Yes we have seen that number, £2 billion is taken off of a MTP medium term plan number that we have got. So the way I would look at it is to take last year's costs, add on the additional amount to get to consensus and then take the £2 billion off the 2013 total cost base. And the 2013 total cost base, well the reduction from it is made up in three parts. £1.2 billion savings out of 2011, £400 million in 2012 and £400 million in 2013. That is the run rate from the reduction programme.

Mike Trippett

Okay.

Question 14: Chintan Joshi, Nomura

Hi, three follow-up questions from me please. Firstly on PPI, could you give us a feel of how these claims have developed in the first quarter? And the £300 million additional provisioning that you have taken, is that representative of any acceleration that you are expecting to the rest of the year or similar trends as in Q1?

Answer: Chris Lucas

We saw in terms of trends quite a significant uptick in claims in March and that is what has driven us to increase the provisions. So we have taken into account both the payments we are making and the number of claims we are receiving and we think that is appropriate. What we will do is keep it under review. But as we sit here today, based on the current history of claims, we think we are appropriately provided.

Further question

So you are not expecting the March uptick to expect through the rest of the year?

Answer : Chris Lucas

We are expecting there to be the increased number of claims. We are also looking at the number of valid claims that we make payments on. And if you look at both of those together and look out at the future, that forms the basis of our estimates of provision.

Further question

Okay, the second question on mortgage trends, we have seen a number of banks increase their SVRs, I just wanted to ask you kind of at a broad level, do you think the industry needs to increase SVRs to offset the funding costs? Or do you think we are not far from an appropriate level?

Answer : Chris Lucas

We have a very small SVR portfolio so from my perspective we look at the funding costs and the ability to pass that on as we have seen in the margins being pretty flat. And I think we are able to reprice the increase in funding costs.

Further question

And finally on liquidity buffers, I see about I think a £20-25 billion increase in the quarter. Your peers have talked about regulatory requirements having increased liquidity requirements. I just wanted some comments from you regarding what that is costing you currently? And do you think these requirements will be further increased down the line?

Answer : Chris Lucas

The increase in our liquidity buffer comes from basically customer activity and depositing with us rather than anything that the regulators have required or requested. In terms of cost, we gave you last year an estimate of about £800 million of costs, that

is slightly reduced as we said we would. But it is still a very significant level of costs that we are varying.

Chintan Joshi

Many thanks.

Question 15: Jon Kirk, Redburn

Morning. Actually I have got three questions I am afraid if that is okay. The first one is on the business model within your Investment Bank. Because obviously you made this comment as have Deutsche this morning, that your revenues are driven by flow rather than any inventory gains. I wonder if you could just give us some ideas as to why that is? Is it simply the way that markets performed in the first quarter that has driven that or is it a change in underlying business model that has driven that? That is my first question.

Answer: Bob Diamond

Well let me start with that one and then we will have time for your follow-ons. You know it has become common for people to use the phrase 'flow monster'. The business that we build here, the business that Jerry and Rich built has always been focused on customers and clients. And as you recall we exited proprietary trading in 1998. And I think what you are seeing is the market share gains are going to three or four firms that have always been the most committed to client flow, investment and technology. So if you see you know the impact of our BARX platform on our market share and our client gains, this is in my mind a function of the kind of market environment it was in the first quarter and our business model. It wasn't a change in business model. And I think where you will see less impact in the first quarter are those firms that don't have that kind of market share or investment in technology in this environment. So I think the environment fits our business model. I don't think, just to repeat what I said earlier, we should be looking at the first quarter for Fixed Income as a robust environment. I think there were a handful of firms that did quite well because they had high market share.

Further question

Okay, so just to clarify, the first quarter, the fact that it was all non inventory gains that were in there is not reflecting a big change in business model?

Bob Diamond

Not at all, no. In fact what we have said pretty openly is when you see really trending markets where there are big trading gains, we tend to underperform. And when you see market environments like this which is really around client flow, we tend to outperform.

Further question

Okay, thank you. Just moving on. The second one was on costs actually again within the Investment Banking industry. Could you give us some ideas or some guidance really on how easy it is to manage staff costs these days? You know it has historically

been a kind of competitive market for talent, I think that is changing now. Is it becoming easier to manage staff costs?

Answer : Bob Diamond

I can't think of a thing in the banking business that I would refer to as easy right now actually. We are committed to 60-65%. You know I have said this before Jon, I think the key thing is, we wake up every morning knowing that the Investment Bank at Barclays needs to be able to earn 15% sustainable returns and it has to do that in the new environment of higher capital. So we are very committed to our business model and performing at those kind of levels. So the 60-65% range for cost/income ratio is actually very serious and well thought out.

Further question

Thank you for that. I guess what I am asking is, the 60-65% range is only really achievable if everyone in the industry plays ball if you like and prices rationally etc. And I am just wondering if you have seen a change in behaviour in the last 3,6 or 12 months where there is a lot more rational levels of staff pay and customer pricing etc?

Answer : Bob Diamond

Well there has been consolidation, but it has been a pretty weak environment out there. But you know we have never felt disadvantaged in terms of people wanting to join our firm.

Further question

Okay thanks and my third final question was just this comment that you made earlier or Chris made I think actually about resolution plans and how that could lead to potentially a lower G-SIFI charge, I think it was you Bob actually. Have you had guidance from that? Are regulators saying to you, look if you come to us with a very strong and credible resolution regime, or raised resolution plan then we may consider cutting your G-SIFI charge or is that just something you plan to go back to them with as part of a negotiation?

Answer : Bob Diamond

I didn't mean to imply that the G-SIFI surcharge would be cut. I think at various times there are capital buffers that go above that. And I think it would give the regulators comfort that buffers above the Basel minimum of 7% and then the G-SIFI charge of 2% probably won't be enough. Sorry, I didn't mean to imply. You know, some day, somehow that may be revisited, but I certainly. We don't have anything in our planning horizon that there is going to be a change in the SIFI or G-SIFI charge. Apologies if I said it poorly.

John Kirk

I may have misheard you. Thank you very much.

Bob Diamond

Thank you all for joining. I think it was a strong first quarter. I think it is a pretty clean set of numbers that really represent the underlying strength of our execution and our businesses. I appreciate your time and your questions. Thank you.